

# THE HENDRICKSON COMPANY

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Mr. Steve Auger  
Executive Director  
Florida Housing Finance Corporation  
227 North Bronough, Suite 5000  
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Re: Comments on Bond/4% HC Instructions/Application/Rule and 9% HC RFP's  
Hillsborough 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. I am writing this comment in my capacity as Financial Advisor to the HFA of Hillsborough County.

At two recent meetings, the HFA of Hillsborough Board of Directors has directed me to request that no part of Hillsborough County be designated as a Limited Development Area (LDA). This is based upon their analysis each month of the HFA's portfolio, including occupancy and financial monitoring reports.

Please note that the Hillsborough Board has supported Location A and LDA designations for portions of the county in the past. This is not a Board that is giving a knee-jerk "none of our county should be LDA" reaction. The Board includes people with great knowledge of the market, including lenders, developers, and credit underwriters.

Decisions on LDA and building are similar to steering an aircraft carrier. They don't turn on a dime. LDA status today means no new units coming on line for the next two years. If one waits until virtually every development has a waiting list to remove LDA status, production will always be years behind the curve in meeting demand.

The Hillsborough trend is clear, and new units are needed. Even with removal of LDA status, new units will not be leasing up until late 2014 or 2015.

The current market is very strong, with most properties at or near full occupancy. The Hillsborough market has fully recovered from the problems encountered from 2009-2011. Currently:

- The weighted average occupancy is 96.2%-- a six year high.
- The median occupancy is 96.0%.
- No property has an occupancy level lower than 93%.
- 48% of the properties have an occupancy of 97% or higher.
- The overall average is dragged down by market rate units in three mixed income developments. Median occupancy increases to 97% when analyzing set-aside units.

The Board of the HFA of Hillsborough County ("HFA"), I analyzes all developments financed by that HFA on a monthly basis. When a development has occupancy issues, I work with the servicers (Seltzer, First Housing, and AmeriNational) to determine why there is a problem—what is wrong, market, management, physical condition, or other issues.

This analysis includes the performance of twenty-four (24) developments totaling 4,815 units. The developments were constructed over the past 15 years, with the detailed analysis conducted for the past seven years (but data available for all deals back to their construction if needed). The developments are located in all areas of Hillsborough County. One acquisition/rehab deal was foreclosed for non-market reasons and is no longer monitored. Two deals are under construction or in lease-up—leaving 21 deals fully analyzed.

The ongoing analysis gives a detailed view of the various submarkets within the County. Currently, the HFA Board considers all submarkets to be strong, with increasing demand for units. The developments and market areas are:

- Brandon, three developments of 200, 184, and 360 units (Brandon Crossing, Lakewood Shores and Lake Kathy)
- East Tampa, four developments of 201, 168, 360, and 144 units (Belmont Heights Phase II, Grande Oaks, Meridian, and Brandywine)
- South Tampa, two developments of 176 and 216 units (Clipper Cove and Gardens at Southbay)
- East Lake-Orient CDBG/Mango (County, east of Tampa, near MLK) three developments of 208, 260, and 108 units (Clipper Cove, Claymore Crossing and Sabal Ridge II)
- USF, two developments of 144 and 240 units (Sherwood Lakes, aka Carlisle Lakes II, and Royal Palm Key)
- New Tampa, one development of 336 units (Morgan Creek)
- Seminole Heights, one development of 250 units (Oaks at Riverview)
- Northwest County, one development of 216 units (Hunter's Run)
- Tampa, downtown, three developments of 238, 160, and 141 units (Mobley Park, The Ella and The Trio)
- Plant City, one development of 200 units (Park Springs)
- Carrollwood, one development of 96 units (Hunt Club)
- South County, two developments of 108 and 96 units (Cristina Woods and Kensington Gardens II)

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

1. **Overall Hillsborough Market: Very Strong**

The data on Hillsborough HFA properties confirms that the overall Hillsborough market is very strong, and does not warrant any LDA designation.

2. **FHFC Proposed LDA Areas**

- USF Area
- East Tampa
- East Lake-Orient CDBG Target Area (and surrounding vicinity)
- Palm River
- Plant City

3. **“Red” Deals Are Often Indicative of Management Problems Rather than Market**

In the past, deals that were “red” in the FHFC analysis often had management problems rather than market issues.

