

Workforce Housing Partnership

FGCU Financing Corp. Discussion
October 21, 2021

Workforce Housing Partnership

- Lee Health and FGCU anticipate needing to fill thousands of middle-income positions over the next decade.
 - Today Lee Health has 1,500 unfilled positions.
 - FGCU has 365 employees over age 65 who will need to be replaced, in addition to expansion and normal turnover.
- We are non-profit organizations limited in our ability to increase pay levels to attract applicants.
- ***The ability to offer housing at a reasonable cost will increase our chances of successfully filling those positions.***

Workforce Housing Partnership

- Lee Health and FGCU have agreed to work together to develop a rental community that can be offered to prospective hires at attainable rates. Units that are not leased to the partner organization employees can then be offered to other organizations with essential employees.
- FGCU Board of Trustees approved the plan in April 2021, subject to finalizing capital sources.
- The Schulze Foundation declined our grant request

Workforce Housing Partnership

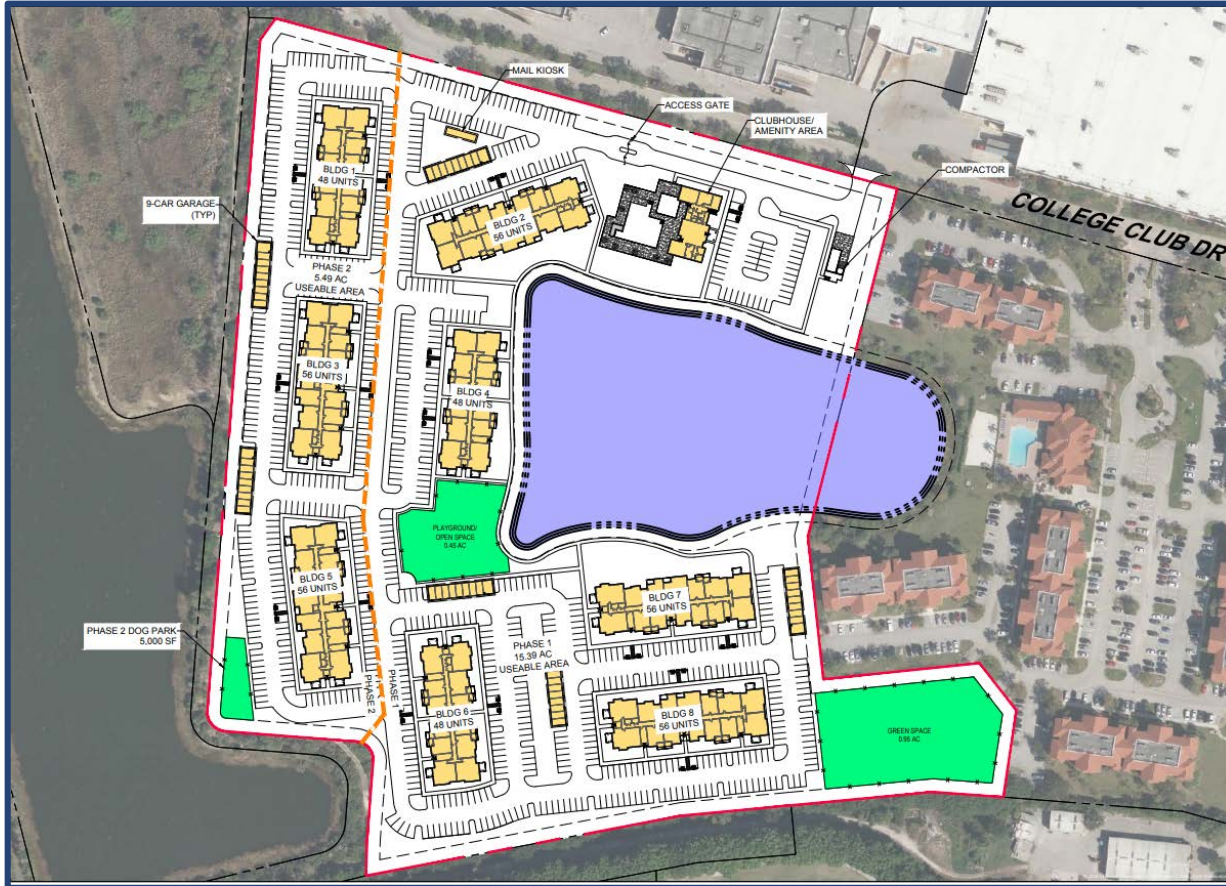
- Create separate entity for housing with partner(s)
- Develop Class A multi-family rental community
- Offer apartments to incoming employees at below market rents
- Prelease to partner employees in proportion to their equity contribution before offering to general public



