

**PUBLIC RESOURCES ADVISORY GROUP**

**TO:** BREVARD COUNTY HOUSING FINANCE AUTHORITY  
**FROM:** PUBLIC RESOURCES ADVISORY GROUP  
**RE:** SOUTHLAKE TOWERS  
**DATE:** JUNE 30, 2020

The Credit Underwriting Report (“CUR”) was prepared by AmeriNat. At the time of application the Applicant had received a SAIL loan from Florida Housing Finance Corporation (“FHFC”) and would have been restricted through agreement with FHFC to serving an elderly population (62+). The Applicant is not utilizing the SAIL loan, and though the Applicant intends to serve a 62+ population, there is no binding agreement to serve the elderly.

**The Development**

Southlake Towers is an existing 85 unit property located at 5501 Pinewood Drive NE in Palm Bay, Florida was built in 1987. The rehabilitation of the property will include replacing kitchen cabinets, appliances, and lighting, bathroom vanities, tubs/showers and toilets, flooring, hot water heaters, packaged terminal air conditioners (PTACs), upgrading elevator cabs, and roof replacement. A new 4,745 sqft. standalone Community Center is being constructed as part of the rehabilitation. Exterior improvements include painting, parking lot resurfacing, new lighting, upgraded landscaping and irrigation, retention pond improvements and new dumpster enclosures.

Of the 85 units, 22 are studios; the remaining 63 units are one-bedroom/one bath units. All units have project based rental assistance and will be tax credit eligible. The developer has elected to use income averaging and will reserve four of the studios and nine of the one-bedroom units for households at or below 30% of AMI, 14 of the studios and 39 of the one-bedroom units for households at or below 60% of AM, and four of the studios and 15 of the one-bedroom units for households at or below 80% of AMI.

**Financing Structure**

The development is being funded from the following sources:

Source	Lender	Construction	Permanent
First Mortgage	Authority Tax Exempt Bonds/Wells Fargo	\$10,400,000	
First Mortgage	Authority Tax Exempt Bonds/Freddie Mac		6,130,000
Second Mortgage	Seller’s Note-Tax Exempt	2,360,000	2,360,000
Third Mortgage	Seller’s Note-Taxable	7,732,661	7,732,661
Interim Income	Development	423,118	592,365
Reserves	Development	782,295	782,295
Tax Credit Equity	NEF	1,152,948	7,492,838
Deferred Developer Fee	Developer	3,275,303	1,036,166
<b>Total</b>		<b>\$26,126,325</b>	<b>\$26,126,325</b>

**First Mortgage-Wells Fargo and Walker & Dunlop/Freddie Mac**

Wells Fargo will make a tax-exempt loan of not to exceed \$11,500,000 (currently expected to be \$10,400,000). Bond proceeds will be disbursed on a draw-down, as needed basis. The loan will have a 24 month term with one six month extension. The loan will be interest only during the construction period, with payments due monthly; the interest rate will be 30-day LIBOR plus 185 basis points, with a minimum rate of 2.15%.



At construction completion, Walker & Dunlop will provide a permanent loan through the Freddie Mac Tax Exempt Loan Program. The permanent loan will have a term of 18 years with a 35-year amortization. The permanent period interest rate (which will be locked prior to closing) will be equal to the 10 year treasury rate (with a floor of 1.32%) with a spread of 248 basis points.

**Second Mortgage-Tax Exempt Seller Note**

South Atlantic Housing of Brevard, the seller of the development will accept a tax-exempt note in the amount of \$2,360,000. The note will have a term of 40 years, with an interest rate of 8%. Payments will be made form 75% of Net Cash Flow. All remaining interest and outstanding principal will be due and payable on the maturity date.

**Third Mortgage-Taxable Seller Note**

South Atlantic Housing of Brevard will also provide a taxable loan in the amount of \$7,732,661. The term of the loan will be 40 years with an interest rate of 8%, payable from 75% of Net Cash Flow. All remaining interest and outstanding principal will be due and payable on the maturity date.

**Interim Income and Reserves**

A portion of the operating revenue will be used as a source of funds during construction and permanent phases. The Applicant will purchase the Development’s replacement reserves at loan closing.

