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MEMORANDUM

To: Housing Finance Authority of Hillsborough County Board of Directors

From: Mark Hendrickson, Executive Director

Subject: Analysis of the WRDG T3D Development

Date: June 5, 2020

Attached is an analysis of the WRDG T3D bond application. Several items used in the analysis were requested after receipt of the application, and this is part of the normal review process. All additional materials were made part of the permanent public record.

This is a joint venture between the Tampa Housing Authority and Related Company entities. The development is part of the West River redevelopment.

I. Summary of Findings

A. Summary of key criteria:

Question	WRDG T3D
Are the developments economically feasible as submitted?	Yes
Are the costs/fees associated with the development reasonable and appropriate?	Need to verify reasonableness in CUR
Is the experience of the development team adequate?	Yes
If feasible, is it ready to proceed to closing in 2020?	Yes, late 2020 or early 2021
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
Any special impact on redevelopment?	Yes, West River
Did the responses within the application contain adequate responses to important questions, relating to financing and other key issues?	Yes
Recommend Inducement?	Yes

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B. Summary of the Proposed Developments

	WRDG T3D
Developer/ Location	Tampa Housing Authority and Related Tampa & Miami, Florida
Development Location	City of Tampa Chestnut Street NE Corner of West Chestnut & North Willow Avenue West River
Type	New Construction Highrise (1 building) Garden (2 buildings)
Demographic	Family
Bond Request	\$36,500,000 \$272,388/unit
TEFRA Hearing TEFRA Approval Preliminary Agreement Expiration	TBD TBD TBD
Credit Enhancement	Private Placement to Bank of America (construction) Truist Bank/Freddie TEL (permanent)
Credit Underwriter	TBD
Closing Date	November 2020
Units	134
Permanent 1st Mortgage Estimate	\$26,850,000
SAIL & ELI (FHFC)	\$0
City, County or HFA Loan	\$0
Seller Financing	\$3,000,000
Housing Credits	Bank of America \$17,123,666 \$127,789/unit
TDC	\$48,010,655
TDC per unit	\$358,288
Land Cost	\$849,600 6,340/unit
Acquisition of Building	\$2,000,000 (parking garage) \$14,925/unit
Hard Construction or Rehabilitation Cost	\$30,322,643 \$226,288/unit
Set Aside Period	50 years
Set Aside Levels	14.9% (20 units) < 80% AMI (HC) 55.2% (74 units) < 60% AMI (RAD & PBRA) 29.9% (40 units) < 50% AMI (RAD & PBRA)

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C. Summary of Findings and Recommendations for WRDG T3D:

1. The development appears economically feasible—however, this is dependent upon appraisal supporting projected rents.
 2. The development’s resident programs, unit and development amenities, and energy efficiency features meet or exceed minimum HFA requirements, except that waiver requested for Homeownership Opportunity Program.
 3. The costs and fees associated with the development appear to be high. See section II.A. for details. The credit underwriter needs to make sure that costs did not artificially increase because the financial structure supported higher debt and greater costs brought more housing credit equity into the deal
 4. The site is controlled by the Applicant, has proper zoning, and provided evidence of availability of water, sewer, roads, and electricity.
 5. The developer and development team have extensive experience in affordable housing and have successfully closed bond deals with FHFC and the HFA of Hillsborough County.
 6. The credit underwriter will order and evaluate an independent market analysis.
 7. **Recommendations:**
 - Permit WRDG T3D to proceed through the HFA financing process.
 - Adopt Inducement Resolution prepared by bond counsel, which includes Preliminary Agreements.
 - Grant waiver on Homeownership Opportunity Program.
 - 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.
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II. WRDG T3D Analysis:

WRDG T3D is a new construction development in West River. 85.1% of the units will have project based rental assistance. The application is a joint-venture between the Tampa Housing Authority and Related Company entities. After stabilization, Related will exit and THA will be the sole general partner.

A. Financing & Cost Analysis:

1. The financing structure uses construction financing through a private placement structure, with Bank of America as the lender, and permanent financing using a Freddie Mac TEL structure, with Truist Bank as the DUS.

