

# THE HENDRICKSON COMPANY & THE COMMUNITY CONCEPTS GROUP

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## MEMORANDUM

To: Housing Finance Authority of Leon County Board of Directors

From: Mark Hendrickson, Administrator

Subject: Analysis of the Leon Arms Application

Date: September 3, 2025

Leon Arms was built in 1969 and is 100% project-based Section 8. The property last had improvements in 2005.

### I. Summary of Findings

#### A. Summary of key criteria:

Question	Leon Arms
Is the development economically feasible as submitted?	Yes
Are the costs/fees associated with the development reasonable and appropriate?	Yes
Is the experience of the development team adequate?	Yes
If feasible, is it ready to proceed to closing in 2025	No. Estimates closing 2 <sup>nd</sup> quarter 2026
Is the product being proposed adequate in terms of design and amenities?	Yes
Is the product being proposed adequate in terms of ongoing resident services?	Yes
Are the income targeting and length of set-aside adequate?	Yes
Any special impact on redevelopment?	Yes, rehabilitation and preservation of Project Based Rental Assistance
Did the responses within the application contain adequate responses to important questions, relating to financing and other key issues?	Yes
Recommend Inducement?	Yes

## B. Summary of the Proposed Development

	Leon Arms
Developer/ Location	Sunrise Affordable Housing Group Palm Beach, FL
Development Location	2502 Holton Street 32310 City of Tallahassee
County Commission District	Bill Proctor
Type	Acquisition and Rehabilitation Garden/10 Residential Buildings/Concrete 1-2 Stories
Demographic	Family
HFA Bond Request	\$15,000,000
TEFRA Hearing	TBD
TEFRA Approval	TBD
Credit Enhancement	Berkadia Private Placement
Credit Underwriter	TBD
Closing Date	2 <sup>nd</sup> Quarter 2026
Units	100
Permanent 1 <sup>st</sup> Mortgage Estimate	\$14,040,000
SAIL & ELI (FHFC)	\$0
City Loan	\$0
HFA Loan Request	\$0
Housing Credits	Berkadia \$7,599,979 \$76,100/unit
TDC	\$23,066,290
TDC per unit	\$230,663
Land Cost	\$500,000 or 5,000/unit
Building Cost	\$6,500,000 or \$65,000/unit
Hard Construction Cost	\$8,778,000 or \$87,780/unit
Set Aside Period	50 years
Set Aside Levels	9.615% (15 units) < 80% AMI 55.769% (87 units) < 70% AMI 9.615% (15 units) < 60% AMI 25.000% (39 units) < 30% AMI

## C. Summary of Findings and Recommendations for Leon Arms:

1. The acquisition and rehabilitation of this 56-year-old property will preserve 100 project-based Section 8 units for at least another 20 years and provide a very substantial renovation of the property (\$87,780 per unit)
2. The development appears economically feasible.
3. The development's resident programs, unit and development amenities, and energy efficiency features meet minimum JHFA requirements.

4. The costs and fees associated with the development are comparable to recent Section 8 rehabilitation deals.
  5. The Applicant has site control through a Purchase and Sale Agreement. The site has proper zoning and availability of water, sewer, roads, and electricity as it is an existing property.
  6. The developer and development team have extensive experience in affordable housing and have successfully closed two bond deals with JHFA.
  7. The credit underwriter will order and evaluate an independent market analysis.
  8. The rehabilitation plan is extensive-- \$87,780 per unit and the tenant relocation plan is reasonable.
  9. **Recommendations:**
    - Permit Leon Arms to proceed through the JHFA financing process.
    - Adopt Inducement Resolution prepared by bond counsel, which includes Preliminary Agreement.
    - All items subject to review and approval of credit underwriter and counsel, including but not limited to preconstruction analysis, appraisal, market study, loan terms and amount, guaranties, credit enhancement, loan and bond documents.
    - All items subject to conditions in this memorandum and each development's individual memorandum.
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## **II. Leon Arms Analysis:**

Leon Arms is a 100 existing unit, 100% Project Based Section 8 development built in 1969. It is located on Holton Street, north of Orange Avenue, west of Wahnish Way.

### **A. Financing & Cost Analysis:**

1. The financing will utilize Tax Exempt bonds and 4% housing tax credits. The bonds will be a private placement to Berkadia. The proposed permanent loan would have a 15-year term (plus construction) with a 45-year amortization. The interest rate is to be determined.
2. The Applicant provided a Letter of Interest for Housing Credit syndication from Berkadia. The price is \$0.80 per \$1 of credits.
3. The Applicant is not applying for FHFC, JHFA or City funds.
4. The developer proposes to defer \$548,711 of the \$3,057,103 developer fee (17.9%).

