

October 3, 2014

Mr. Ken Reecy
Director of Multifamily Programs
Florida Housing Finance Corporation
227 N. Bronough Street, Suite 5000
Tallahassee, FL 32301

RE: Pacetti Group Home (2014-393G)
Request for Applications 2014-105 ("RFA")
Financing to Build or Rehabilitate Smaller Permanent Supportive Housing Properties For Persons
With Developmental Disabilities

Dear Mr. Reecy:

An Application was submitted in response to the Florida Housing Finance Corporation ("FHFC" or "Florida Housing") RFA 2014-105 for Financing to Build or Rehabilitate Smaller Permanent Supportive Housing Properties For Persons With Developmental Disabilities on behalf of The Arc of the St. Johns, Inc. ("Applicant" or "The Arc"). The Applicant is requesting \$325,000 of grant funding for the new construction of a single family home located at 3085 Pacetti Road, St. Augustine, St. Johns County, Florida 32092. The .86 acre parcel of land was purchased by the Applicant in January 2014 and currently has a 2,000 square foot home on the property. The current home will be razed and the Applicant will construct a new, single family home consisting of 3,010 square feet with six bedrooms and four bathrooms, which will be known as Pacetti Group Home (the "Development").

The Development will add to the supply of units that serve persons with developmental disabilities through new construction. The Development will set aside 40% of the units (2 units) for tenants with incomes at or below 33% of the Area Median Income ("AMI") ("Extremely Low Income") and 60% of the units (4 units) will be set aside for tenants with incomes at or below 60% AMI for a period of ten years.

The Development will be a Community Residential Home and should be considered Shared Housing. As such, the Applicant shall utilize the six units as Shared Housing throughout the entire affordability period. Income certification of residents will be required throughout the affordability period (10 years).

The Applicant, a Florida not-for-profit corporation with an 11-member Board of Directors, was formed August 17, 1972 for the purpose of enhancing the dignity and independence of individuals with developmental and intellectual disabilities in the St. Augustine and St. Johns County area. The Development will be self-managed by the Applicant and constructed by A.D. Davis Construction Corporation (the "General Contractor").

DEVELOPMENT & SET-ASIDES

Development Name: Pacetti Group Home

Program Numbers: RFA 2014-105 2014-393G _____

Address: 3085 Pacetti Road City: St. Augustine Zip Code: 32092

County: St. Johns County Size: Medium

Development Category: New Construction Development Type: Residential Home Single Family Community

Demographic Commitment: Elderly: _____ Homeless: _____ ELI: 2 Units @ 33% AMI
Farmworker or Commercial Fish Worker: _____ Family: _____ Link: 0 Units

Set Asides:

Program	% of Units	# of Units	% AMI	Term (Years)
Grant	40.0%	2	33%	10
Grant	60.0%	4	60%	10

DEVELOPMENT TEAM

Applicant/Borrower:	The Arc of the St. Johns, Inc.
Guarantor(s):	The Arc of the St. Johns, Inc.
General Contractor 1:	A.D. Davis Construction Corporation
Management Company:	The Arc of the St. Johns, Inc.

Sources of Funds

Source	Lender	Applicant's Total	Applicant's Revised Total	Underwriter's Total	Interest Rate	Amortization Years	Term Years	Annual Debt Service
First Mortgage	FHFC	\$325,000	\$325,000	\$325,000	0.00%	0	10	\$0
Borrower's Equity	The Arc	\$38,784	\$312,256	\$348,742				
Total :		\$363,784	\$637,256	\$673,742				\$0

Grant:

Applicants that commit to Adding to the Supply of Units that Serve Persons with Development Disabilities may request grant funding as outlined within the RFA. The Applicant requested \$325,000 of grant funding which complies with the requirements of the RFA. Grant proceeds will have a zero percent interest rate for a 10 year term.

Borrower Equity:

The Applicant presented their equity contribution as "Other Non-FHFC Funding-Approved" in the Application. AmeriNational reclassified the Applicant's contribution to Borrower's Equity. In order to balance the sources and uses of funds, due to a substantial increase in construction costs, AmeriNational estimates the Applicant will contribute \$348,742 at Grant closing. The equity funds have been verified through current bank statements provided by the Applicant.

