



May 27, 2013

Mr. Steve Auger
Executive Director
Florida Housing Finance Corporation
227 North Bronough, Suite 5000
Tallahassee, Florida 32301

Re: Comments on Bond/4% HC Instructions/Application/Rule and 9% HC RFP's
Duval County Limited Development Areas

Dear Mr. Auger:

Thank you for the opportunity to comment on the Bond 4% HC Application Instructions-Rule and 9% HC RFP's. This comment is provided for Jacksonville Housing Finance Authority in my capacity as their Financial Advisor and at their direction.

A summary of our recommendations:

- 1. There is no market issue with existing elderly developments and the LDA status should not apply to elderly developments located anywhere in the County.**
- 2. The Southeast County submarket (the area south of the St. Johns River and east of I-95) should not be classified as an LDA for any development type, including family.**
- 3. The Arlington area should not be classified as an LDA for any development type, despite the fact that it is currently "naked" due to a Guarantee Fund deal which received an SMI loan.**
- 4. We concur with the LDA designations for the Mandarin area (west of I-95, south and east of the St. Johns River) and the "Westside" (area west and north of downtown)**

Duval County is the state's 7th largest county, with nearly 900,000 residents. The County's geography also creates distinct submarkets—largely due to the St. Johns River. Geographic proximity "as the crow flies" is much less relevant than traffic patterns and drive times.

Also, as stated in previous comments, bad management of a property and resulting low occupancy does not mean that the market is bad. Many of the "red" properties in the FHFC analysis have strong indications that poor management, rather than market, is the main cause of their issues. This is particularly true for Sundance Pointe (now "green"), whose past issues and status as a Guarantee Fund deal are destroying opportunities for redevelopment in the entire Arlington market.

Much of Duval County has been in LDA/Location A status for several years. New construction has been limited. Both FHFC data and Jacksonville HFA data show a strong recovery in the market. Keeping LDA status for much of the County will inhibit new construction and redevelopment of existing units for another 2-3 years—the time it takes from now to delivery of units into the market from the upcoming HC cycle.



When evaluating the latest map of exclusions the following observations are made:

1. ELDERLY

There is no indication within the numbers provided and occupancy that there are any issues with elderly units and the exclusion should be removed. All apartments' projects exceed 90% as an average that are listed in your County Summary Occupancy Data. There is a significant need for elderly housing and fits within the targeted population for the City of Jacksonville.

Recommendation: Remove the elderly restriction from all areas of Duval County

2. SOUTHEAST COUNTY

Southeast County is considered by the locals as south of the St. Johns River and east of 1-95. There are new roads and new development opening up areas south of Butler Blvd. If affordable housing does not go in now, it will be foreclosed for the future. This is an emerging area in which affordable housing should be included. This is a newly developing area and there is not much product of any kind in the area. The Mandarin area (West of I-95) is a different submarket than this area. We agree that the area west of 1-95 should be an LDA.

All of the "red deals" on the occupancy map are projects that have management issues. You can go to www.apartmentratings.com/rate/FL-Jacksonville and then to the apartment complex name to see these comments yourself. Below is a summary:

Deer Meadows - the reviews talk about the frequent change in management, drugs and safety issues, cockroaches, children unsupervised putting other children at risk, amenities unavailable to the tenants, little to no communication with the management, trash compactors overflowing. It had a 26% approval rating

Ravenwood – Manager was renting units to relatives rent free and showing them vacant. They were caught and fired but this accounts for the depressed occupancy reporting

Sundance Pointe: The latest review which you could rate 5 being the best and 1 being the worst ranked this property a 1. Additionally, 70% of the reviews were negative with a "don't recommend" rating.

The review was written 12/22/12.

"Would not advise anyone to move in this place. The so called pest control never got rid of the roaches, the trash is always overflowing, pool is dirty and maintenance staff is terrible. Trust me this place no not worth the money".