### **5. Financing & Cost Issues:**

- The financing commitments are adequate for this stage of the process.

**B. Sources:**  
**Permanent Loan Period**

Source	\$	Per Unit	% Of Development Cost
Tax Exempt Bonds	\$14,040,000	\$140,400	61%
Housing Credits	\$ 7,599,979	\$ 76,000	33%
SAIL & ELI	\$ 0	\$ 0	0%
HFA or City Loan	\$ 0	\$ 0	0%
Operating Income	\$ 877,600	\$ 8,776	4%
Deferred Developer Fee	\$ 548,711	\$ 5,487	2%
<b>TOTAL</b>	<b>\$23,066,290</b>	<b>\$230,662</b>	<b>100%</b>

**C. Development Information, Including Design and Amenities**

Unit Mix		
Bedroom/Baths	Number	Square Footage
1/1	0	NA
2/1	36	854
3/1	64	1,014
4/1	0	NA

1. Leon Arms Apartments is the proposed rehabilitation of a 100-unit development, with ten garden apartment buildings, a mix of 1-story and 2-stories.
2. 100% of the 100 units are project based rental assistance (PBRA or Section 8).
3. In addition to meeting all building code, Fair Housing Act, and Americans with Disabilities Act requirement, the following are also required amenities:
  - Air conditioning
  - Cable TV hook-up
  - Full sized appliances in all units
  - Exterior lighting for all buildings and parking areas
4. Rehabilitation Unit amenities (in addition to those required) must total at least 25 points (26 points achieved):
  - Window Treatments/ Mini blinds (3pts)
  - 30-year Expected Life Roofing on all buildings (4 pts)
  - Gated Community with carded entry or security guard (3 pts):

- Microwave oven (3 pts)
  - Dishwasher (3 pts)
  - Garbage disposals (3 pts)
  - Steel entry door frames (3 pts)
  - Non-smoking units (4 pts)
5. Development amenities must total 16 points (each worth 2 points). The Applicant achieved the 16 points:
- Community Center or clubhouse
  - Playground/tot lot
  - Childcare facility within three miles
  - Public transportation located within one-half mile of property
  - Library /study room with minimum of 100 books and 5 magazine subscriptions and computer lab
  - Outside recreation area for older children (basketball court)
  - Community Garden
  - Picnic area with at least three permanent picnic tables and a permanent outdoor grill (Owner intends to cover the picnic area)
6. Mandatory Energy Conservation features:
- Energy Star qualified refrigerator.
  - Energy Star qualified dishwasher.
  - Energy Star qualified washing machine, if provided by applicant.
  - Minimum SEER of 15 for unit air conditioners (excluding buildings with a central chiller system).
  - Caulk, weather strips, hole seals, cracks, etc.
  - Sealed and insulated heating and cooling system ducts
  - Low-VOC paint for all interior walls (50 grams per liter or less for flat paint; 150 grams per liter or less for non-flat paint).
  - Low-flow water fixtures in bathrooms--WaterSense labeled products or the following specifications:
    - Toilets: 1.6 gallons/flush or less
    - Faucets: 1.5 gallons/minute or less
    - Showerheads: 2.2 gallons/minute or less.
7. Other energy conservation features:
- Energy Star qualified roofing material or coating
  - Energy Star rating for all windows
  - Install daylight sensors, timers or motion detectors on all outdoor lighting attached to buildings
  - Eco-friendly cabinets (formaldehyde free, material certified by the Forest Stewardship Council)
  - Motion detector on common area lighting
8. **Design, Amenity & Energy Efficiency Issues: Waiver Request**
- The proposed development meets the requirements for unit and development amenities

**D. Public Purpose/ Resident Services:**

1. The proposed affordability period is 50 years.
2. The income set-aside is 100% below 60% AMI.
3. The resident services/programs include a request to waive Health Care Screening requirement.:
  - Health Care Screening (M)
  - Resident Activities (M)
  - On Site Voter Registration (M)
  - Financial Counseling (M)
  - Computer Training (M)
  - Hurricane Preparedness (M)
  - Life Safety Training (Optional)
  - Homeownership Opportunity Program (M)
  - First-Time Homebuyer Seminars (M)
  - Health and Nutrition Classes (O)

**4. Public Purpose Issues:**

- The Applicant is providing all mandatory and two optional resident programs

**E. Ability to Proceed**

1. Site control established by a Purchase and Sale Agreement.
2. The site is zoned CU-18, Central Urban with 18 units per acre allowed. This is a moot issue as this is an existing development.
3. Availability of electricity, water, sewer and roads is moot as this is an existing development.
4. The applicant's schedule calls for a bond closing in the 2nd Quarter of 2026. This is reasonable.
5. **Ability to Proceed Issues: Site control: if Applicant does not obtain site control within a reasonable timeframe, the deal will not move forward.**

**F. Experience of Development Team:**

1. The developer and the members of the team that were identified have adequate experience with affordable housing, bond transactions, and housing credits. This team has closed two bond transactions with JHFA.
2. The credit underwriter will review all team members.