Excellent Location in South Lee County 1.5 miles north of FGCU



Housing Partnership



- 23.5 acres
- 1.5 miles north of FGCU
- Adjacent to/ south of Gulf Coast Town Ctr
- 424 total units
- 264 units in phase one
- Clubhouse, pool, parks, lake views, gated access

Housing Partnership

Anticipated rents

- The housing entity will provide lowest attainable rents while maintaining lender required Debt Coverage Ratio.
- Rental rates target Median Household Incomes between \$45,000 and \$80,000. (Lee County AMI = \$71,900; Collier = \$84,300)
- Unit mix and sizes as indicated by market study

Housing Partnership (phase one) Estimated Funding Sources Detail *Utilizing HUD-backed Loan*

First Mortgage: \$51,100,000

- 221(d)(4) Loan
 - 85% Loan to Value
 - Non-recourse, 40-year amortization
 - 3.75% interest

Est. Land Contribution from FGCU: \$7,260,000

- Estimated at \$27,500/unit
- (2020 appraisal = \$ 20,500/unit)

Lee Health Verbal Commitment: \$3,000,000

Additional Capital Required: \$5,608,590

Project Overview

| | |
|-------------------------|------------|
| Development Size (sf) | 254,612 |
| Multi-Family Units | 264 |
| Average Unit Size (sf) | 942 |
| Start Date | 10/1/2020 |
| Loan Closing (proj.) | 6/30/2023 |
| Construction Completion | 12/31/2024 |
| Interest Rate | 3.75% |

Proforma

| | | Year 1 | Year 3 | Year 5 |
|------|----|-----------|--------------|--------------|
| PGI | \$ | 5,205,600 | \$ 5,522,621 | \$ 5,858,949 |
| V&C | | 7.00% | 7.00% | 7.00% |
| EGI | \$ | 4,841,208 | \$ 5,136,038 | \$ 5,448,822 |
| OPEX | \$ | 1,834,187 | \$ 1,945,889 | \$ 2,064,394 |
| NOI | \$ | 3,007,021 | \$ 3,190,148 | \$ 3,384,428 |
| DCR | | 1.22 | 1.29 | 1.37 |

Unit Mix

| Unit Type | Use Type | SF | Units | Total SF | Gross Rent | Market Rent |
|-----------------------|--------------|-------|-------|----------|------------|-------------|
| 1a. 1 BR / 1 BA | Multi-Family | 728 | 46 | 33,488 | \$ 1,250 | \$ 1,409 |
| 1b. 1 BR / 1 BA | Multi-Family | 728 | 46 | 33,488 | \$ 1,300 | \$ 1,409 |
| 2a. 2 BR / 2 BA | Multi-Family | 978 | 47 | 45,966 | \$ 1,500 | \$ 1,632 |
| 2b. 2 BR / 2 BA | Multi-Family | 1,184 | 30 | 35,520 | \$ 1,750 | \$ 1,976 |
| 3a. 3 BR / 3 BA | Multi-Family | 1,295 | 30 | 38,850 | \$ 1,900 | \$ 2,005 |
| 1a. 1 BR / 1 BA - MKT | Multi-Family | 728 | 15 | 10,920 | \$ 1,650 | \$ 1,650 |
| 1b. 1 BR / 1 BA - MKT | Multi-Family | 728 | 15 | 10,920 | \$ 1,650 | \$ 1,650 |
| 2a. 2 BR / 2 BA - MKT | Multi-Family | 978 | 15 | 14,670 | \$ 1,900 | \$ 1,900 |
| 2b. 2 BR / 2 BA - MKT | Multi-Family | 1,184 | 10 | 11,840 | \$ 2,000 | \$ 2,000 |
| 3a. 3 BR / 3 BA - MKT | Multi-Family | 1,295 | 10 | 12,950 | \$ 2,300 | \$ 2,300 |
| Garage | Other | - | 36 | - | \$ 125 | \$ 125 |
| Other Income | Other | - | 0 | - | \$ 132,000 | \$ 132,000 |
| | | 942 | 300 | | | |