Spinnaker Reach – Overall rating of 13% recommend renting one of these apartments which leaves 87% not recommending. One of the latest reviews January 8, 2013 from a resident that has been at the property since 2004:

"the last couple of years the apartment complex has been going downhill and the management does nothing about it. There are many teenagers that only hangout out in the large groups of people. They are very rude, makes lots of noise, get in fights, smoke marijuana and drink alcohol beverages. Many people listened to their music very loudly not considering the time at all. The police car standing outside is just for show and the so called officer is never available and rarely comes to solve an issue. If you want to live in the ghetto, if you want to walk in dog waste,

breathe air where the scent of marijuana never leaves and witness many crimes these are the apartment for you”

Other properties within those same markets do not have occupancy issues. When reviewing the online comments from past and current tenants it is evident that management and physical condition are the reasons for low occupancy, not the overall market.

Recommendation: Remove Southeast County (all areas south of the St. Johns River and east of I-95) from both family and elderly LDA requirements

3. ARLINGTON

Arlington is victim of a “double” LDA due to both the overall designation of the area as a Family LDA and as a Family and Elderly LDA due to being within the five mile circle drawn around Sundance Pointe because of its receipt of an SMI loan. This area has redevelopment opportunities beyond the preservation deals that are permitted even though the area has an LDA designation.

The Arlington area is in dire need of quality affordable housing. There are many units that need rehabilitation. The property that has kept this area from redevelopment is Sundance Pointe. Sundance is in a bad location at the north end of Arlington with no bridge nearby. To get there, residents have to drive north all the way through Arlington neighborhood to get to a poorly managed property with cockroaches. In addition, the location, at the dead end of the Arlington area peninsula, would require a potential renter to “happen on to the property”, and they certainly would not seek it out because it has a horrible reputation. All other properties within the five mile radius have occupancies that are reflective that Sundance is the anomaly. Its occupancy is reflective of poor or absentee management and a poorly located and conceived project, not the market.

All of the “red deals” on the occupancy map are projects that have management issues. You can go to www.apartmentratings.com/rate/FL-Jacksonville and then to the apartment complex name to see these comments yourself..

Recommendation: Remove from LDA Status

The following are general comments, analysis of various market areas and recommendations:

1. Overall Duval Market has Improved and is Strong
The JHFA occupancy levels in their portfolio have risen over the past two years from 87% to 94.4%. Jacksonville’s overall average occupancy in all multifamily rental properties has remained stable from the fourth quarter of 2012 to the first quarter of 2013. Stability in the multifamily occupancy is a sign the market is returning to pre-recession averages while absorbing the new product coming online.
2. A Project that has SMI Loan in not always an indicator of the Market.
The ability of the developer to get an SMI loan does not necessarily mean the development was actually troubled and it does not mean that the market within a five mile radius is poor. It is possible for the developer to manipulate the numbers by increasing expenses so that the property appeared not to cash flow while avoiding SAIL interest and/or getting an SMI Loan. We are not saying that happened in this case, but it should not be utilized as the predominate criteria when

there are other issues that might be having a greater impact on the projects viability and other markets are suffering when they are excluded due to the SMI loan. In the case of Sundance Pointe, clearly the occupancy issues have more to do with the condition of the property, management, and poor location than the market.

3. "Red Deals are often indicative of Management Problems Rather than Market

All of the "red deals" on the occupancy map are projects that have management issues. Other properties within those same markets do not have occupancy issues. When reviewing the online comments from past and current tenants it is evident

4. Rent Trends are rising

Jacksonville overall average rent per square foot continues to increase steadily since the first quarter of 2012.

5. Deposit Trends are increasing

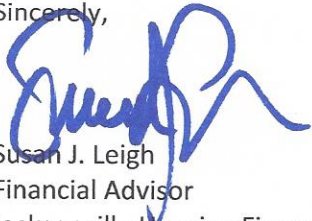
The average security deposit continues to increase in the fourth quarter of 2012 which was 219 and in the first quarter of 2012, \$222. There is an average increase of \$39 in the first quarter of 2013.

In conclusion and summary:

1. The Duval County market is strong overall and new units need to be encouraged now to meet growing demand.
2. Even if an area was removed from LDA status today, new units would not be leasing until later 2014 or 2015.
3. Please remove the requested areas from LDA status so that Duval can begin building and rehabilitating again in the areas of the county that have the greatest need.

Thank you for the opportunity to comment on the HC RFP's. Please feel free to contact me with any questions.

Sincerely,



Susan J. Leigh
Financial Advisor
Jacksonville Housing Finance Authority

Cc: Kevin Tatreau
Tripp Guilford