**Experience of Development Team Issues:** None.

**G. Other requirements: Expense and Indemnity Agreement**

- The required Expense and Indemnity Agreement was executed.

## H. Site Location and Market

1. This development has 100% of the units with project-based Section 8, and a current occupancy of 95%. Accordingly, there are few market concerns.
2. An independent market study will be evaluated by the credit underwriter.
3. **Site Location and Market Issues: None.**

## I. Rehabilitation and Tenant Relocation: BOARD- SEE APPLICATION FOR DETAILS (PDF PAGES 74-80)

### The Applicant's summary of the rehabilitation:

*Leon Arms was originally built in 1969 and has been maintained by family ownership since 2005. Although it has been well maintained, with the last major improvements made in 2005 – the property is in need of programmatic rehabilitation. Further, the property is immediately eligible for LIHTC syndication, having never been placed into the Section 42 program.*

*Sunrise's rehabilitation scope includes in-unit modernization, addition of common area amenities and security improvements, structural & MEP upgrades, resident service programs, energy efficient improvements and enhanced curb appeal & landscaping.*

*Unit Improvements: Sunrise's in-unit rehabilitation scope focuses on long-term preservation and improved quality of life for our tenants. The in-unit rehabilitation scope is divided into four main categories: (1) ADA & HVI compliant units; (2) general improvements; (3) bathroom upgrades; and (4) kitchen upgrades.*

*1) ADA & HVI Compliance: Establishing 5 ADA compliant units and 2 HVI compliant units. Currently, the property has no units in-compliance with either standard.*

*2) General improvements: Involves the installation of hurricane-rated windows and marble saddles, HVAC upgrades, installation of steel entry frames, updated LED lighting, modernizing the mechanical equipment and retrofitting green improvements.*

*3) Bathrooms: Will be renovated to feature a new vanity, bathtub replacement, and low-flow appliances and fixtures.*

*4) Kitchens: Will be renovated to feature energy star refrigerators, energy star dishwashers, upgraded garbage disposals, new microwave and range hood, as well as new sinks and faucets.*

*Site Improvements: The site improvement rehabilitation scope has been designed to focus on improving site security and establishing communal spaces for the residents. The largest site improvement project will be perimeter fencing and carded access control to the property with 24/7 video surveillance and monitoring capabilities, complemented with upgraded exterior lighting. The largest amenity project will be the conversion of the non-operational structures back into a 1) laundry facility; and 2) an Office with a Community Centre with Library and computer room. Other amenity upgrades include a picnic area with permanent grills and a community garden.*

**The Applicant's summary of the tenant relocation plan:**

*Sunrise has worked with our general contractor to devise a scope of work and execution strategy that ensures a smooth transition for residents while drastically improving their quality of life. Sunrise has budgeted \$225,000 for temporary tenant relocations. All relocations will be temporary as all residents are engaged in the Section 8 program, and will qualify under the elected set-asides with the Housing Finance Agency of Leon County and Florida Housing.*

*Execution Plan:*

- *Renovate 1 to 2 buildings at a time (buildings have 10 tenants each)*
- *Immediately after closing, survey residents for any special needs or scheduling conflicts, which will be factored into scheduling and tenant accommodation*
- *Provide advance notice to tenants of the scheduled unit renovations*
- *Provide tenants with boxes and any packaging needs; movers will arrive at 8:30AM the morning of the temporary relocation to assist the resident and general contractor*
  - o *ADA/HVI units will be temporarily relocated for 2 to 4 weeks as there is a larger scope for these units to be brought into compliance*
  - o *Non-accessible units will be temporarily relocated for 1 to 2 weeks*
  - o *Resident belonging to be stored in secured pods on site and moved back into unit on the day of their return*
- *Residents will be brought to an extended stay facility for 1 to 4 weeks that has a full kitchen and TV*
- *Set aside a vacant unit to be used for daytime work, relaxing, resting, napping, showering, bathroom use for any minor in-unit work to be completed*

**1. Rehabilitation and Tenant Relocation Issues: None.**