Uses of Funds

CONSTRUCTION COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit
New Rental Units	\$208,000	\$473,371	\$413,307	\$68,885
Site Work	\$0	\$0	\$18,714	\$3,119
General Conditions	\$0	\$0	\$22,415	\$3,736
Overhead	\$0	\$0	\$0	\$0
Profit	\$0	\$0	\$45,443	\$7,574
Total Construction Contract/Costs	\$208,000	\$473,371	\$499,879	\$83,313
Hard Cost Contingency	\$5,142	\$7,520	\$24,993	\$4,166
Total Construction Costs:	\$213,142	\$480,891	\$524,872	\$87,479

GENERAL DEVELOPMENT COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit
Architect's and Planning Fees	\$1,500	\$1,475	\$1,475	\$246
Builder's Risk Insurance	\$500	\$500	\$500	\$83
Engineering Fees	\$1,500	\$1,475	\$1,475	\$246
Environmental Report	\$0	\$1,450	\$1,450	\$242
FHFC Credit Underwriting Fee	\$2,500	\$3,900	\$2,500	\$417
FHFC HC Compliance Fee (Pre-Paid)	\$0	\$0	\$1,000	\$167
Insurance (Liability)	\$0	\$1,790	\$1,790	\$298
Impact Fee	\$15,722	\$15,398	\$0	\$0
FHFC Construction Draw & Inspection Costs	\$1,920	\$1,920	\$6,150	\$1,025
Plan Review	\$0	\$0	\$1,250	\$208
Property Taxes	\$600	\$600	\$600	\$100
Survey	\$500	\$2,244	\$2,244	\$374
Title Insurance and Recording Fees	\$300	\$0	\$300	\$50
Soft Cost Contingency	\$0	\$0	\$1,136	\$189
Other: Grant Commitment Fee	\$0	\$0	\$2,000	\$333
Total General Development Costs:	\$25,042	\$30,752	\$23,870	\$3,978

OTHER DEVELOPMENT COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit
Development Cost Before Developer Fee and Developer Fee	\$238,184	\$511,643	\$548,742	\$91,457
Total Other Development Costs:	\$0	\$0	\$0	\$0

LAND ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit
Land	\$125,600	\$125,614	\$125,000	\$20,833
Total Acquisition Costs:	\$125,600	\$125,614	\$125,000	\$20,833
TOTAL DEVELOPMENT COSTS:	\$363,784	\$637,257	\$673,742	\$112,290

Notes to Total Development Costs:

1. The Applicant provided an executed Standard Form of Agreement Between Owner and Contractor ("Construction Contract") dated September 10, 2014 in the amount of \$499,879. The Construction Contract is between the Applicant and A.D. Davis Construction Corp. ("General Contractor"). The General Contractor will achieve construction completion six months from the notice to proceed. General Contractor Fee is comprised of general conditions, overhead and profit, and is within the maximum of 14% of the actual construction cost as outlined above.
2. Construction Costs have increased significantly since the time of Application. This is due to the Applicant's underestimation of costs, which were based on a home The Arc built in Brooksville, Hernando County, FL. The Applicant stated the home was smaller in size and the cost to construct in Hernando County was considerably less than in St. Johns County. This discrepancy was not realized until the Applicant contracted with the General Contractor.
3. The underwriter adjusted the Hard Cost Contingency to 5% of General Development Costs and included a Soft Cost Contingency of 5% of General Development Costs, which meets the requirements of the RFA.
4. An Appraisal was not provided as the Applicant owns the Development. A Settlement Statement, dated January 8, 2014, was provided whereby the Applicant purchased the Development for \$125,000.
5. In accordance with the RFA, the HC Compliance Fee of \$1,000 is equal to \$100 per year for 10 years (the affordability period), to be pre-paid and due at closing and is eligible for reimbursement from the grant funding.
6. The Underwriter reclassified Impact Fees to General Conditions as this fee is included in the Construction Contract via the Schedule of Values. Therefore, this line item was reduced to zero.
7. AmeriNational applied a Plan Review Fee of \$1,250. Four construction site inspections (\$1,200) and four draw reviews (\$4,950), including the closing draw, and the related fees are reflected in the FHFC Construction Draw and Inspection Costs line item. Per the RFA, the fees related to up to four draws are eligible for reimbursement from the grant agreement.
8. In accordance with the RFA, the Applicant will pay the maximum Grant Commitment Fee of \$2,000, to be paid at closing and is eligible for reimbursement from the grant funding.
9. The remaining fees appear reasonable to AmeriNational.
10. Total Development Costs have increased by \$309,958 since the Application due to an increase in Total Construction Costs and Hard Cost Contingency.

Construction Features and Amenities

The Applicant committed to provide certain required and optional construction features and amenities within the RFA as outlined within Exhibit B of this recommendation. According to the Construction

Contract, the General Contractor shall adhere to the required and optional construction features and amenities of Sections F & G of the RFA which are included in the contract documents. On Solid Ground, the Florida Housing construction inspector, was engaged to perform a Plan Review to verify the required construction features and amenities have been constructed at the Development. Receipt of a satisfactory Plan Review and an executed ADA certification by the consultant, is a condition to closing.