| SOURCES | \$ | \$/Unit | USES | \$ | \$/Unit |
|----------------------|----------------------|-------------------|--------------------------------|----------------------|-------------------|
| First Mortgage | \$ 51,100,000 | \$ 193,561 | Acquisition Costs | \$ 7,260,000 | \$ 27,500 |
| Land Contribution | \$ 7,260,000 | \$ 27,500 | PreDevelopment | \$ 1,135,000 | \$ 4,299 |
| Lee Health | \$ 3,000,000 | \$ 11,364 | Bank/Closing Costs | \$ 3,787,942 | \$ 14,348 |
| FGCU Loan | \$ 5,608,590 | \$ 21,245 | Project Management Fee | \$ 3,188,980 | \$ 12,079 |
| | | | Construction | \$ 47,041,029 | \$ 178,186 |
| | | | Furniture Fixtures & Equipment | \$ 400,000 | \$ 1,515 |
| | | | Working Capital | \$ - | \$ - |
| | | | HUD Required Working Capital | \$ 4,155,638 | \$ 15,741 |
| TOTAL SOURCES | \$ 66,968,590 | \$ 253,669 | TOTAL USES | \$ 66,968,590 | \$ 253,669 |

| Cost Category | Sum of Total Cost |
|-------------------------------------------|--------------------------|
| Acquisition Costs | \$ 7,260,000 |
| Purchase Price | \$ 7,260,000 |
| Bank/Closing Costs | \$ 3,787,942 |
| Builders Insurance | \$ 218,355 |
| Accounting & Cost Certification | \$ 35,000 |
| Title and Recording | \$ 200,000 |
| HUD/FHA Mtg Ins Pre | \$ 255,500 |
| HUD/FHA Exam Fee | \$ 153,300 |
| HUD/FHA Inspection Fee | \$ 255,500 |
| Financing Fee | \$ 262,350 |
| Legal Fees - Owner | \$ 200,000 |
| Organizational Legal | \$ 50,000 |
| Lender Inspector & Review | \$ 30,000 |
| Construction Loan Fee | \$ 327,938 |
| Construction Loan Interest | \$ 1,800,000 |
| PreDevelopment | \$ 1,135,000 |
| Architect - Design | \$ 462,000 |
| Architect - Construction Admin | \$ 198,000 |
| Survey, Platting & Zoning | \$ 100,000 |
| Environmental | \$ 25,000 |
| Market Study | \$ 10,000 |
| Civil Engineering | \$ 200,000 |
| Appraisal | \$ 15,000 |
| Soil Borings | \$ 25,000 |
| Soft Cost Contingency | \$ 100,000 |
| Construction | \$ 47,041,029 |
| Site Work/Fill | \$ 1,600,000 |
| Office/Community Center | \$ 1,050,000 |
| Pool | \$ 350,000 |
| Garages | \$ 300,000 |
| Fencing/Gate/Security | \$ 480,000 |
| Hard Cost Contingency | \$ 2,240,049 |
| FGCU New Construction | \$ 41,020,980 |
| Furniture Fixtures & Equipment | \$ 400,000 |
| Marketing & Lease-Up | \$ 125,000 |
| Clubhouse & FFE | \$ 275,000 |
| HUD Required Working Capital | \$ 4,155,638 |
| Initial Operating Deficit | \$ 2,111,638 |
| Working Capital (4% of Loan) | \$ 2,044,000 |
| Project Management Fee | \$ 3,188,980 |
| Grand Total | \$ 66,968,590 |

| | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--------------------------------------------|---------------|-----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Year-End | 9/30/2023 | 9/29/2024 | 9/29/2025 | 9/29/2026 | 9/30/2027 | 9/29/2028 | 9/29/2029 | 9/29/2030 | 9/30/2031 | 9/29/2032 | 9/29/2033 |
| PROJECTED GROSS INCOME | | | | | | | | | | | | |
| 1a. 1 BR / 1 BA | Multi-Family | \$ - | \$ 690,000 | \$ 710,700 | \$ 732,021 | \$ 753,982 | \$ 776,601 | \$ 799,899 | \$ 823,896 | \$ 848,613 | \$ 874,071 | \$ 900,293 |
| 1b. 1 BR / 1 BA | Multi-Family | \$ - | \$ 717,600 | \$ 739,128 | \$ 761,302 | \$ 784,141 | \$ 807,665 | \$ 831,895 | \$ 856,852 | \$ 882,557 | \$ 909,034 | \$ 936,305 |
| 2a. 2 BR / 2 BA | Multi-Family | \$ - | \$ 846,000 | \$ 871,380 | \$ 897,521 | \$ 924,447 | \$ 952,180 | \$ 980,746 | \$ 1,010,168 | \$ 1,040,473 | \$ 1,071,687 | \$ 1,103,838 |
| 2b. 2 BR / 2 BA | Multi-Family | \$ - | \$ 630,000 | \$ 648,900 | \$ 668,367 | \$ 688,418 | \$ 709,071 | \$ 730,343 | \$ 752,253 | \$ 774,821 | \$ 798,065 | \$ 822,007 |
| 3a. 3 BR / 3 BA | Multi-Family | \$ - | \$ 684,000 | \$ 704,520 | \$ 725,656 | \$ 747,425 | \$ 769,848 | \$ 792,943 | \$ 816,732 | \$ 841,234 | \$ 866,471 | \$ 892,465 |
| 1a. 1 BR / 1 BA - MKT | Multi-Family | \$ - | \$ 297,000 | \$ 305,910 | \$ 315,087 | \$ 324,540 | \$ 334,276 | \$ 344,304 | \$ 354,634 | \$ 365,273 | \$ 376,231 | \$ 387,518 |
| 1b. 1 BR / 1 BA - MKT | Multi-Family | \$ - | \$ 297,000 | \$ 305,910 | \$ 315,087 | \$ 324,540 | \$ 334,276 | \$ 344,304 | \$ 354,634 | \$ 365,273 | \$ 376,231 | \$ 387,518 |
| 2a. 2 BR / 2 BA - MKT | Multi-Family | \$ - | \$ 342,000 | \$ 352,260 | \$ 362,828 | \$ 373,713 | \$ 384,924 | \$ 396,472 | \$ 408,366 | \$ 420,617 | \$ 433,235 | \$ 446,232 |
| 2b. 2 BR / 2 BA - MKT | Multi-Family | \$ - | \$ 240,000 | \$ 247,200 | \$ 254,616 | \$ 262,254 | \$ 270,122 | \$ 278,226 | \$ 286,573 | \$ 295,170 | \$ 304,025 | \$ 313,146 |
| 3a. 3 BR / 3 BA - MKT | Multi-Family | \$ - | \$ 276,000 | \$ 284,280 | \$ 292,808 | \$ 301,593 | \$ 310,640 | \$ 319,960 | \$ 329,558 | \$ 339,445 | \$ 349,629 | \$ 360,117 |
| Garage | Other | \$ - | \$ 54,000 | \$ 55,620 | \$ 57,289 | \$ 59,007 | \$ 60,777 | \$ 62,601 | \$ 64,479 | \$ 66,413 | \$ 68,406 | \$ 70,458 |
| Other Income | Other | \$ - | \$ 132,000 | \$ 135,960 | \$ 140,039 | \$ 144,240 | \$ 148,567 | \$ 153,024 | \$ 157,615 | \$ 162,343 | \$ 167,214 | \$ 172,230 |
| TOTAL PROJECTED GROSS INCOME | | \$ - | \$ 5,205,600 | \$ 5,361,768 | \$ 5,522,621 | \$ 5,688,300 | \$ 5,858,949 | \$ 6,034,717 | \$ 6,215,759 | \$ 6,402,231 | \$ 6,594,298 | \$ 6,792,127 |
| VACANCY & COLLECTION LOSS | | | | | | | | | | | | |
| | | | % of PGI Year 2 | | | | | | | | | |
| Multi-Family | 7% | \$ - | \$ 351,372 | \$ 361,913 | \$ 372,771 | \$ 383,954 | \$ 395,472 | \$ 407,336 | \$ 419,557 | \$ 432,143 | \$ 445,108 | \$ 458,461 |
| Other | 7% | \$ - | \$ 13,020 | \$ 13,411 | \$ 13,813 | \$ 14,227 | \$ 14,654 | \$ 15,094 | \$ 15,547 | \$ 16,013 | \$ 16,493 | \$ 16,988 |
