

MEMORANDUM

To: Housing Finance Authority of Manatee County

From: Mark Hendrickson and Susan Leigh, Financial Advisor

Subject: River Trace Apartments Bond Application

Date: April 3, 2017

Background

1. This is the proposed acquisition and rehabilitation of the River Trace and Manatee Pond development—combined 218 units.
2. The transaction was given preliminary approval at the November 2016 meeting.
3. Since that time, housing credit investor pricing has dropped significantly, making some deals infeasible, and lowering the amount of funds available to pay costs for all deals.

Present Situation

1. The developer has requested various waivers from the current HFA requirements. Some of these are related to costs, and others related to a comparison of FHFC and Manatee HFA policies.
2. In short, when a developer receives SAIL from FHFC, they have a 50 year set-aside requirement. However, when they do a bond-alone deal with FHFC, the set-aside period is only 30 years.
3. The current Manatee HFA policy is 50 years—which is the correct one from a pure policy perspective. We also have various resident program and unit/development amenity requirements which better fit today's market than the FHFC requirements (better public purpose).
4. However, in blunt reality, it is very difficult for the Manatee HFA to get the public purpose programs and amenities if a developer can simply opt over to FHFC for the lower set-aside period. From a developer perspective, it is much more lucrative the shorter the set-aside period is (ability to convert to market rate and/or sell the development without rent restrictions). The developer is requesting that the set-aside period be set at 30 years.

5. The developer has also noted in the application that some of the units, due to a current LURA, were targeted to households making less than 30% of AMI. Therefore, that was listed in the original FA memo. Subsequently, the developer has stated that they did not intend to make that a commitment for the full term of the Manatee HFA financing, and are requesting that it not be in our LURA. The requested change is in compliance with the Authority's Guidelines.
6. Due to the reduction in available funds (due to credit pricing), the developer is requesting waivers related to provision of energy star rated appliances, roofing, and fixtures—and whether all of this needs to take place during the initial rehabilitation, or whether it can be done on an individual as-needed basis. We have asked the credit underwriter to evaluate this request as to both whether the energy star replacements are needed, and if they can be afforded as part of the capital budget.

Recommendations

1. Approve developer request for set-aside period of 30 years, with 100% of the units at 60% of AMI, and
2. Evaluate the developer request on energy star rated appliances, roofing and fixtures until the credit underwriting report is received (scheduled for May meeting).