

MEMORANDUM

To: Board of Directors, Housing Finance Authority of Manatee County

From: Mark Hendrickson & Susan J. Leigh, Financial Advisors

Subject: Update on the Palmetto Senior Project and Request for Final Approvals

Date: April 7, 2020

1. The Board approved the project to move forward in early 2019 and TEFRA hearings were held on May 28, 2019, and October 8, 2019. Bond allocation of \$31 million was received and carried forward.
2. The Developer paid the \$150,000 Commitment Fee to the Authority and has continued to work through the various local government development and building required approvals. An environmental issue with the site delayed the process—however, the developer indicates that the issue can be worked out with minimal financial impact to the project.
3. The developer presented a revised schedule which would have a credit underwriting report finalized for the March HFA meeting, and a bond closing in early April.
4. Recently, the developer focused on the fact that the HFA requires multiple personal guaranties as part of the financing. The developer concedes that they should have noticed this when they began the process one year ago.
5. A summary of the Waivers or request for changes to their project since submission which should not be taken as a list of problems with the transaction but more to summarize the accommodations and summary of the process and discussions that occurred to address the variety of issues.
 - Reduction in long term affordability
 - Requested a waiver from the requirement for personal guarantees
 - Delay due to environmental concerns
 - Increase in bond allocation
 - Due to several items that the FHFC requires that they are not meeting, they will be required to request waivers from FHFC
 - Significant increase in cost
 - Increase in number of units
 - Accommodations for payment of HFA Fees
6. The HFA team has been working through the variety of changes and issues to bring this project, which is important to the community as a whole, in for a landing. It is currently scheduled to close April 23, but that date will depend on the contingencies being met by the developer.

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7. First Housing has finalized the credit underwriting report which has been reviewed by the Financial Advisors and attorneys. It has been provided to the Board for review.
8. The issue related to the guaranty of ongoing HFA fees has been resolved, with the developer agreeing to pay the net present value of 10 basis points of the HFA's 20 basis point fee upfront (escrowed and paid to the HFA upon completion of construction—required due to tax law yield restrictions). The NPV is calculated with a discount rate of 2.75%, well below the 4.5% rate proposed by the developer. The payment will be \$371,755, with the other 10 basis points paid throughout the deal. The FA's recommend this approach as it moves the deal to closing and produces significant income to the HFA even if the deal does not ultimately succeed.
9. The chart below summarizes the proposed project as reviewed a provided by the final CUR from First Housing.

Name	Palmetto Senior
Owner Entity*	Palmetto Leased Housing Development I, LLC
Developer/Location	Dominium Development Plymouth, MN
Type	New Construction Mid-Rise
Street Address	705 Haben Boulevard Palmetto
City Council District	Ward 3 Brian Williams Commissioner
Units	224
Bedrooms	356
# of Buildings	1 Building
# of Stories	5 Stories
Bond Request	\$31,000,000 \$138.392 /unit
Total Cost	\$54,780,985
Cost Per Unit	\$244,558
Land Cost	\$2,100,000 \$9,459/unit
Acquisition of Building Cost	n/a
Hard Construction Cost	\$33,455,094 \$149,353
General Contractor	CB-Dominium, LLC
Credit Enhancement	Long-Term Bonds/Freddie Mac structure
Set-Aside Period	20 years + 3 year conversion
Set-Aside Levels	100% at 60% or less

Recommendation:

Approve the following motions in separate votes:

1. **Approve the revised Issuer fee structure and the estimated COI;**
2. **Approve the selection of First Housing as compliance monitor and US Bank as Fiscal Agent;**
3. **Approve RBC and Raymond James as the Placement Agent; and**
4. **Approve Resolution 20-01.**