Third Party Reports

- Appraisal:** The land for which the Development will be constructed is owned by the Applicant as evidenced by a U.S. Department of Housing and Urban Development Settlement Statement between Jesse A. Crews (Seller) and the Applicant (Buyer), dated January 8, 2014, in the amount of \$125,000. Therefore, an appraisal report is not applicable.
- Blower Door Test:** The Development is new construction; therefore, a blower door test is not applicable.
- Transaction Screen Process:** A Transaction Screen Process Report ("TSP") dated July 2, 2014 was performed by Matanzas Geosciences, Inc. ("MGI") in accordance with the scope and limitations of ASTM Practice E 1528-06. Based upon a site inspection performed by MGI on July 1, 2014, there was no evidence of a recognized environmental condition in connection with the Development. During the site inspection, the following items or conditions were not visually observed or otherwise encountered at the site: underground storage tanks, aboveground storage tanks, industrial air emissions, wastewater discharges, industrial or manufacturing activities, storage of hazardous materials, leachate or seepage, or stressed or stained vegetation.
- Based on aerial photographs and St. Johns County Property Appraiser's information, the existing 2,000 square foot residential structure was constructed in 1993 and there is a very low probability of the existence of asbestos containing materials or lead-based paint. The interior of the home was not inspected.
- MGI opines this assessment revealed no evidence of potential environmental concerns in connection with the site and no further assessment is recommended at this time.
- Home Inspection:** The Development is new construction; therefore, a home inspection is not applicable.
- HVAC Inspection:** The Development is new construction; therefore, an HVAC inspection is not applicable.
- Geotechnical Report:** Shuler, Evanson and Associates, Inc. ("SEA") prepared a Foundation Bearing Soil Observations and Testing Report dated July 14, 2014. SEA performed testing at 3085 Pacetti Road in St. Johns County, where a single family residence currently occupies the site. SEA was informed the current home would be razed and a new single-story residence would be constructed in its place.
- SEA performed a visual examination and two Hand Auger Borings between the depths of one to five feet deep. Based on SEA's observations and test

results, the foundation bearing soils are capable of supporting shallow spread foundations designed for a net allowable bearing pressure of 2,500 pounds per square foot. Recommendations of the Foundation Bearing Soil Observations and Testing Report prepared by SEA should be incorporated into the Construction Contract.

Resident Community-
Based Services

Coordination Plan:

A Resident Community-Based Services Coordination Plan was submitted to Bill Aldinger, the Florida Housing Policy Director/Supportive Housing Coordinator, on June 12, 2014. Mr. Aldinger found the Resident Community-Based Services Coordination Plan meets the requirements pursuant to the RFA. The Resident Manager, yet to be hired, will serve as the Residential Community Service Coordinator. Dave Vinson, Program Director, will serve as the Property Manager.

Plan Review Report:

Satisfactory receipt and review of a Plan Review Report, performed by OSG, is a condition to closing.

Development Team

Applicant/Developer/ Property Manager Information

Applicant Name: The Arc of the St. Johns, Inc. ("The Arc")

Applicant Type: A Florida 501(c)(3) not-for-profit corporation

Ownership Structure: Formed in 1972, the Applicant is a Florida 501(c)(3) not-for-profit corporation with an 11-member Board of Directors.

Contact Person: Dave Vinson, Program Director
Dvinson@arcsj.org
Telephone: (904) 824-7249
Facsimile: (904) 824-8063

Applicant Address: 2101 Arc Drive
St. Augustine, FL 32084

Federal Employer ID: 23-7201838

Experience: The Arc has been creating opportunities for people with intellectual and developmental disabilities for over 40 years. The Arc opened its first Permanent Supportive Housing site in 1982; and has increased the number of licensed group homes to 12 serving 75 individuals. These homes provide specialized services to individuals with significant behavioral needs, fragile medical health and visual or auditory impairments. The Arc also operates two charter schools dedicated to developmentally delayed children and young adults. Kathy Jackson is the Executive Director and has managed programs for individuals with developmental disabilities since 1979. Dave Vinson, Director of Residential Services, has developed and managed group homes since 1992 and has been with The Arc since 2001. The Arc will self-manage the Development.

