

MEMORANDUM

TO: Pinellas County HFA Board of Directors
FROM: David Jones & Adam Cray
SUBJECT: Analysis of the Bond Application for Citrus Grove Preservation
DATE: April 9, 2024

CSG Advisors Incorporated has performed an analysis of the bond application for Citrus Grove Preservation. Key components of the project and analysis are summarized below.

Project Summary

Citrus Grove Preservation (the Project) is a planned multifamily housing project designated for families located at 731 15th Street S, St. Petersburg, FL 33705. The developer is Lincoln Avenue Capital LLC led by Jeremy Bronfman. Lincoln Avenue Capital is one of the largest providers of affordable housing in the country, having developed approximately 119 affordable housing communities totaling 22,000 units across 22 states.

The existing development is comprised of (7) three-story buildings with 84 units, as well as (one) single-story community building including the leasing office, laundry facility, community room/library, and off-street parking. The unit mix will consist of a mix of 1, 2, 3 and 4 bedroom units. All units will be restricted such that the area median income (AMI) is below 60% AMI, while a funding agreement with the City of St. Petersburg restricts units to 50% AMI. Demand for Citrus Grove remains very high, with a waitlist of 119 households as of November 2023.

The applicant (Citrus Grove Preservation Ltd.) is requesting \$22,000,000 in tax-exempt bonds to assist with the project. Additional financing will include 4% Low Income Housing Tax Credit (LIHTC) equity, deferred developer fee, cash flow from operations, and equity from solar energy tax credits.

Per the Authority's program guidelines, the affordability period will be 50 years, enforced by a land use restriction agreement.

Summary of Key Criteria

Key Questions	
Is the development economically feasible?	Yes
Are the development costs reasonable and appropriate for the project?	Yes
Are the income targeting and length of set-aside adequate?	Yes
Is the development team’s experience adequate?	Yes
Are the design and amenities of the project adequate for the market?	Yes
Are the planned ongoing resident services adequate for the market?	Yes

Financing

The project will be financed with a combination of HFA bonds, LIHTC equity, cash flow from operations, solar energy tax credit equity, and deferred developer fee.

1. The total tax-exempt bond request is not to exceed \$22,000,000, however, currently the expected bond amount is \$17,510,000, for which Regions Bank has provided a letter of intent to provide bond construction and permanent financing. The permanent loan terms reflect 40-year amortization with 17-year term and a maximum debt service coverage ratio of 1.15x.

2. Fifth Third Bank has issued a letter of intent to provide construction financing for the Project. The \$16,000,000 interest-only construction loan would have a 24-month term and accrue interest at a variable rate equal to Term SOFR + 250 basis points (with a 75-bp floor). As of June 14, 2023, the construction loan rate would be approximately 7.56%.

3. The proposed LIHTC syndicator is Regions Bank, who has provided a letter of intent to provide \$13.358 million in tax credit equity at a price of \$0.91/credit, as well as a \$10 million tax credit bridge loan.

Sources of Funds: Construction Loan Phase

Source of Funds	Total Cost	Per Unit	%
Bonds / Const Loan	17,510,000	208,452	56.3
Equity Bridge Loan	9,717,748	115,687	31.2
LIHTC Equity	2,003,688	23,853	6.4
Cash Flow from Ops	1,269,475	15,113	4.1
Solar Tax Credit Equity	614,250	7,313	2.0
GP Capital	100	1	0.0
Total	\$31,115,261	\$370,420	100%

Sources of Funds: Permanent Loan Phase

Source of Funds	Total Cost	Per Unit	%
Bonds / Perm Loan	17,510,000	208,452	48.2
LIHTC Equity	13,357,922	159,023	36.7
Deferred Devel Fee	3,421,973	40,738	9.4
Cash Flow from Ops	1,269,475	15,113	3.5
Solar Tax Credit Equity	805,350	9,588	2.2
GP Capital	100	1	0.0
Total	\$36,364,820	\$432,915	100%

Conclusion: Financing Issues Noted: None.

Description of Development & Amenities

1. Located in St. Petersburg, Florida, the proposed development project would consist of (7) three-story garden-style apartment buildings and (1) single-story community building originally built in 1972 under the HUD 221 mortgage program.

2. The project consists of (11) one-bedroom units, (27) two-bedroom units, (25) three-bedroom units, and (21) four-bedroom units.

