



March 28, 2017

RE: River Trace Apartments  
Bradenton, Florida  
Manatee County Housing Finance Authority

Mr. Hendrickson:

It has been our pleasure to work with the Manatee County Housing Finance Authority (MCHFA), Susan Leigh and yourself throughout the resyndication process, with the ultimate goal of preserving affordable housing at River Trace Apartments and Manatee Pond as well as improving the sites for our residents.

The purpose of this letter is to express our gratitude for clarifying the proposed fee structure and to resolve the remaining four open issues with respect to the project as proposed today. Those are:

1. A total LURA term of 30 years vs. the 50 years as drafted
2. Meeting required energy-conservation standards of appliances/fixtures at time of future replacement vs. initial scope
3. Waiver of the energy-star rated roofing material requirement
4. Removal of extending 30% AMI set-aside requirements beyond the existing LURA term.

While the clarification on the on-going fees alleviates some of the cost burden to the project, the remaining items requested above will allow the preservation option to move forward as feasible.

### **LURA Term**

Our request is to revise the set-aside term to align with that of the Florida Housing Finance Authority bond program. Upon further review of the financial impact to the transaction, and the true-debt analysis on behalf of the syndicator, it is our request that this minimum be reconsidered. Our proposed request of having a 30-year LURA should

be consistent with bond allocations awarded by MCHFA in the recent past and would be consistent with current Florida Housing Finance Corporation bond rules. As such, this request aligns with that of the current market for transactions of these types and greatly increases the opportunity for a recycling of the property as affordable both now and 15 years into the future.

### **Energy Conservation Standards**

Section H (Public Policy Issues) of the MCHFA bond application includes requirements that relate to programs and services as well as building and construction features that are required to be met by the borrower. Although it is always our intention to provide the best possible resident experience at our properties, some of these requirements cause undo strain on our programmatic and budgetary structure for this particular site. After further review, we will agree to leave the language regarding the “On-site Voter Registration” as-proposed.

With that said, at initial application, the following ‘energy conservation features’ were selected:

- Energy-star qualified refrigerator (mandatory)
- Energy-star qualified dishwasher (mandatory)
- Energy-star qualified washing machine, if provide by applicant (mandatory)
- Minimum SEER of 14 for unit air conditioners (mandatory)
- Low-VOC paint for all interior walls (mandatory)
- Low-flow water fixtures in bathrooms (mandatory)
- Programmable thermostats in all units (borrower selection option #1)
- Energy-star rated roofing (borrower selection option #2)
- Energy-star rated exhaust fans (borrower selection option #3)
- Daylight sensors, timers or motion detectors on all outdoor lighting attached to buildings (borrower selection option #4)
- FL Yards and Neighborhoods certification on landscaping (borrower selection option #5)

Upon receipt of construction pricing, it became clear that some of these features would have a large impact to the overall construction budget. These features are as follows:

- Energy-star qualified refrigerator
- Energy-star qualified dishwasher
- Energy-star qualified washing machine, if provide by applicant
- Minimum SEER of 14 for unit air conditioners



Low-flow water fixtures in bathrooms  
Programmable thermostats in all units  
Energy-star rated exhaust fans

It is our proposal that the LURA reflect the above mentioned appliances/fixtures will be replaced by the applicable standards at the time of replacement as opposed to at the time of initial renovation. Doing so will lessen the cost impact to the proposed rehabilitation as well as ensure that future fixture/appliance replacements adhere to the ever-changing industry standard of energy-conservation requirements. Additionally, it will avoid wasting existing appliances with some useful life remaining. At River Trace alone, Dominion has already replaced 16 refrigerators, 32 dishwashers, and 62 washing machines, with Energy Star rated appliances, since taking over management in 2014.

Aside from the appliances, we also ask for relief related to the roofing material. During the construction contract negotiation, it was brought to our attention the “cool-series” roofing comes at an additional cost of \$100 per square foot, for a total impact of nearly \$270,000. It is our request that this requirement be waived so as to allow those funds to be directed towards improvements that would more directly improve the livability of the site for the resident, such as the addition of three playgrounds and a bus stop.

### **30% Set Aside Units**

Lastly, the initial application was submitted noting the existing set-asides at both River Trace Apartments and Manatee Pond. As you are aware, the current LURA’s governing the River Trace Apartment site includes deeper set-asides of 30% Area Median Income residents for a minimum of 5% of the total project (9 total units). That said, it is not now nor was it ever our intention to agree to these deeper set-asides in future restriction agreements.

### **Conclusion**

It is the preference of Dominion Development to provide quality affordable housing to the Bradenton community for the long-term future, which is the purpose in pursuing the resyndication of both River Trace Apartments and Manatee Pond. It is important to note, however, that River Trace Apartments is on track to age-out of the LIHTC program within the next eight years (ELIHA currently eligible for Qualified Contract and the FHFC bond LURA expires in 2025), and Manatee Pond is on a similar track (ELIHA expires in 2025).

During our evaluation we have considered the potential benefit of allowing the assets, which are both in good physical condition, to age out of their current restriction agreements and offer them for sale as market-rate. While a viable preservation alternative is always our preference, in the absence of one a market rate conversion does need to be

considered, especially in light of the current market disruption. As you are aware, the period of time over which this resyndication has taken place has seen some a lot of market volatility. At initial submission the project was in a more financially secure position. Since that time, credit pricing has been adjusted down by \$0.12, which impacted the transaction by roughly \$1,179,000 in reduced equity proceeds. It is also worth note, that treasuries have increased approximately 75 basis points and continue to fluctuate at this time, which will have an undetermined negative impact on the first mortgage proceeds.

Additionally, the project's construction expenses increased dramatically from that of the original budget, both due to an increase in the cost of materials and labor as well as energy-efficiency requirements outlined in the MCHFA bond application.

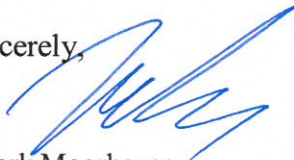
In summation, it is the Borrower's request that MCHFA consider the following alterations to the proposed requirements as it relates to the bond LURA:

1. Total set-aside term of 30 years
2. Agreement to the required energy-conservation standards of appliances/fixtures being implemented at the time of future replacement
3. Waiver of the energy-star rated roofing material requirement
4. Removal of extending the 30% AMI set-aside requirements beyond the existing LURA term.

It is appreciated that the fee structure, as originally outlined in the bond-documents, has been clarified, so as to lower the financial impact to the project. That said, acceptance of the request outlined hereto would, while not quite as financially feasible as a market rate conversion, makes a preservation transaction more feasible.

We have been very proud to serve this community with 218 units of quality affordable housing and hope to continue to do so long into the future. We are committed to our partnership with both Manatee County Housing Finance Authority and Florida Housing Finance Corporation and appreciate the time and consideration given to our requests.

Sincerely,



Mark Moorhouse  
Senior Vice President  
Dominium Development & Acquisitions



Christopher Barnes  
Vice President & Project Partner  
Dominium Development & Acquisitions

Enclosure