

# MULTIFAMILY BONDS

## Action Supplement

### I. MULTIFAMILY BONDS

#### A. Request Approval of Change of Guarantor for Towers of Jacksonville (2014-122B / 2005-008E/ PLP 07-168)

<b>Development Name: Towers of Jacksonville</b>	<b>Location: Duval County</b>
<b>Developer/Principal (“Applicant”): Retirement Housing Foundations, Inc. and Towers of Jacksonville, Inc.</b>	<b>Set-Asides: 40% @ 60% AMI (MMRB) 95% @ 60% AMI (Housing Credits) 60% @ 60% AMI (PLP)</b>
<b>Funding Source: Multifamily Mortgage Revenue Bonds (MMRB), 4% Housing Tax Credits (Housing Credits), Elderly Housing Community Loan Program (EHCL), and Predevelopment Loan Program (PLP)</b>	<b>Amount: \$13,300,000 MMRB \$787,009 Housing Credits \$200,000 EHCL \$450,000 PLP</b>
<b>Number of Units: 194</b>	<b>Type: Elderly</b>

#### 1. Background

- a) Applicant submitted an Application (“Application”) on behalf of the proposed Development using the 2013 Non-Competitive Application package. Applicant applied for Multifamily Mortgage Revenue Bonds (MMRB) in the amount of \$12,950,000 and non-competitive Housing Credits in the amount of \$680,680 in order to acquire and rehabilitate the Development. The Applicant subsequently increased the MMRB request amount to \$13,300,000.
- b) This development previously received an EHCL loan in the amount of \$200,000 in 2005 and PLP loan in the amount of \$450,000 in 2009. The PLP Land Use Restriction Agreement (LURA) set-asides are 60% @ 60% for 15 years from the date the loan is paid off. Both the PLP loan and EHCL loan will be paid off prior to or simultaneously with the MMRB closing.

#### 2. Present Situation

The Board approved the final credit underwriting report on December 12, 2014 that included Towers of Jacksonville, LP, Deland RHF Housing, Inc., The Towers of Jacksonville, Inc. and Retirement Housing Foundation, Inc. as the guarantors. AmeriNational Community Services, Inc. has reviewed a request to replace Retirement Housing Foundation Inc. with RHF Foundation, Inc. and provided a recommendation (Exhibit A). Although Retirement Housing Foundation has previously provided guarantees on various transactions, subsequent financing agreements with some of its lenders contain prohibitions against guarantying additional debt. Doing so could potentially result in events of default on these other, non-FHFC, financing arrangements.

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#### 3. **Recommendation**

That the Board approve the recommendation of the Credit Underwriter outlined in the update letter to the Final Credit Underwriting Report recommending the removal of Retirement Housing Foundation, Inc. as a Guarantor and replacement with RHF Foundation, Inc. subject to further approvals and verifications by the Credit Underwriter, Bond Counsel, Special Counsel, and the appropriate Florida Housing staff.



March 18, 2015

Mr. Ken Reecy  
Director of Multifamily Programs  
Florida Housing Finance Corporation  
City Centre Building  
227 North Bronough Street, Suite 5000  
Tallahassee, Florida 32301-1329

RE: Towers of Jacksonville (2014-122B)  
Change in Guarantor Entity

Dear Mr. Reecy:

AmeriNational Community Services, Inc. ("ACS" or "AmeriNational") completed a final credit underwriting report ("CUR") dated December 3, 2014 for Towers of Jacksonville (the "Development") which was approved by Florida Housing Finance Corporation ("FHFC" or "Florida Housing") at their December 12, 2014 Board meeting. As part of the recommendation issued by AmeriNational for Multifamily Mortgage Revenue Bonds ("MMRB") and 4% Non-Competitive Housing Credits ("HC"), AmeriNational named Retirement Housing Foundation, Inc. ("RHF") as a Guarantor in the proposed transaction. RHF functions as the 70% member of the 0.01% General Partner of the Borrower and as co-developer of the Development. RHF was underwritten as a Guarantor in the proposed transaction to sign Guarantees of Construction Completion, Operating Deficit, Environmental Indemnity, and Recourse Obligations. Pursuant to RHF's unwillingness or inability to serve as a Guarantor in the transaction, the request has been made that a replacement Guarantor, RHF Foundation, Inc. ("RHFFI"), be considered to take the place of RHF for underwriting purposes.

