



August 14, 2020

Dear Delray Beach Community Redevelopment Agency Board of Commissioners:

In 2019, Smith & Henzy Advisory Group (“Smith & Henzy”) and Delray Beach Housing Authority (“DBHA”) formed a partnership to develop an affordable housing project, “Island Cove Apartments” on a site that is currently owned by DBHA and is located to the southwest of the intersection of SW 8th Street and SW 12th Avenue in Delray Beach, FL. DBHA and Smith & Henzy are requesting a Local Government Contribution from the Delray Beach Community Redevelopment Agency (“the CRA”) in support of the development Island Cove Apartments, which will provide state-of-the-art, affordable family housing to the Delray Beach community.

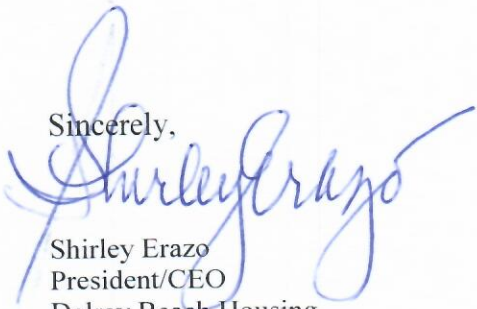
To bring Island Cove Apartments to fruition, we will apply to Florida Housing Finance Corporation (FHFC) for 9% Low-Income Housing Tax Credits (“Tax Credits”) in the 4th quarter of 2020. The funding process for 9% Tax Credits is highly competitive.

FHFC sets priorities and if an application meets one of these priorities, it has a better chance of being awarded 9% Tax Credits. One of the priorities is called the “Local Government Area of Opportunity Funding Goal,” and an application will qualify to meet this goal if the applicant demonstrates a high level of local government support for the project via a local government contribution. A development only qualifies for the "Local Government Area of Opportunity Goal" if it is provided a commitment. A single jurisdiction may only contribute the Local Government Contribution to one development applying for the Local Government Area of Opportunity Funding Goal.

Based on the information outlined herein, DBHA and Smith & Henzy respectfully requests a grant in the amount of \$1M from the CRA. The funding provided by the CRA will be used to cover construction costs, as well as costs related to redesigning the project (see Project Description below for more details) and infrastructure costs that are required to build new construction. By the CRA committing these funds to the development, the likelihood of the project obtaining 9% Tax Credits will increase significantly. We anticipate requiring the contribution from the CRA in the 3rd quarter of 2021. For the Island Cove Apartments application to FHFC, which will be due in the 4th quarter of 2020, we will need a commitment from the CRA to contribute the funds.

We will work tirelessly to ensure Island Cove Apartments provides the highest quality affordable housing to the residents of Delray Beach. Please find more details regarding the project attached.

Sincerely,

A handwritten signature in blue ink, reading "Shirley Erazo". The signature is fluid and cursive, with the first name "Shirley" and last name "Erazo" clearly distinguishable.

Shirley Erazo
President/CEO
Delray Beach Housing
Authority/Delray Housing Group, Inc.

Project Description

Island Cove Apartments will consist of 54 mixed-income, new construction units. While the project was originally conceived as a for-sale townhome development, Island Cove Apartments is currently planned as a multifamily rental property. Our intention is to utilize the architect's originally conceived townhome design (see attached renderings), while making modifications to the unit configurations in order to comply with Florida Housing Finance Corporation's ("FHFC") requirements and convert the design to a rental community. Island Cove Apartments will contain 36 two-bedroom/two-bathroom units and 18 three-bedroom/two-bathroom units. All 54 units will be reserved for households making 30%-80% or less of the area median income ("AMI"). The proposed unit mix is as follows:

Distribution of Total Units:	Total	% of Total
30% AMI	9	16.7%
60% AMI	27	50.0%
70% AMI	9	16.7%
80% AMI	9	16.7%
Total Units	54	100.0%

All Units:	Total Units	Weighted Avg. Unit Size (SF)
Two Bedroom/Two Bathroom	36	900
Three Bedroom/Two Bathroom	18	1,100
Total Units	54	967

Financing Plan

We will apply to FHFC for 9% Tax Credits under “Request for Applications (RFA) 2020-202 Housing Credit Financing for Affordable Housing Developments Located in Broward, Duval, Hillsborough, Orange, Palm Beach and Pinellas Counties.” As discussed in the attached cover letter, one of the goals of RFA 2020-202 will be to fund an application that qualifies for the “Local Government Area of Opportunity Funding Goal” in Palm Beach County. With a \$1M contribution from the CRA, Island Cove Apartments would qualify to win 9% Tax Credits under this goal. RFA 2020-202 is due in the 4th quarter of 2020 and the winners will be selected in the Spring of 2021. If Island Cove Apartments receives an allocation of 9% Tax Credits, we would begin construction on the project in late 2021 or early 2022.

