

THE COMMUNITY CONCEPTS GROUP, INC. & THE HENDRICKSON COMPANY

MEMORANDUM

To: Manatee County Finance Authority Board of Directors
From: Susan J. Leigh and Mark Hendrickson, Financial Advisors
Subject: Analysis of the Palmetto Senior Application
Date: April 2, 2019

Attached is an analysis of the Palmetto Senior bond application. A preliminary analysis was provided at the February 12, 2019, Board meeting prior to receipt of a full application and this is a review of the completed application received on March 26, 2019.

I. Summary of Findings

A. Summary of key criteria:

Question	Palmetto Senior
Are the developments economically feasible as submitted?	Yes
Are the costs/fees associated with the development reasonable and appropriate?	Yes
Is the experience of the development team adequate?	Yes
If feasible, is it ready to proceed to closing in 2019?	Maybe, November 2019
Is the product being proposed adequate in terms of design and amenities?	Yes
Is the product being proposed adequate in terms of ongoing resident services?	Yes
Are the income targeting and length of set-aside adequate?	Yes – with waiver from Board
Any special impact on redevelopment?	n/a
Did the responses within the application contain adequate responses to important questions, relating to financing and other key issues?	Yes, once all materials were submitted
Recommend Inducement?	Yes

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B. Summary of the Proposed Development

<i>Name</i>	Palmetto Senior
<i>Owner Entity*</i>	Palmetto Leased Housing Development I, LLC
<i>Developer/Location</i>	Dominium Development Plymouth, MN
<i>Type</i>	New Construction Mid-Rise
<i>Street Address</i>	705 Haben Boulevard Palmetto
<i>City Council District</i>	Ward 3 Brian Williams Commissioner
<i>Units</i>	222
<i>Bedrooms</i>	264
<i># of Buildings</i>	1 Building
<i># of Stories</i>	5 Stories
<i>Bond Request</i>	\$26,000,000 \$117,117/unit
<i>Total Cost</i>	\$43,027,330
<i>Cost Per Unit</i>	\$193,816
<i>Land Cost</i>	\$2,100,000 \$9,459/unit
<i>Acquisition of Building Cost</i>	n/a
<i>Hard Construction Cost</i>	\$24,231,590.71 \$109,151/unit
<i>General Contractor</i>	TBD
<i>Credit Enhancement</i>	Long-Term Bonds/Freddie Mac structure
<i>Set-Aside Period</i>	20 years
<i>Set-Aside Levels</i>	100% at 60% or less

C. Summary of Findings and Recommendations for Palmetto Senior:

1. The development appears economically feasible.
2. The development’s resident programs meet or exceed minimum Manatee County HFA requirements.
3. The costs and fees associated with the development appear to be reasonable.
4. The development’s energy efficiency items meet all the Manatee County HFA requirements.
5. The site is properly zoned and is controlled by the Applicant The Applicant has not provided evidence of availability of water, sewer, roads and electricity. The timeline the applicant provided showed a closing in November of 2019.
6. The Applicant and development team have extensive experience in affordable housing.
7. The credit underwriter will order and evaluate an independent market analysis.

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8. **Recommendations:**

- Permit Palmetto Senior to proceed through the Manatee County HFA financing process.
 - Adopt Inducement Resolution prepared by bond counsel, which includes a 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.
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II. Palmetto Senior Analysis:

Palmetto Senior is a proposed 222-unit new construction mid-rise apartment development to be built in Palmetto.

A. Financing & Cost Analysis:

1. The financing structure uses construction financing through a SunTrust loan and permanent financing through a Freddie Mac TEL structure, with SunTrust as the processor.
 2. The Applicant provided a Letter of Interest for Housing Credit syndication from SunTrust. The price is \$0.99 per \$1 of credits (price of credits seems high in today's market).
 3. The Applicant is not applying for SAIL or HFA subordinate financing.
 4. The developer proposes to defer \$5,029,489 of the \$6,563,491 developer fee (77%).
5. **Financing & Cost Issues:**
- The financing commitments are adequate for this stage of the process.

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B. Sources:

Permanent Loan Period

Source	\$	Per Unit	% of Development Cost
Tax Exempt Bonds	\$20,250,000	\$ 91,216	47%
Housing Credits	\$16,242,228	\$ 73,163	38%
SAIL & ELI	\$ 0	\$ 0	0%
HFA Loan	\$ 0	\$ 0	0%
Other	\$ 1,505,612	\$ 6,782	3%
Deferred Developer Fee	\$ 5,029,490	\$ 22,655	12%
TOTAL	\$43,027,330	\$193,818	100%

C. Development Information, Including Design and Amenities

Unit Mix	Number	Square Footage
Bedroom/Baths		
1/1	111	TBD
2/2	91	926sf
3/2	20	1286 sf
4/2	0	N.A.