**Background**

RHF is one of the nation's largest non-profit sponsors/developers and managers of affordable housing and services for the elderly and persons with disabilities. RHF sponsors or co-sponsors and manages, through itself and affiliated corporations, affordable and market rate housing, skilled nursing and assisted living for senior adults, low income families and persons with disabilities throughout the United States. RHF has facilities in 27 states, housing more than 18,000 people in 172 communities, with over 17,000 units. RHF is governed by a 12-member Board of Directors that are experienced in the areas of real estate development. Based on an audited financial statement for the period ended September 30, 2014, RHF had approximately \$21MM in liquidity, total assets of \$202.3MM, liabilities of \$48.6MM, and net equity of \$153.7MM. RHF, per a schedule dated July 2014, is a party to completion, operating deficit, and HC guarantees in the approximate amount of \$113MM.

RHFFI, a non-profit public benefit corporation, is an affiliate of RHF and provides financial support to RHF for their various real estate ventures. RHF is the sole corporate member of RHFFI. An analysis of RHFFI's financial capacity is as follows:

- Credit Evaluation: A D&B Business and Information Report was obtained for RHFFI dated March 17, 2015. The composite credit appraisal shows the probability of delinquent payments in the middle risk range compared to the average of businesses in the D&B database. The D&B report reflects 88% of trade experiences with RHFFI are within terms; with recent payment information showing payments

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within terms and the prior three months within terms. The industry median is 2 days beyond terms. No suits, judgments, or liens were reported in the D&B report.

- Banking References: AmeriNational received bank statements for RHFFI, as of September 30, 2014, confirming deposits consistent with the financial statement presented below.
- Financial Statements: AmeriNational received and reviewed the financial information for RHFFI as follows:

<b>RHF Foundation, Inc.</b>	
<u>FYE September 30, 2014</u>	<u>(Audited)</u>
Cash and Cash Equivalents (Unrestricted):	\$ 3,679,000
Cash and Cash Equivalents (Restricted):	\$ 38,013,000
Total Assets:	\$ 111,843,000
Total Liabilities:	\$ 12,355,000
Total Net Assets:	\$ 99,488,000

The financial information is based upon financial statements audited by CliftonLarsonAllen, LLC for the period ended September 30, 2014. Assets consist primarily of cash, short and long term investments, and advances to affiliates. Liabilities consist of accounts payable, advances from affiliates, and long-term debt. AmeriNational received and reviewed U.S. Income Tax Returns for 2012 and 2013.

- Contingent Liabilities & Real Estate Owned: Based on a schedule dated February 20, 2015, RHFFI indicates they are a party to approximately \$217.7MM in various guarantees. The guarantees consist primarily of construction completion, operating deficit, and low income housing tax credit associated with RHFFI's Schedule of Guarantee of Debt and Real Estate Owned. A Schedule of Real Estate Owned dated March 17, 2015 indicated ownership in one parcel of undeveloped land.

**Recommendation:**

While RHFFI presents an overall weaker financial position than that of RHF, RHFFI still offers a solid financial background with respect to serving in a Guarantor capacity. In addition, it should be noted that the MMRB in the transaction are short term and cash collateralized and there is no other associated Florida Housing debt proposed. Finally, the inclusion of a Syndicator (R4 Capital, LLC) providing HC equity further serves to add overall strength to the transaction.

For the reasons named above, we believe the risk associated with the proposed Guarantor replacement is sufficiently mitigated. AmeriNational therefore recommends approval of RHFFI to replace RHF as a Guarantor in the transaction, with no further changes to the remaining Guarantors named in the December 3, 2014 CUR.

Should you have any further questions regarding this matter, please let me know.

Thank you,



George J. Repity  
Senior Credit Underwriter