Financial Statements: AmeriNational received and reviewed the following financial statement:

The Arc of the St. Johns, Inc. (Consolidated)

FYE September 30, 2013		(Audited)
Cash and Cash Equivalents	\$	
Total Assets	\$	
Total Liabilities	\$	
Total Equity	\$	

The financial information is based upon audited financial statements prepared by Neville Breidenstein, CPA's on February 27, 2014. Assets primarily consist

of Cash, Land, Buildings & Equipment, Williams Trust and Accounts Receivable. Liabilities primarily consist of Long-Term Debt. U.S. Tax Returns for years 2011 and 2012 were satisfactory received and reviewed by ACS.

Banking References: AmeriNational received several bank statements reflecting deposits in the low seven-figures.

Credit Evaluation: A Dun & Bradstreet Business Information Report (“D&B”) was performed on The Arc on June 19, 2014. The D&B report indicates a “low” risk of late payments based upon 20 payment experiences, which is a limited amount. No derogatory information such as judgments, bankruptcies or suits was listed.

Schedule of Real Estate: The Applicant reports that it owns 13 properties, including the proposed Development, with an estimated combined value of \$4,270,000 as of May 30, 2014.

Contingent Liabilities: The Applicant reports that it is contingently liable for eight mortgages on seven properties with unpaid principal balances of \$1,240,202 as of May 30, 2014.

Statement of Financial and Credit Affairs: The Applicant provided an executed Statement of Financial and Credit Affairs effective as of June 18, 2014 that illustrates the Applicant does not have any pending litigation, unsatisfied judgments, bankruptcies, foreclosures, deferred principal or interest payments, or instances of loan restructuring due to situations of negative cash flow.

Summary: The Applicant has considerable relevant experience and sufficient financial capacity to construct and operate the Development.

General Contractor Information

General Contractor: A.D. Davis Construction Corporation (“AD Davis”)

Type: Florida Profit Corporation

Contact Person: Michael A. Davis
3940 Lewis Speedway, Suite 2201
St. Augustine, Florida 32084
Telephone: (904) 824-3533
mikedavis@addavis.com

Experience: AD Davis is a family owned business which was formed in 1954. Michael A. Davis, third generation of the Davis family, joined the business in 1988. AD Davis specializes in custom construction for commercial, residential renovation and historic restoration. AD Davis has completed 110 projects over the past five years totaling over \$33MM, which included residential, office and school building construction. Michael Davis is a Florida Certified General Contractor with License No. CBC057112, valid through August 31, 2014.

Credit Evaluation: A Dun & Bradstreet Business Information Report (“D&B”) was performed on AD Davis on July 22, 2014. The D&B report indicates a “low” risk of late payments based upon 30 payment experiences, with 100% of its payments within terms. No derogatory information was reported.

Financial Statements: AmeriNational received and reviewed the following financial statement:

A.D. Davis Construction Corporation

<u>December 31, 2013</u>		<u>(Compiled)</u>
Cash and Cash Equivalents	\$	██████████
Total Assets	\$	██████████
Total Liabilities	\$	██████████
Net Worth	\$	██████████

The financial information is based upon a compiled financial statement prepared by Davis & Davis – Certified Public Accountants, PA on July 22, 2014. Assets primarily consist of Contract Receivables, Property & Equipment and Cash Surrender Value of Life Insurance. Liabilities primarily consist of Accounts Payable and Line of Credit Payable. AD Davis’ primary source of revenue is derived from gross profits from construction contracts which amounted to \$831,572 through December 31, 2013, providing for a net income of \$48,365 over the same period.

Summary: AD Davis has the requisite experience and financial capacity to construct the Development.

Recommendation

AmeriNational recommends the issuance of a grant of \$325,000 to the Applicant for the new construction financing of the Development subject to the following conditions:

1. AmeriNational's satisfactory receipt and review of a final Plan Review on the Development completed by On Solid Ground ("OSG").
2. Review and approval of all grant documentation by Florida Housing and its legal counsel.
3. Payment of all costs and fees payable to Florida Housing, its legal counsel and AmeriNational.
4. Payment of the Grant Commitment Fee to FHFC at closing.
5. Prepayment of the required Compliance Monitoring Fees at closing.
6. Satisfactory resolution of any outstanding past due and non-compliance items, if applicable.
7. Payment of any outstanding arrearages to FHFC, its legal counsel, Servicer or any agent or assignee of the Corporation for past due issues applicable to the development team (Applicant or Developer or Principal, Affiliate or Financial Beneficiary, as described in 67-48.0075 (5) F.A.C., of an Applicant or a Developer).
8. Evidence the Applicant executed a Construction Completion Guaranty to be released at 100% lien free completion of construction.
9. Receipt of executed FHFC Fair Housing and ADA Design and As-Built certifications by the Architect, Applicant and OSG.
10. Receipt of building permits and any other necessary approvals. An acceptable alternative to this requirement is receipt and satisfactory review of a letter from the local permitting and approval authority stating that the above referenced permits and approvals will be issued upon receipt of applicable fees (with no other conditions). If a letter is provided, copies of all permits will be required as a condition of the first post-closing draw.
11. Evidence that each condition of Grant Funding as outlined in Part III. Program Procedures and Requirements for Grant Funding of the RFA have been provided to the satisfaction of Florida Housing, its legal counsel and its Servicer.
12. Any other due diligence required by FHFC, its legal counsel or its Servicer.

