

# THE HENDRICKSON COMPANY

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July 18, 2014

Mr. Steve Auger  
Executive Director  
Florida Housing Finance Corporation  
227 North Bronough, Suite 5000  
Tallahassee, Florida 32301

Re: Comments on Hillsborough County Limited Development Areas

Dear Mr. Auger:

Thank you for the opportunity to comment on the proposed Limited Development Areas for Hillsborough County. I am writing this comment in my capacity as Financial Advisor to the HFA of Hillsborough County.

First, the Board of the HFA of Hillsborough County agrees with the proposed “no-LDA” status for the entire County. At their June Board meeting, they directed me to communicate to you that they had reviewed the data and recommended that none of the County be designated as an 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.

Even given that the FHFC proposal and the HFA of Hillsborough County recommendation are identical, we wanted to provide backup data to support this position in case some other party has a different viewpoint.

The Hillsborough trend is clear, and new units are needed. The current market is extremely strong, with most properties at or near full occupancy. The Hillsborough market fully recovered from the problems encountered from 2009-2011.

There are currently twenty-two developments with 4,525 units that are occupied and were financed by the HFA of Hillsborough County. Currently:

- The weighted average occupancy is 98.0%-- a ten and one-half year high.
- The median occupancy is also 98.0%.
- No property has an occupancy level lower than 93% (Belmont Heights, Phase II), where the

occupancy level is more likely associated with management issues and market rate units, rather than overall market problems).

- Sixteen of the twenty-two properties (73%) have an occupancy of 98% or higher.
- The overall average is artificially reduced by market rate units in three mixed income developments. The 195 market rate units have a weighted average occupancy of 85.1%.
- The overall occupancy average is also pulled down by one development (Gardens at South Bay) that has had units off-line for repairs due to faulty construction—although that development is back up to 96% occupancy from a low of 91% for several months within the past year.

The Board of the HFA of Hillsborough County (“HFA”) analyzes all developments financed by that HFA on a monthly basis. When a development has occupancy issues, they 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 16 years, with the detailed analysis conducted for the past eleven 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. One deal is in lease-up—leaving 22 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 extremely 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 (Moblely 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)

Occupancy levels are at near record highs for developments in all submarkets.

The Board focused attention on the downtown Tampa submarket, where a considerable amount of product has come online in the past three years. Their analysis shows that all properties are performing extremely well, including those financed or received Housing Credits from FHFC. In fact, some of the properties are performing so well that they have waiting lists of potential renters. As a result, the Board believes that there is no reason to designate this submarket as an LDA.

Of continuing concern is the Plant City submarket. While the HFA financed property in this area has had considerably improved occupancy, there is some question as to whether additional units are warranted. However, the HFA recommends that the area not be designated as an LDA because there is no current market data that warrants the designation.

**Therefore, in summary:**

- 1. The Hillsborough market is very strong, and new units need to be encouraged now to meet growing demand.**
- 2. The HFA's market analysis shows essentially full occupancy in almost every HFA financed property, with occupancy trending upward in all properties (or remaining at a very high occupancy level).**
- 3. The HFA supported Location A and LDA designations for some areas of the County in the past. The HFA Board now recommends that no part of Hillsborough County be designated as an LDA.**

Thank you for the opportunity to comment on proposed LDA's. Please feel free to contact me with any questions.

Sincerely,



Mark Hendrickson  
Financial Advisor  
HFA of Hillsborough County

cc: Kevin Tatreau  
Laura Cox  
HFA of Hillsborough County Board of Directors