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2. The Applicant provided a letter of interest from Bank of America to provide a construction period (30 month) loan. The proposed rate would be LIBOR Daily Floating Rate + 2.95%.
3. The Applicant provided a letter of interest from Truist Bank to make a Freddie Mac Tax-Exempt Loan (TEL). The proposed permanent loan would have a 17-year term with 40-year amortization. The interest rate would be 277 basis point above the 10-year Treasury rate (with Treasury floor of 0.5%).
4. The Applicant provided a Letter of Interest for Housing Credit syndication from Bank of America. The price is \$0.995 per \$1 of credits.
5. There is a seller note of \$849,600 (land loan) and RAD financing of \$884,250. The Applicant is not applying for SAIL or any other subordinate debt.
6. The developer proposes to defer \$2,302,869 of the \$6,641,693 developer fee (35%).
7. This development is very expensive, with total development costs more than \$358,000 per unit. However, given the high rents that are subsidized, the deal appears to support the \$200,373 of debt per unit. It should be noted that this development has a TDC 24.7% greater than Renaissance at West River (\$70,983 per unit increase-- \$34,133 of which in hard construction cost increase). The credit underwriter needs to thoroughly evaluate the costs for reasonableness. Additionally, the hard construction cost of \$226,288 needs a detailed analysis and review by the credit underwriter. In short, the credit underwriter needs to make sure that costs did not artificially increase because the financial structure supported higher debt and greater costs brought more housing credit equity into the deal. From the developer: *“Regarding the costs – the cost of the T3D tower (102 units) is in line with our other T3 jobs in Tampa. What’s driving up the cost on the overall project is the apartments we’re building on T2A North (32 units). These are much larger units – 3 and 4 bedrooms and the design is a more expensive design. See attached for renderings.”*
8. **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	\$26,850,000	\$200,373	56%
Housing Credits	\$17,123,666	\$127,789	36%
Seller Financing	\$ 849,600	\$ 6,340	2%
RAD	\$ 884,520	\$ 6,601	2%
Deferred Developer Fee	\$ 2,302,869	\$ 17,186	5%
TOTAL	\$48,010,655	\$358,289	101%

C. Development Information, Including Design and Amenities:

Unit Mix	WRDG T3D	
Bedroom/Baths	Number	Square Footage
1/1	14	624
2/2	58	936
3/1	42	1,150-1,889
4/2	20	1,800

- WRDG T3D is the proposed construction a 134-unit-unit family development, with one 8-story high-rise building (102 units) and two 3-story buildings (32 units).
- In addition to meeting all building code, Fair Housing Act, and Americans with Disabilities Act requirement, the following are also required amenities:
 - Air conditioning
 - Dishwasher
 - Garbage disposal
 - Cable TV hook-up
 - At least two full bathrooms in all 3-bedroom or larger units and at least 1.5 bathrooms in all 2-bedroom units
 - Full sized appliances in all units
 - Bathtub in at least one bathroom
- Unit amenities (in addition to those required) include:
 - Window Treatment: mini-blinds
 - Ceramic tile bathroom floors

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- Microwave oven
 - Fire sprinklers
 - Steel entry door frames
 - Laundry hook-ups and space for washer/dryer inside each unit
4. Development amenities include:
- 30-year expected life roofing
 - Carded secure entry to building
 - Termite prevention/detection system
 - Exterior lighting
 - Non-smoking buildings
 - Exercise room with appropriate equipment
 - Community Center or clubhouse
 - Childcare located within three miles of property
 - Public transportation located within one-half mile of property
 - Library /study room with minimum of 100 books and 5 magazine subscriptions
 - Computer room (not on HFA list, but proposed as alternative)
 - Play room for children (not on HFA list, but proposed as alternative)
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);
 - 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.
6. Other energy conservation features:
- Programmable thermostat in each unit
 - Energy Star qualified roofing material or coating
 - 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
7. **Design, Amenity & Energy Efficiency Issues: Waiver Request**
- The proposed development meets all requirements for unit and development amenities and

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energy conservation features, except waiver requested for Homeownership Opportunity Program.

D. Public Purpose/ Resident Services:

1. The proposed affordability period is 50 years as required by the HFA.
2. The income set-aside is 100% either Housing Credit or rental assistance (with units set-aside at 50% AMI, 60% AMI and 80% AMI). This would use “income averaging” and would require approval of the unit mix by FHFC.
3. The resident services/programs include (multiple optional services/programs selected):
 - Health Care Screening (M)
 - Resident Activities (M)
 - On Site Voter Registration (M)
 - Financial Counseling (M)
 - Computer Training (M)
 - Health and Nutrition Classes (O)
 - Homeownership Opportunity Program (M)—**REQUESTING WAIVER, due to Section 8 level incomes of residents**
 - First Time Homebuyer Seminars (M)
 - Welfare to Work or Self-Sufficiency Program (M)
4. **Public Purpose Issues: None**
 - The Applicant is providing services and programs for residents that exceed HFA standards, except that waiver is requested for Homeownership Opportunity Program.

E. Ability to Proceed

1. Site control is established by a contract for purchase and sale.
2. The site is properly zoned, with evidence of allowable use verified by FHFC form from the City of Tampa.
3. Availability of electricity verified by FHFC form from Tampa Electric and water, sewer and roads verified by FHFC forms from the City of Tampa.
4. The applicant’s schedule calls for a bond closing in November 2020. This is optimistic—with a realistic date in late 2020 or early 2021.

5. Ability to Proceed Issues: None.

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. This team has closed multiple bond and

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transactions in recent years.

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. The development will be 85% project-based Section 8. Accordingly, there are few market concerns.
2. An independent market study will be evaluated by the credit underwriter.

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