**Tax Credit Equity-National Equity Funds (“NEF”)**

The Applicant will apply to FHFC to receive 4% Housing Credits. Pursuant to a draft of the Limited Partnership Agreement, NEF or an affiliate will acquire a 99.99% limited partnership interest at a syndication rate of \$0.9475 per housing credit for a net total equity investment of up to \$7,492,838.

Installment	Amount	%	Due Upon
1	\$1,152,948	15.39%	Closing
2	2,279,742	30.43%	100% construction completion, no earlier than 8/1/21
3	3,923,504	52.36%	Stabilation and cost certification, no earlier than 1/1/22
4	68,322	0.91%	Receipt of 8609 but no earlier than 1/1/22
5	68,322	0.91%	First year tax return and K-1, but no earlier than 4/1/22
<b>Total</b>	<b>\$7,492,838</b>	<b>100.00%</b>	

**Deferred Developer Fee**

In order to balance the sources and uses of funds, the Developer must defer \$1,036,166, or 28.75% of the developer fee.

**Guaranties/Guarantors**

The Standard Construction Completion, Operating Deficit, Recourse Obligations, Environmental and Fee guarantees are required and will be provided by Southlake Towers, LLLP. ReBuild America-Phoenix, Inc. and ReBuild America, Inc.

**Credit Underwriting Report (“CUR”)**

The CUR provided recommends the issuance of a Multifamily Mortgage Revenue Bond in an amount not to exceed \$12,760,000 (subject to changes based on the underwriting criteria set forth in the CUR) be awarded to the subject development.

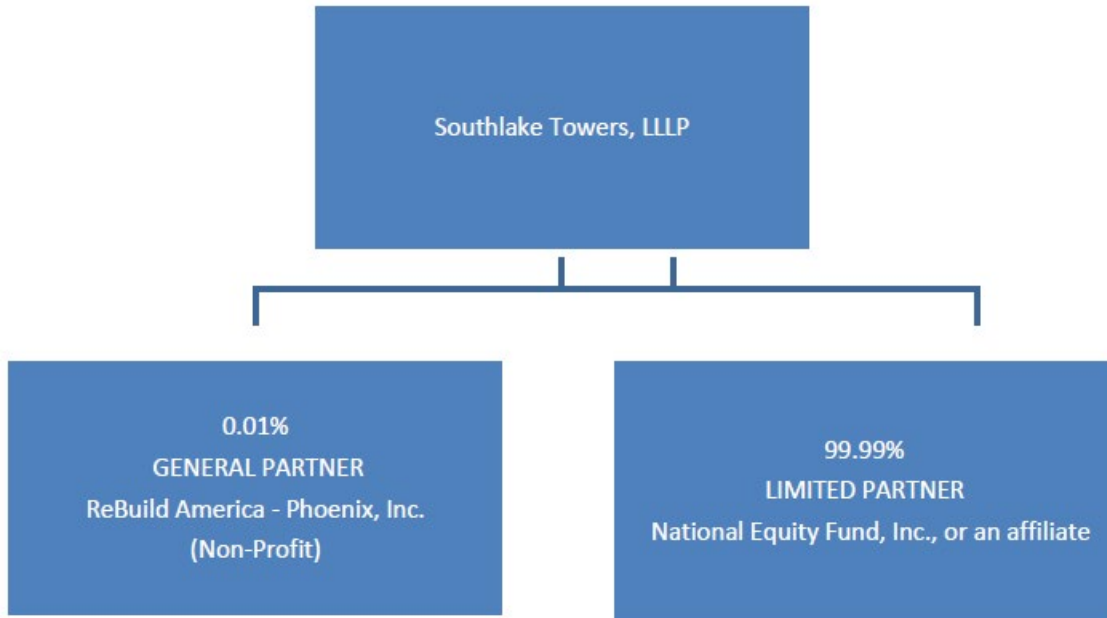


PRAG recommends approval of the financing plan subject to all the assumptions in the Special and General Conditions outlined in the draft CUR and any revisions to such CUR.

Attachment:

Credit Underwriting Report dated July 1, 2020

## Exhibit A Ownership Structure



## Developer Structure

