

Shanholt, Vander

From: Shanholt, Vander
Sent: Tuesday, May 20, 2025 2:50 PM
To: mark@thehendricksoncompany.com
Subject: Tallahassee Portfolio

Hello Mark,

Thank you for taking the time to discuss the Tallahassee Portfolio with me this morning. I wanted to summarize our requests for modifications to the existing LURA to ensure the financial solvency of the assets.

First off, the reason for this request is to recapitalize Bainbridge, High Road and Ocala as part of an 11-property portfolio. As part of the transaction, bondholders are making two major concessions to improve available cash flow at the projects.

1. Bondholders are taking a haircut on their existing debt. We are permanently writing down \$4.4 million of debt at the Tallahassee Portfolio to improve overall leverage ratios and reduce long-term interest expense
2. Bondholders are amending the current debt structure to create a new capital stack that defers the payment of interest expense of 65% of the debt until FY 2039. In doing so we will significantly increase near-term cash flow to complete unit turns at apartments that are pre-leased but in need of renovations

As we discussed, Franklin is comfortable maintaining the third-party compliance regarding tenant income certifications of the properties as currently monitored by Amerinat as an operating expense of the projects. If you do not mind sharing that cost, I would greatly appreciate it.

In order to complete our stabilization plan we are asking for the HFA's support through two amendments to the existing LURA:

1. The LURA requires all existing HVAC units to be replaced with Seer 15 HVAC units. We are completely willing to make these replacements but are asking for the HFA's support to replace the HVAC units at the end of their useful lives, as opposed to right now
 - a. We have already replaced roughly 100 of the 300 total HVAC units with Seer 15 units, demonstrating our commitment to getting into compliance with the LURA
 - b. The cost to replace 200 HVAC units simultaneously is prohibitively expensive; we have working HVAC units that are relatively new and we would like to utilize them until they are no longer functional, at which point we will replace them with the appropriate units
 - c. There are logistical challenges to replacing 200 HVAC units simultaneously
 - i. It creates a chaotic situation for existing tenants with maintenance personnel at the property for weeks
 - ii. Having 200 HVAC units with identical useful lives would result in all units being replaced simultaneously, which again will create a significant capital expense as well as logistical challenges (it's not ideal for 2/3rd of tenants to not have AC at the exact same time)
 - d. We will apply for HERA funding for Seer 15 units and if we receive any funding we can expedite the replacement of the units
2. A waiver for the ADA requirements for High Road and Ocala
 - a. Bainbridge is already in compliance with the ADA requirements within the LURA

- b. We are asking for a waiver for Ocala due to the geographical challenges with meeting ADA requirements. These buildings are on a hill and we have heard from engineers that it is essentially impossible to regrade in line with current ADA requirements
- c. We are asking for a waiver for High Road due to the cost; material costs have increased by more than two times since we financed the original bond deal and we do not have the funds available to meet the current requirements.
- d. In exchange for the waiver, we would like to offer to make annual donations to a local disability charity. We are firmly committed to supporting that community but the prohibitive cost of meeting the ADA requirements in the LURA do not allow us to satisfy that requirement at this time

Franklin remains firmly committed to supporting these assets and ensuring the affordability of the apartments. We are taking pain through a reduction in par and pushing out interest requirements to ensure the projects reach stabilization. We would appreciate the HFA's support on these two asks to ensure the long-term viability of the Tallahassee Portfolio.

Best regards,

Vander

Vander Shanholt

Vice President/Research Analyst
Municipal Bonds
San Mateo, California
Franklin Templeton

tel +1 (650) 312 3926

mobile +1 (650) 678 4664

vander.shanholt@franklintempleton.com

www.franklintempleton.com