3. Project amenities will include:

- Playground
- Computer room/library
- Off-street parking
- 24-hour maintenance

Conclusion: Design & Amenity Issues Noted: None

Public Purpose & Resident Services

1. The proposed set-aside period is 50 years.
2. The proposed LIHTC income set-aside category will be 60% AMI, however due to a funding agreement entered into with the city of St. Petersburg, the properties units are restricted to 50% AMI. All of the units will be at AMI of 50% or below. Proposed affordability by unit type is as follows:

Unit Mix			
Bedrooms	Baths	AMI % / Type	Units
1	1	HAP/50% AMI	11
2	1	HAP/50% AMI	27
3	1	HAP/50% AMI	25
4	2	HAP/50% AMI	21
Total / Weighted Average			84

Unit Mix		2023	
Bedrooms	Square Feet	Approved Contract Rents	As-Renovated Rents
1	575	\$ 998	\$ 1,800
2	780	1,175	2,050
3	900	1,431	2,250
4	1,000	1,610	2,450
Total / Weighted Average		\$ 1,337	\$ 2,151

The Project benefits from an existing project-based Section 8 contract that covers 100% of the units and for which residents need to income qualify. The property’s HAP contract was most recently renewed November 1,2021, for a 20-year term, which expires November 2041. Upon completion of the renovations, the project will remain a project-based Section 8 property, with all existing residents qualifying to live at the property.

3. The proposed resident services include:
 - Health and wellness
 - Resident activities
 - Financial counseling
 - First-time homebuyer seminars
 - Job training

Conclusion: Public Purpose & Residential Services Issues Noted: None

Ability to Proceed

1. Site control was established via a purchase and sale agreement effective February 21, 2024 with an outside closing date of January 31, 2025.
2. Being an existing development, the project:
 - is compliant with applicable zoning and land use regulations,
 - has available water/sewer infrastructure, and
 - has access to necessary road infrastructure.
3. A letter of intent for construction-to-permanent financing was provided.

Conclusion: Ability to Proceed Issues Noted: None

Development Team

1. The applicant is Citrus Grove Preservation, Ltd. —of which affiliates of Lincoln Avenue Capital LLC will be the managing member. Lincoln Avenue Capital is led by Jeremy Bronfman.
2. Lincoln Avenue Capital and its principals have developed approximately 119 affordable housing communities totaling 22,000 units across 22 states, including many in the state of Florida including St. Petersburg.
3. The General Contractor that is being interviewed is Langerman Construction, who has a wide variety of construction experience for multifamily renovations specifically in the LIHTC space. The proposed architect for Citrus Grove Preservation is E+A Architecture, who has extensive experience with multifamily affordable housing.
4. It is anticipated that The Franklin Johnston Group (TFJG) will provide professional property management services. TFJG is an approved management agent for projects insured by HUD. Based in Virginia Beach, Virginia, the company’s principals began developing and managing HUD properties in 2005 and are experienced in HUD’s leasing and management requirements for both

market rate and affordable projects, and manages over 24,000 units across over 165 communities across the Mid-Atlantic and Southeastern states.

Conclusion: Development Team Issues Noted: None.

Site Location & Market

1. The project is located at 731 15th Street S, St. Petersburg, FL 33705.
2. The project involves renovation of an existing garden-style apartment complex consisting of 7 residential buildings and 84 units.
3. As of November 2023, the property had a tenant waitlist of 119 households, evidencing more than sufficient demand for the units in the area. 100% of the project's units were receiving subsidy pursuant to a HAP contract.

Conclusion: Site Location & Market Issues Noted: None.

Summary & Recommendations

1. The Project contains adequate unit and development amenities, which meet or exceed HFA requirements.
2. The development has a 50-year minimum set aside period and has proposed resident programs that meet minimum HFA requirements.
3. The development team is experienced in affordable housing development in Florida.
4. The site is controlled by the developer, has proper zoning, and can reasonably be expected to move through the closing process toward the bond closing deadline.

Conclusions

- **Citrus Grove Preservation meets Pinellas County HFA's standards for inducement of the bonds.**
- **CSG recommends including the development in the HFA's formal review process and approval of the Inducement Resolution, subject to any conditions/recommendations listed in this memorandum.**