4. **USF Area: Remove from LDA Status**

The University of South Florida (USF) area (north of Busch Boulevard and east of I-275) is proposed as an LDA. This area is targeted by the local government for redevelopment. It includes an odd mix of land use, including a major university, medical treatment and research facilities, Busch Gardens, and one of the toughest and distressed neighborhoods in Florida.

Our take on the area is that there is not a market issue—instead there is often a location and/or management issue. Given the neighborhoods, a bad location without extremely strong management is disastrous. Properties within blocks of each other have wildly different occupancy levels, and wildly different levels of management effectiveness.

Occupancy levels for properties in this area have experienced spiking occupancy as problem residents are periodically removed. Royal Palm Key (financed by Hillsborough HFA) has a current occupancy of 94%, matching a 5 ½ year high. This is a difficult area in need of redevelopment, including new units.

**Recommendation: Remove USF area from LDA status.**

**5. East Lake-Orient CDBG Target Area (near Mango): Remove from LDA Status**

The East-Lake-Orient CDBG target area is an area of unincorporated Hillsborough County located east of the City of Tampa (area bounded by I-4 on the north, I-75 on the east, SR 60 (Adamo Drive) on the south, and US 301 on the west). When FHFC last analyzed this market, there are no “red” properties in this area, with occupancy of the existing Mariner’s Cove property at 96.31% and Sabal Ridge at 99.54%. One year ago, Hillsborough HFA’s comment on this market was:

*“the East Lake-Orient CDBG Target Area is a good market. This area does not meet either the overbuilt market on impact on a troubled Guarantee Fund deal tests for inclusion within LDA. However, there is new product coming on line that should be absorbed before additional units are subsidized.”*

That new product was Sabal Ridge II, which leased up its 106 units in only a few months and has retained full occupancy (97%-98%). There is no current rationale for keeping this area as an LDA.

**Recommendation: Remove East Lake-Orient Park-Mango from LDA status.**

**6. East Tampa: Remove from LDA Status**

The East Tampa area (bordered by Dr. Martin Luther King Boulevard on the south, I-275 on the west, and Busch Boulevard on the north, should be removed from LDA status. One year ago, Hillsborough HFA’s comment on this market was,

*“This is a good market that needs a short time-out for all developments to stabilize. For that reason, we agree that East Tampa should be an LDA for one additional year.”*

That year has passed, the developments have all stabilized, and the LDA status is no longer justified. This is an area with a population that matches HC/bond product, and will continue to have strong demand for new units.

**Recommendation: Remove East Tampa from LDA status.**

**7. Palm River: Remove from LDA Status**

Palm River is an area roughly bounded by Hillsborough Bay on the west, SR 60 (Adamo Drive) on the north, US 301/I-75 on the east, and CR 676 A on the south. While the northern part of this area is largely industrial in nature, the southern part is conducive to residential development, and is close to jobs and services. There is no “market” issue related to overbuilding. The closest development to this area is Kensington Gardens Phase II of that development was financed by the HFA, leased up in record time, and has maintained 100% occupancy. There is no rationale for retaining this area as an LDA.

**Recommendation: Remove from LDA Status.**

**8. Plant City: Remove from LDA Status**

The HFA has removed this area from its “no finance” list because the troubled Guarantee Fund deal was refinanced and the HFA financed property (Park Springs) has a current occupancy of 96% (a five year high—and occupancy has been above 90% for almost one year. The HFA supported LDA status for this area in the past, but believes that the situation no longer warrants a “no new construction” status.

**Recommendation: Remove from LDA Status.**

9. **All Other Submarkets Should Remain as non-LDA Areas:**

- **Brandon**
- **Riverview, Progress Village, and South County**
- **New Tampa**
- **Carrollwood**
- **Temple Terrace**
- **Seminole Heights**
- **Northwest County**
- **South Tampa**
- **Downtown Tampa and Tampa Heights**
- **Any others**

Therefore, in summary:

1. **The Hillsborough market is very strong, 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 late 2014 or 2015.**
3. **The HFA's market analysis shows essentially full occupancy in most HFA financed properties, with occupancy trending upward in all properties (or remaining at a very high occupancy level).**
4. **The HFA supported Location A and LDA designations for some areas of the County in the past. The HFA Board now advocates that no part of Hillsborough County be designated as an LDA.**

Thank you for the opportunity to comment on the Bond/4% HC Application/Instructions/Rule and 9% HC RFP's. Please feel free to contact me with any questions.

Sincerely,



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Financial Advisor  
HFA of Hillsborough County

cc: Kevin Tatreau  
Ed Busansky  
Debra Koehler