| TOTAL VACANCY & COLLECTION LOSS | 7.00% | \$ - | \$ 364,392 | \$ 375,324 | \$ 386,583 | \$ 398,181 | \$ 410,126 | \$ 422,430 | \$ 435,103 | \$ 448,156 | \$ 461,601 | \$ 475,449 |
| EFFECTIVE GROSS INCOME | | \$ - | \$ 4,841,208 | \$ 4,986,444 | \$ 5,136,038 | \$ 5,290,119 | \$ 5,448,822 | \$ 5,612,287 | \$ 5,780,656 | \$ 5,954,075 | \$ 6,132,697 | \$ 6,316,678 |
| OPERATING EXPENSES | | | | | | | | | | | | |
| | | | % of EGI Year 2 | | | | | | | | | |
| Administrative Expense | 4.39% | \$ - | \$ 212,546 | \$ 218,923 | \$ 225,490 | \$ 232,255 | \$ 239,223 | \$ 246,399 | \$ 253,791 | \$ 261,405 | \$ 269,247 | \$ 277,325 |
| Management Fee | 5.00% | \$ - | \$ 242,060 | \$ 249,322 | \$ 256,802 | \$ 264,506 | \$ 272,441 | \$ 280,614 | \$ 289,033 | \$ 297,704 | \$ 306,635 | \$ 315,834 |
| Utility Expense | 2.21% | \$ - | \$ 106,787 | \$ 109,991 | \$ 113,291 | \$ 116,690 | \$ 120,190 | \$ 123,796 | \$ 127,510 | \$ 131,335 | \$ 135,275 | \$ 139,333 |
| Maintenance Expense | 6.20% | \$ - | \$ 300,090 | \$ 309,093 | \$ 318,366 | \$ 327,917 | \$ 337,754 | \$ 347,887 | \$ 358,323 | \$ 369,073 | \$ 380,145 | \$ 391,550 |
| Taxes and Insurance | 18.19% | \$ - | \$ 880,559 | \$ 906,976 | \$ 934,185 | \$ 962,211 | \$ 991,077 | \$ 1,020,810 | \$ 1,051,434 | \$ 1,082,977 | \$ 1,115,466 | \$ 1,148,930 |
| General Expense | 0.27% | \$ - | \$ 12,944 | \$ 13,332 | \$ 13,732 | \$ 14,144 | \$ 14,568 | \$ 15,005 | \$ 15,455 | \$ 15,919 | \$ 16,397 | \$ 16,888 |
| Replacement Reserves | 1.64% | \$ - | \$ 579,200 | \$ 81,576 | \$ 84,023 | \$ 86,544 | \$ 89,140 | \$ 91,815 | \$ 94,569 | \$ 97,406 | \$ 100,328 | \$ 103,338 |
| TOTAL OPERATING EXPENSES | 37.89% | \$ - | \$ 1,834,187 | \$ 1,889,213 | \$ 1,945,889 | \$ 2,004,266 | \$ 2,064,394 | \$ 2,126,326 | \$ 2,190,115 | \$ 2,255,619 | \$ 2,323,493 | \$ 2,393,198 |
| | | \$ 56,948 /unit | | | | | | | | | | |
| NET OPERATING INCOME | | \$ - | \$ 3,007,021 | \$ 3,097,231 | \$ 3,190,148 | \$ 3,285,853 | \$ 3,384,428 | \$ 3,485,961 | \$ 3,590,540 | \$ 3,698,256 | \$ 3,809,204 | \$ 3,923,480 |
| DEBT SERVICE | | | | | | | | | | | | |
| First Mortgage | | \$ 51,100,000 | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) |
| TOTAL DEBT SERVICE | | \$ 51,100,000 | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) | \$ (2,468,289) |
| CASH FLOW AFTER DEBT | | \$ - | \$ 538,731 | \$ 628,942 | \$ 721,859 | \$ 817,563 | \$ 916,139 | \$ 1,017,672 | \$ 1,122,251 | \$ 1,229,967 | \$ 1,340,915 | \$ 1,455,191 |
| Debt Cover Ratio | | | 1.22 | 1.25 | 1.29 | 1.33 | 1.37 | 1.41 | 1.45 | 1.50 | 1.54 | 1.59 |
| FGCU Loan | | \$ 5,608,590 | \$ (203,811) | \$ (203,811) | \$ (203,811) | \$ (203,811) | \$ (203,811) | \$ (203,811) | \$ (203,811) | \$ (203,811) | \$ (203,811) | \$ (203,811) |
| FREE CASH FLOW | | \$ - | \$ 334,920 | \$ 425,131 | \$ 518,048 | \$ 613,752 | \$ 712,328 | \$ 813,861 | \$ 918,440 | \$ 1,026,156 | \$ 1,137,104 | \$ 1,251,380 |