In addition to \$10.9M of 9% Tax Credit equity and the \$1M grant from the CRA, we will utilize a \$3.9M first mortgage and \$549K of deferred developer fee as permanent sources of financing. The proposed sources and uses are as follows:

Sources & Uses:						
Sources of Funds: Construction			Per Net Rentable	Per Net		
	Total	% of Total	Residential SF	Buildable SF	Per Unit	
Construction Loan	\$ 10,006,802	63%	\$ 191.70	\$ 137.83	\$ 185,311	
Tax Credit Equity	\$ 3,752,545	24%	\$ 71.89	\$ 51.69	\$ 69,492	
Delray CRA Grant	\$ 1,000,000	6%	\$ 19.16	\$ 13.77	\$ 18,519	
Deferred Development Fee	\$ 1,033,723	7%	\$ 19.80	\$ 14.24	\$ 19,143	
Total Sources of Funds	\$ 15,793,070	100%	\$ 302.55	\$ 217.54	\$ 292,464	
Sources of Funds: Permanent			Per Net Rentable	Per Net		
	Total	% of Total	Residential SF	Buildable SF	Per Unit	
Permanent Loan	\$ 3,919,000	25%	\$ 75.08	\$ 53.98	\$ 72,574	
Tax Credit Equity	\$ 10,780,722	68%	\$ 206.53	\$ 148.49	\$ 199,643	
Delray CRA Grant	\$ 1,000,000	6%	\$ 19.16	\$ 13.77	\$ 18,519	
Deferred Development Fee	\$ 93,348	1%	\$ 1.79	\$ 1.29	\$ 1,729	
Total Sources of Funds	\$ 15,793,070	100%	\$ 302.55	\$ 217.54	\$ 292,464	
Uses of Funds:			Per Net Rentable	Per Net		
	Total	% of Total	Residential SF	Buildable SF	Per Unit	
Land Acquisition	\$ 500,000	3%	\$ 9.58	\$ 6.89	\$ 9,259	
Hard Cost	\$ 10,400,040	66%	\$ 199.23	\$ 143.25	\$ 192,593	
Soft Cost	\$ 2,521,495	16%	\$ 48.30	\$ 34.73	\$ 46,694	
Reserves	\$ 304,090	2%	\$ 5.83	\$ 4.19	\$ 5,631	
Development Fee	\$ 2,067,445	13%	\$ 39.61	\$ 28.48	\$ 38,286	
Total Uses of Funds	\$ 15,793,070	100%	\$ 302.55	\$ 217.54	\$ 292,464	

Community Amenities & Construction Features

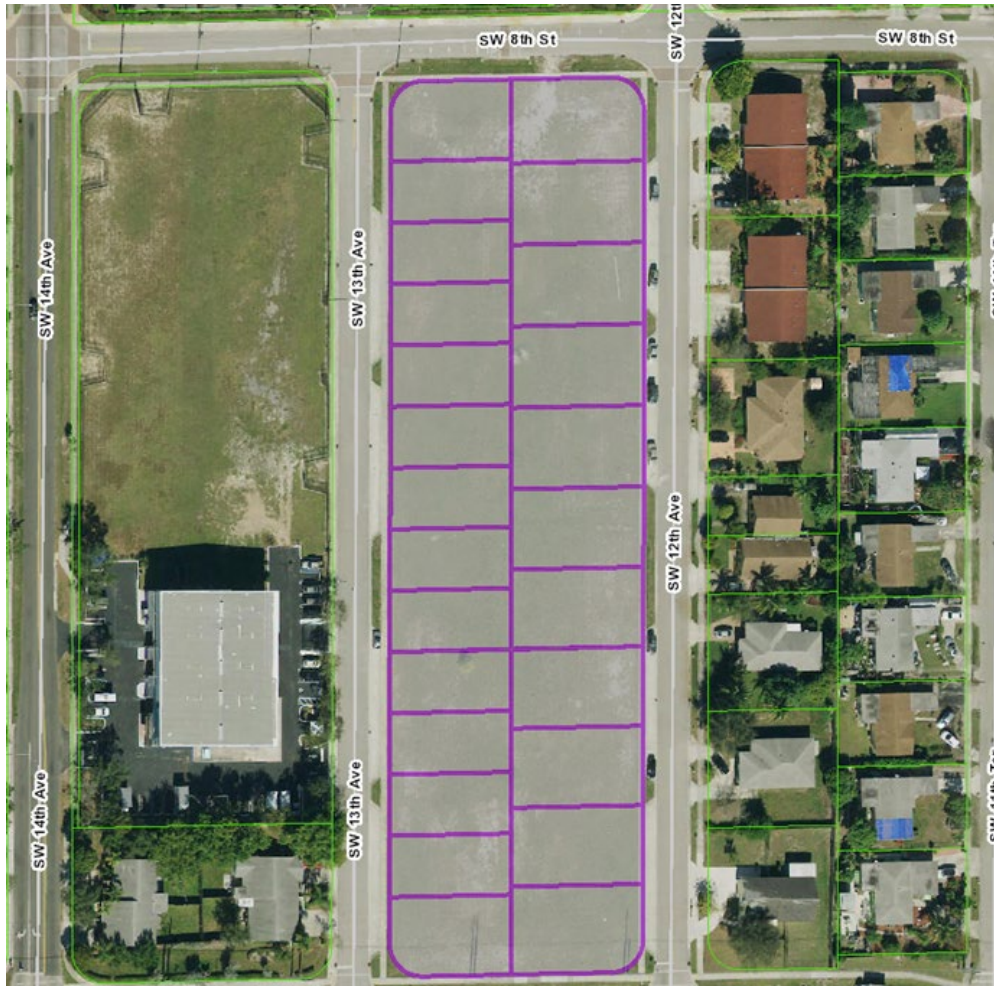
Island Cove Apartments will feature an outdoor courtyard and a clubhouse with a leasing office and community spaces, such as a gym and game room. In addition, the project will have security surveillance, as well as washers and dryers, solid surface countertops, and luxury vinyl tile throughout the units. The project will obtain a Green Building Certification and include low or No-VOC paint, low-flow water fixtures, Energy Star appliances, and energy efficient water heaters and air conditioners.