This recommendation is valid for six months from the date of this report. Please contact me with any questions or comments.

Sincerely,

A handwritten signature in cursive script that reads "Kimberly A. Thorne".

Kimberly A. Thorne
Credit Underwriter

Enclosure

- A.** The Development will consist of **six** bedrooms and **four** bathrooms.

Developments that are Adding to the Supply of Units that Serve Persons with Developmental Disabilities, whether through new construction and/or Rehabilitation must meet the following requirements:

1. Each resident living in a Shared Housing Unit shall have a private Bedroom with non-exclusive access to shared living facilities, consisting of a kitchen and a living/dining area. For every two residents in a Shared Housing Unit, there must be at least one full bathroom with a locking door;
2. Community Residential Homes must not have more than one (1) resident per Bedroom, and no more than six (6) residents per Unit.

- B.** The Development is to be constructed and will conform to requirements of local, state & federal laws, rules, regulations, ordinances, orders and codes, Federal Fair Housing Act as implemented by 24 CFR 100, the 2012 Florida Accessibility Code for Building Construction as adopted pursuant to Section 553.503, F.S., and Titles II and III of the Americans with Disabilities Act (“ADA”) of 1990 as implemented by 28 CFR 30, incorporating the most recent amendments, regulations, and rules, as applicable.

If the proposed Development meets the definition of Scattered Sites, all features and amenities committed to and proposed by the Applicant that are not Unit-specific shall be located on each of the Scattered Sites.

- C.** The Development must provide the following Green Building, Accessibility, Adaptability, Universal Design and Visitability Features:

1. Termite prevention and pest control throughout the entire affordability period; and
2. A full-size range and oven in all Units.

All new construction Developments must include the green building features listed below, as appropriate:

1. Low or No-VOC paint for all interior walls (Low-VOC means 50 grams per liter or less for flat paint; 150 grams per liter or less for non-flat paint);
2. Low-flow water fixtures in bathrooms—WaterSense labeled products or the following specifications:
 - o Toilets: 1.6 gallons/flush or less;
 - o Faucets: 1.5 gallons/minute or less;
 - o Showerheads: 2.2 gallons/minute or less;
3. Energy Star qualified refrigerator;

4. Energy Star qualified dishwasher;
5. Energy Star qualified washing machine, if provided;
6. Energy Star qualified exhaust fans in all bathrooms; and
7. Minimum SEER of 14 for air conditioners.

D. All New Construction units must provide the following Accessibility, Adaptability, Universal Design and Visitability Features listed below and all rehabilitation and/or renovation developments are strongly encouraged to incorporate as many of the features listed below as are structurally and financially feasible within the scope of work. If the proposed Development serves persons with physical disabilities it must include all accessibility, adaptability, universal design and Visitability features listed below.

1. A minimum of 50 percent of the total Units shall be fully accessible in accordance with the 2010 ADA Standards for Accessible Design. These fully accessible Units shall provide mobility features that comply with the residential dwelling Units provision of the 2010 ADA Standards for Accessible Design. At least one of the total Units shall be accessible to persons with visual and hearing impairments in accordance with the 2010 ADA Standards for Accessible Design. The Unit(s) that is accessible to persons with visual and hearing impairments shall comply with the communication features described for Residential Dwelling Units with Communication Features in the 2010 ADA Standards for Accessible Design.
2. Primary entrance door shall have a threshold with no more than a ½-inch rise;
3. All door handles on primary entrance door and interior doors must have lever handles;
4. Lever handles on all bathroom faucets and kitchen sink faucets;
5. Toilets must be 17 inches to 19 inches in height as measured from the finished floor to the top of the toilet seat;
6. Mid-point on light switches and thermostats shall not be more than 48 inches above finished floor level

E. The Development must provide the following optional accessibility, Adaptability, Universal Design and Visitability features and amenities as described in their response to Request for Application 2014-105:

1. Concrete walking trails for water features/garden; wheelchair accessible.
2. Video/remote monitoring in the home, i.e. the "automatic communication" aspect and "additional level of protection."