

THE HENDRICKSON COMPANY

MEMORANDUM

To: Housing Finance Authority of Hillsborough County Board of Directors

From: Mark Hendrickson, Executive Director

Subject: Analysis of the Zion Village

Date: July 24, 2023

Attached is an analysis of the Zion Village 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 Smith & Henzy and the Tampa Housing Authority

I. Summary of Findings

A. Summary of key criteria:

Question	Zion Village
Is the development economically feasible as submitted?	Yes
Are the costs/fees associated with the development reasonable and appropriate?	Questionable at \$429,335 per unit
Is the experience of the development team adequate?	Yes
If feasible, is it ready to proceed to closing in 2023?	No, February 2024
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?	No
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 Development

	Zion Village
Developer/ Location	Smith & Henzy, Tampa Housing Authority & Mt. Zion AME Church Delray Beach & Tampa, Florida
Development Location	Unincorporated Hillsborough County 5920 Robert Tolle Drive Riverview
Type	New Construction- Concrete Midrise (1 building)- 4 stories
Demographic	Elderly
Bond Request	\$20,000,000 \$266,667/unit
TEFRA Hearing TEFRA Approval Preliminary Agreement Expiration	TBD TBD TBD
Credit Enhancement	Chase Private Placement
Credit Underwriter	TBD
Closing Date	February 2024
Units	75
Permanent 1st Mortgage Estimate	\$9,359,000—not bonds
SAIL & ELI (FHFC)	\$0
City, County or HFA Loan	\$6,812,485
Seller Financing	\$3,000,000
Housing Credits	Raymond James \$14,239,924 \$189,866/unit
TDC	\$32,200,106
TDC per unit	\$429,335
Land Cost	\$1,575,000 21,000/unit
Acquisition of Building	\$0
Hard Construction or Rehabilitation Cost	\$17,250,000 \$230,000/unit
Set Aside Period	50 years
Set Aside Levels	34.7% (26 units) < 70% AMI (HC) 45.3% (34 units) < 60% AMI (PBV) 9.3% (7 units) < 50% AMI 10.7% (8 units) < 30% AMI

60 vouchers

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C. Summary of Findings and Recommendations Zion Village:

1. The development appears economically feasible.
 2. The development's resident programs, unit and development amenities, and energy efficiency features meet minimum HFA requirements.
 3. The costs and fees associated with the development are high compared to other developments building in the current market.
 4. The site is controlled by the Applicant and has proper zoning,
 5. The developer and development team have extensive experience in affordable housing and have successfully closed bond deals with FHFC.
 6. The credit underwriter will order and evaluate an independent market analysis.
 7. **Recommendations:**
 - Permit Zion Village to proceed through the HFA financing process.
 - Adopt Inducement Resolution prepared by bond counsel, which includes Preliminary Agreements.
 - 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 the conditions in this memorandum.
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II. Zion Village Analysis:

Zion Village is a new construction development in Riverview. 60% of the units will have project-based rental assistance. The application is a joint venture between Smith & Henzy and the Tampa Housing Authority.

A. Financing & Cost Analysis:

1. The financing structure uses short term bonds that are cash collateralized, with a permanent conventional loan with JPMorgan Chase Bank as the lender.
2. The Applicant provided a letter of interest from JPMorgan Chase Bank for the construction and permanent financing. The proposed construction loan would be the one-month term SOFR plus 190 basis points, with a minimum rate of 2.4%. The proposed permanent loan would have a 15-year term with 35-year amortization. The interest rate would be 200 basis point above the 10-year SOFR Swap Rate.

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3. The Applicant provided a Letter of Interest for Housing Credit syndication from Raymond James. The price is \$0.98 per \$1 of housing credits.
4. There is a seller note of \$725,000 from Mount Zion African Methodist Episcopal Church. This would activate if deferred developer exceeded 15%.
5. The developer proposes to defer \$88,697 of the \$4,629,130 developer fee (2%).
6. The total development cost is \$429,335, which is very high even with recent cost increases. By comparison, Casa di Francesco (mid-rise/wood) has a TDC slightly under \$300,000. A similar development (mid-rise/concrete/elderly) submitted to the Jacksonville HFA this week had a TDC of only \$345,000/unit. The construction costs were within \$5,000/unit and the Jacksonville deal saved \$20,000/unit because of land costs. This still leaves a \$59,000/unit difference.
7. **Financing & Cost Issues:**
 - The financing commitments are adequate for this stage of the process.
 - The total development cost must be fully analyzed for reasonableness.
 - The developer will need to pay a fee for the early retirement of the bonds.

B. Sources:

Permanent Loan Period

Source	\$	Per Unit	% of Development Cost
Tax Exempt Bonds	\$0	\$0	0%
JPMorgan Chase	\$ 9,359,000	\$124,787	29%
Seller Note			
Housing Credits	\$14,239,924	\$189,865	44%
Bond Revenue Interest	\$ 1,700,000	\$ 22,667	5%
Hillsborough County	\$ 6,812,485	\$ 90,833	21%
Deferred Developer Fee	\$ 88,697	\$ 1,183	0%
TOTAL	\$32,200,106	\$429,335	100%

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C. Development Information, Including Design and Amenities:

Unit Mix	Zion Village	
Bedroom/Baths	Number	Square Footage
1/1	75	650
2/1	NA	NA
3/2	NA	NA
4/2	NA	NA

1. Zion Village is the proposed construction of a 75-unit-unit elderly development, with one 4-story mid-rise building.
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
 - 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—NA for this development
 - Full sized appliances in all units—NA for this development
 - Bathtub in at least one bathroom—NA for this development
3. Unit amenities (in addition to those required) include:
 - Window Treatment: vertical-blinds
 - Ceramic tile in bathtub/shower area
 - Fire sprinklers
 - Laundry hook-ups and space for washer/dryer inside each unit
 - Non-smoking building
 - Bathrooms handicapped accessible with grab-bars per ASNSI requirements
4. Development amenities include:
 - Non-smoking building
 - Exterior Finish- stucco
 - Exterior Lighting
 - Exercise room with appropriate equipment
 - Community Center or clubhouse
 - Public transportation located within 150 feet of property
 - Library /study room with minimum of 100 books and 5 magazine subscriptions
 - Outside recreation area—seating/gathering area
 - Craft Room
 - Community Garden

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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 ceiling fans in all bedrooms and living areas
- Energy Star qualified roofing material or coating
- Energy Star exhaust fans in bathrooms
- Install daylight sensors, timers or motion detectors on all outdoor lighting attached to buildings
- Motion detector on common area lighting

7. Design, Amenity & Energy Efficiency Issues: Waiver Request

- The proposed development meets all requirements for unit and development amenities and energy conservation features.

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 40% AMI, 50% 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 all required items:
 - Health Care Screening (M)
 - Resident Activities (M)
 - On Site Voter Registration (M)
 - Financial Counseling (M)
 - Computer Training (M)
 - Hurricane Preparedness (M)
 - Resident Assurance Check-in Program (M)
 - Daily Activities (M)

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4. Public Purpose Issues: None

- The Applicant is providing services and programs for residents that meet HFA standards.

E. Ability to Proceed

1. Site control is established by a contract for purchase and sale.
2. The site is properly zoned, with the rezoning approved by the County July 18, 2023.
3. The applicant's schedule calls for a bond closing in February 2024.

4. 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 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 80% project-based vouchers. Accordingly, there are few market concerns.
2. An independent market study will be evaluated by the credit underwriter.

I. Site Location and Market Issues: None.