The design will also include many accessibility features, including lever door handles on primary entrance doors, interior doors, and cabinets, lever handle faucets, light switches and thermostats that are no more than 48 inches above floor level, and no more than half an inch rise on primary entrance thresholds that are on an accessible route. Of the 54-units, 5% will be fully ADA accessible and 2% will be accessible for those with audio and/or visual impairments.

We will offer Adult Literacy, Employment Assistance, and Financial Management Programs at no cost to the residents of the project. Literacy tutors will provide weekly literacy lessons to strengthen residents' reading, writing, and comprehension skills in a private space on-site. The Employment Assistance Program will consist of at least quarterly workshops offered by an employment counselor. Workshop topics include evaluation of job skills, setting job goals, development of individualized employment plans, resume assistance, interview prep, and more.

The Financial Management Program will consist of at least quarterly classes offered by qualified professionals. Class topics include financial budgeting and bill-paying including training in the use of technologies and web-based applications; tax preparation including do's and don'ts, common tips, and how and where to file, including electronically; fraud prevention including how to prevent credit card and banking fraud, identity theft, computer hacking and avoiding common consumer scams; retirement planning and savings options including preparing a will and estate planning; and homebuyer education including how to prepare to buy a home, and how to access first-time homebuyer programs in Palm Beach County, and more.

SITE AERIAL



Renderings

The following renderings are of the originally conceived, for-sale townhome development. However, DBHA and Smith & Henzy intend to work with the architect to utilize this design for Island Cove Apartments.



SW 12th Ave view



SW 13th St view



Building façade #1



Building façade #2

FHFC Grant Form

**FLORIDA HOUSING FINANCE CORPORATION
LOCAL GOVERNMENT VERIFICATION OF CONTRIBUTION – GRANT FORM**

Name of Development: _____

Development Location: _____
(At a minimum, provide the address number, street name and city, and/or provide the street name, closest designated intersection and either the city (if located within a city) or county (if located in the unincorporated area of the county). If the Development consists of Scattered Sites, the Development Location stated above must reflect the Scattered Site where the Development Location Point is located.)

The City/County of _____ commits \$ _____ as a grant to the Applicant for its use solely for assisting the proposed Development referenced above. The City/County does not expect to be repaid or reimbursed by the Applicant, or any other entity, provided the funds are expended solely for the Development referenced above. No consideration or promise of consideration has been given with respect to the grant. For purposes of the foregoing, the promise of providing affordable housing does not constitute consideration. The commitment for this grant must be effective as of the Application Deadline for the applicable RFA, and is provided specifically with respect to the proposed Development.

The source of the grant is: _____
(e.g., SHIP, HOME, CDBG)

CERTIFICATION

I certify that the foregoing information is true and correct and that this commitment is effective at least through the date required in the applicable RFA.

Signature

Print or Type Name

Print or Type Title

NOTE TO LOCAL GOVERNMENT OFFICIAL: Additional information is set forth in the applicable Request for Application under which the Applicant is applying for funding for the above referenced Development.

This certification must be signed by the chief appointed official (staff) responsible for such approvals, Mayor, City Manager, County Manager/Administrator/Coordinator, Chairperson of the City Council/Commission or Chairperson of the Board of County Commissioners. If the contribution is from a Land Authority organized pursuant to Chapter 380.0663, Florida Statutes, this certification must be signed by the Chair of the Land Authority. One of the authorized persons named above may sign this form for certification of state, federal or Local Government funds initially obtained by or derived from a Local Government that is directly administered by an intermediary such as a housing finance authority, a community reinvestment corporation, or a state-certified Community Housing Development Organization (CHDO). Other signatories are not acceptable. The Applicant will not receive credit for this contribution if the certification is improperly signed. To be considered for points, the amount of the contribution stated on this form must be a precise dollar amount and cannot include words such as estimated, up to, maximum of, not to exceed, etc.

If the Application is not eligible for automatic points, this contribution will not be considered if the certification contains corrections or 'white-out' or if the certification is altered or retyped. The certification may be photocopied.

Please note: This form may be modified by Florida Housing Finance Corporation per Section 67-60.005, F.A.C.