



# Pinellas County

## Staff Report

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**File #:** 22-1386A, **Version:** 1

**Agenda Date:** 9/22/2022

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**Subject:**

Additional funding commitment for the Seminole Square Apartments affordable housing development by Archway Partners, LLC.

**Recommended Action:**

Recommend an increase in affordable housing funding of \$1.56M for the Seminole Square Apartments affordable housing project by Archway Partners, LLC.

It is further recommended that the County Administrator be authorized to negotiate and approve the terms, conditions, and final funding amount not to exceed the Board of County Commissioners' (Board) approved amount.

- Seminole Square is a planned new construction project of 96 multi-family affordable apartment units serving households earning at or below 80% of Area Median Income located at 2075 Seminole Blvd. in Largo.
- On February 22, 2022, the Board approved Penny for Pinellas funding assistance of up to \$4M for land acquisition and construction costs subject to due diligence and final approval by the County Administrator (Granicus Item #21-2584A).
- Since the time of application, project cost projections have increased from \$27,553,517.00 to \$30,757,794.00 (11.6% or \$3,204,277.00 increase) due to construction cost increases including higher material and labor costs, and rising interest rates on temporary construction financing.
- The developer has addressed \$804,277.00 of the shortfall by renegotiating debt terms: increasing tax credit equity, extending debt repayment from 35 to 40 years and modifying the debt service coverage ratio to allow for a larger loan amount. These changes result in a reduced operating revenue forecast.
- The City of Largo Commission approved an additional funding commitment in the amount of \$840,000.00 on August 16, 2022. The City's total funding commitment is \$1,450,000.00.
- If approved, this increase changes the total County funding commitment from \$4M to \$5.56M. The source of funding for the increase will be a combination of Penny, HUD HOME and/ or State Housing Initiatives Partnership funds as determined at the time of funding.
- Other sources of project funding include 4% tax credit equity (\$12,212,161.00), JP Morgan Private Mortgage (\$9,625,000.00), and Deferred Developer Fee (\$1,910,633.00).

**Strategic Plan:**

Ensure Public Health, Safety, and Welfare

2.4 Support programs that seek to prevent and remedy the causes of homelessness and move individuals and families from homelessness to permanent housing

Foster Continual Economic Growth and Vitality

4.2 Invest in communities that need the most

Deliver First Class Services to the Public and Our Customers

5.1 Maximize partner relationships and public outreach

5.2 Be responsible stewards of the public's resources

**Summary:**

Archway Partners was previously approved for \$4M of affordable housing funding assistance for the Seminole Square Apartments project. Due to significant project cost increases, staff recommends the Board approve additional funding in an amount not to exceed \$1.56M for land acquisition and capital improvement construction costs of the planned 96-unit affordable housing development project and authorize the County Administrator to negotiate and approve the final terms, conditions, and funding amount.

**Background Information:**

Due to rising interest rates, a tightening labor market, supply chain issues and inflation's impact on construction costs, the development has a financial gap of \$2.4M. Archway Partners has taken steps to reduce this gap, including negotiating private lender terms to reduce costs. The City of Largo, who is a partner in the project, has increased their funding support by \$840,000.00, which leaves a requested increase in County funds of \$1.56M to keep the project viable.

**Fiscal Impact:**

Total maximum expenditure: \$5,560,000.00.

The funding source is a combination of Penny IV, HUD HOME, and/or SHIP Programs.

**Staff Member Responsible:**

Carol Stricklin, Director, Housing and Community Development

**Partners:**

City of Largo

St Petersburg Housing Authority

Housing Finance Authority of Pinellas County

**Attachments:**

Seminole Square Project Sheet

Archway Partners Letter- Cost Increases

Granicus Item 21-2584A - Approved February 8, 2022 - Staff Report