1. Palmetto Senior is a proposed 222--unit new construction five floor midrise development for Seniors which will be one building with an elevator. The developer has not provided square foot information regarding the property and provided a similar bedroom configuration that is being utilized on another property in regard to unit sizes. They have not provided the actual unit sizes for this property.
2. In addition to meeting all building code, Fair Housing Act, and Americans with Disabilities Act requirement, the following are also required amenities:
 - Air conditioning
 - Cable TV hook-up
 - At least two full bathrooms in all 3 bedroom and larger units
 - Full sized appliances in all units
 - Exterior lighting for all buildings and parking areas
 - Window Treatment: mini-blinds
3. Unit amenities (in addition to those required) include:
 - Marble Window Sills

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- Microwave
 - Fire Sprinklers in all Units
 - Termite Prevention/detection
 - Steel entry door frames
 - Double compartment kitchen sink
4. Development amenities include:
- Gated community with “carded” entry or security guard
 - Community Center or clubhouse
 - Swimming pool
 - Hairdresser Shop or Barber Shop on site
 - Public transportation located within 150 feet of property
 - Craft Room
 - Exercise Room with appropriate Equipment
 - Outside Recreation facility
 - Covered picnic area with tables and permanent outdoor grill
5. Mandatory Energy Conservation features:
- Energy Star qualified refrigerator;
 - Energy Star qualified dishwasher;
 - Energy Star qualified washing machine, if provided by applicant;
 - Minimum SEER of 14 for unit air conditioners (excluding buildings with a central chiller system);
 - Caulk, weather strips, seal hole, cracks, etc. for rehabilitation developments
 - Sealed and insulated heating and cooling system ducts for rehabilitation developments (waiver requested)
 - Low-VOC paint for all interior walls (50 grams per liter or less for flat paint; 150 grams per liter or less for non-flat paint);
 - Low-flow water fixtures in bathrooms--WaterSense labeled products or the following specifications:
 - Toilets: 1.6 gallons/flush or less
 - Faucets: 1.5 gallons/minute or less
 - Showerheads: 2.2 gallons/minute or less.
 - Programmable thermostat in each unit
6. Other energy conservation features:
- Energy Star exhaust fans in bathrooms
 - Energy Star rating for all windows
 - Install daylight sensors, timers or motion detectors on all outdoor lighting attached to buildings
 - FL Yards and Neighborhoods certification on all landscaping
 - Eco-friendly cabinets, formaldehyde free, material certified by the Forest Stewardship Council

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7. Design, Amenity & Energy Efficiency Issues: No waivers needed

D. Public Purpose/ Resident Services

1. The set-aside period proposed is for 20 years. At the February meeting, after concerns were raised about the short affordability period, particularly the potential public relations nightmare of evicting low income elderly out of their homes when the property converts to market rate housing, the developer offered to grandfather persons living in the property at conversion for up to three years.
2. The basic premise of the developer is that long-term affordability is feasible only if significant SAIL or another public subsidy is received. From a Financial Advisor's perspective, SAIL would be used primarily to pay developer fee, freeing cash-flow for distribution to the developer or use in rehabilitation or recapitalization rather than payment of deferred fees. The Board agreed to move forward and consider the 20-year set-aside, to the extent the final financial information justified this need.
3. The income set-aside is 100% of the units rented to 60% AMI or less.
1. The resident services/programs include (no optional services/programs selected):
 - Health Care Screening (M)
 - Resident Activities (M)
 - Resident Assurance Check in Program (M)
 - Daily Activities (M)

4. Public Purpose Issues: None

- The Applicant is providing services and programs for residents that meet the Manatee County HFA's standards.

E. Ability to Proceed

1. Site control is established by contract for purchase and sale, assigned to the applicant. The contract provided shows that it is valid through February 13, 2020.
2. The site is zoned PD-H. Planned Development, Residential for 45 units per acre or 294 units for the site. The total number of units proposed is for 222 units. The developer is currently working off of a site plan approval which was an entitlement with the site for 125 units. The site plan will need to be amended to show the current proposed project as opposed to a previous project proposed on the same site.
3. Letters regarding the availability of electricity, water, sewer and roads were not provided.
4. All other information was submitted as required, and no information submitted indicated there would be issues at this stage that would prevent the project from moving forward.
5. The applicant's schedule calls for a bond closing in November of 2019.

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6. **Ability to Proceed Issues:** The water, sewer, electricity and roads letters can be provided as part of credit underwriting.

F. Experience of Development Team:

1. The developer and the members of the team that were identified have adequate experience with affordable housing, bond transactions, and housing credits.
2. The credit underwriter will review all team members.

Experience of Development Team Issues: None.

G. Other requirements: Expense and Indemnity Agreement

- The required Expense and Indemnity Agreement was executed.

H. Site Location and Market

1. This development is in Palmetto and will be a new construction, mid-rise building, with five floors providing for 222 Elderly units.
2. An independent market study will be evaluated by the credit underwriter.

ii. **Site Location and Market Issues: None.**