| CASH FLOW AFTER DEBT - RE TAX SUBSIDY | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|----------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----|
| | \$2,250/unit | | | | | | | | | | | |
| 0% | \$ - | \$ 538,731 | \$ 628,942 | \$ 721,859 | \$ 817,563 | \$ 916,139 | \$ 1,017,672 | \$ 1,122,251 | \$ 1,229,967 | \$ 1,340,915 | \$ 1,455,191 | |
| 25% | \$ 148,500 | \$ 687,231 | \$ 781,897 | \$ 874,814 | \$ 970,518 | \$ 1,069,094 | \$ 1,170,627 | \$ 1,275,206 | \$ 1,382,922 | \$ 1,493,870 | \$ 1,608,146 | |
| 50% | \$ 297,000 | \$ 835,731 | \$ 934,852 | \$ 1,027,769 | \$ 1,123,473 | \$ 1,222,049 | \$ 1,323,582 | \$ 1,428,161 | \$ 1,535,877 | \$ 1,646,825 | \$ 1,761,101 | |
| 75% | \$ 445,500 | \$ 984,231 | \$ 1,087,807 | \$ 1,180,724 | \$ 1,276,428 | \$ 1,375,004 | \$ 1,476,537 | \$ 1,581,116 | \$ 1,688,832 | \$ 1,799,780 | \$ 1,914,056 | |
| 100% | \$ 594,000 | \$ 1,132,731 | \$ 1,240,762 | \$ 1,333,679 | \$ 1,429,383 | \$ 1,527,959 | \$ 1,629,492 | \$ 1,734,071 | \$ 1,841,787 | \$ 1,952,735 | \$ 2,067,011 | |



Housing Partnership (phase one) Ongoing Operations

Breakeven Occupancy ~82%

Reserves – 6 months at closing

Managed & leased by professional management company, based on guidelines agreed to by partners & compliant with IRS.

Units offered first to partner org. designated employees, then to public.

\$6,950/unit +/- total estimated operating expenses

- Real Estate Taxes \$2,250/unit – included here, but avoidable with non-profit affordable housing status for units <120%AMI
- Property Insurance \$850/unit +/-

FGCU Financing Corp. Proposal

Fund the gap to allow the project to move forward

- Minimum \$5,600,000
- Maximum \$10,000,000 (if alternate Loan type is utilized)

Non-secured, subordinate to HUD Loan

2% interest

Payback: 40-year payback aligned with first mortgage

Alternatives:

- 15 year payback with most free cash flow dedicated
- Further accelerated payback possible with property tax abatement dedicated to loan payback



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