



ADDENDUM NO. ONE

City of Key West Request for Proposals (RFP) 16-004 **Peary Court Financing**

To All Proposers:

Compiled below are the questions related to RFP 16-004 which have been received as of January 7, 2016, along with the City's responses:

1. Just verifying: financing to close in September 2016?

Response: Correct, since the financing has to go through Referendum and Bond Validation it will take a while before the City is able to close on the financing. Closing may be able to occur earlier, but the City is unable to accurately pick a closing date at this time. The City would appreciate responses that provide an interest rate formula that can be tracked until either the referendum passes, or later if an interest rate lock cannot be entered into that long. The City is interested in proposals that allow the interest rate to float until closing or having the option to lock the interest rate a few months before closing.

2. Is this it for the pro forma—can you provide a detail as to what assumptions were used—revenues, expenses, repairs maintenance, replacement schedules for appliances, etc....Revenues—per unit type rents—what's the anticipated schedules on rents charges—etc..

Response: - Annual Rental Increases: 3%
- Vacancy Rate: 5%
- Annual Expense Increase (including repairs): 5%
- Annual Management Fees Increase: 4% (Management fee equals 4% of Income, only increases if Income increases from previous year)
- Assumed Monthly Rent for 2 BR – 1.5BA: 120% AMI = \$2,358 (All units are the same)
- Repairs & Maintenance budgeted at \$1,400 per unit/per yr.
- Reserve for Replacement budgeted at \$500 per unit/per yr.

Please see the attached updated Pro-Forma for more details.

3. Does this RFP have associated with the same city rules about bids by local businesses? I seem to recall that there is a credit for bids from local businesses. I'd like to know if it does, and why not if it does not.

Response: The City has not defined any “credit” for a firm proposing as a local vendor, but local vendor status may be taken into consideration when selecting the banking institution.

4. Please explain PILOT.

Response: Payment In Lieu Of Taxes – The amount indicated is the portion of Ad valorem Taxes paid to the City of Key West if the property were not exempt.

5. Land Authority—How much money does the authority get each year? Today they have x, how much in August and annually thereafter?

Response: Land Authority Revenues are not pledged as a security source for this financing beyond the initial \$10 million being included as down payment/equity.

6. In the process of downloading the files from Demand Star for the Peary Court RFP, the links to the Indemnification Form and the Local Vendor Form both lead to the same document – the indemnification form.

Response: The links on Demand Star have been corrected.

7. On the security for the Key West Affordable Housing Project: From what revenues would the City covenant to maintain coverage? Would it be a rate covenant applying to revenues generated by the Peary Project alone?

Response: The project will be secured by a mortgage lien with right of foreclosure and a lien on all of the rental revenues of the Peary Court Housing Project. The rate covenant will be calculated based on rental revenues derived from the Peary Court Housing Project.

8. Please confirm the following understanding of the housing project:

- Project is existing (not new construction)
- There is no developer (since there is no anticipated construction)
- The City is obligated (CBA) to the extent to maintain revenues necessary to maintain a DSC of 1.30X net of expenses (or coverage negotiated) AND the City is obligated to fund an operating reserve of \$500,000 at closing and maintain such at all times during the term of the loan (or amount negotiated)

Response: Correct, Peary Court already exists and there is no developer. There is no CBA related to this financing and there is not a covenant to replenish the \$500,000 reserve that is anticipated to be funded at closing.

9. Please clarify the following:

- Are there any tax credits contemplated that would reduce the size of the loan request (\$55 million)?
- Why are amortization schedules based on \$46 million and request is up to \$55MM?
- Would a response with a shorter amortization (20 years) be acceptable or is 30 years firm?
- Is project currently rental occupied: how will current residents living in the project be impacted?

Response: No, there are not any tax credits contemplated. The amortization is based on \$46 million due to the expected City Contribution of \$10 million, plus an anticipated \$1 million in

issuance costs. The City may consider a 20-year amortization, but it may negatively impact the cash flows for the project. Current residents will be allowed to stay at Peary Court.

10. Are you going to send an executed contract for purchase?

Response: There is currently no contract/agreement in place.

All Proposers shall acknowledge receipt and acceptance of this Addendum No. 1 by acknowledging Addendum in their proposal or by submitting the addendum with the proposal package. Proposals submitted without acknowledgement or without this Addendum may be considered non-responsive.

Signature

Name of Business

15 YEAR PRO-FORMA (120% AMI)
TAX EXEMPT (3.50%) MCLA FUNDS (\$10M)

157 Units FIFTEEN (15) YEAR OPERATING PROFORMA																1ST Year Per Unit
INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	
Gross Rental Income	4,442,472	4,575,746	4,713,019	4,854,409	5,000,041	5,150,043	5,304,544	5,463,680	5,627,591	5,796,418	5,970,311	6,149,420	6,333,903	6,523,920	6,719,638	28, 296
Other Income	240,200	247,406	254,828	262,473	270,347	278,458	286,811	295,416	304,278	313,407	322,809	332,493	342,468	352,742	363,324	1, 530
SUBTOTAL	4,682,672	4,823,152	4,967,847	5,116,882	5,270,389	5,428,500	5,591,355	5,759,096	5,931,869	6,109,825	6,293,120	6,481,913	6,676,371	6,876,662	7,082,962	29, 826
Minus Vacancy (5%)	(234,134)	(241,158)	(248,392)	(255,844)	(263,519)	(271,425)	(279,568)	(287,955)	(296,593)	(305,491)	(314,656)	(324,096)	(333,819)	(343,833)	(354,148)	-1, 491
(A) Income	4,448,538	4,581,995	4,719,454	4,861,038	5,006,869	5,157,075	5,311,787	5,471,141	5,635,275	5,804,334	5,978,464	6,157,818	6,342,552	6,532,829	6,728,813	28, 335
OPERATING EXPENSES																
Payroll (Property Mgr)	65,000	68,250	71,663	75,246	79,008	82,958	87,106	91,462	96,035	100,836	105,878	111,172	116,731	122,567	128,696	414
Utilities	226,000	237,300	249,165	261,623	274,704	288,440	302,862	318,005	333,905	350,600	368,130	386,537	405,864	426,157	447,465	1, 439
Grounds	82,000	86,100	90,405	94,925	99,672	104,655	109,888	115,382	121,151	127,209	133,569	140,248	147,260	154,623	162,354	522
Repairs & Maintenance	219,800	230,790	242,330	254,446	267,168	280,527	294,553	309,281	324,745	340,982	358,031	375,933	394,729	414,466	435,189	1, 400
Advertising/Marketing	1,000	1,050	1,103	1,158	1,216	1,276	1,340	1,407	1,477	1,551	1,629	1,710	1,796	1,886	1,980	6
Administrative	26,000	27,300	28,665	30,098	31,603	33,183	34,842	36,585	38,414	40,335	42,351	44,469	46,692	49,027	51,478	166
Insurance	277,200	291,060	305,613	320,894	336,938	353,785	371,475	390,048	409,551	430,028	451,530	474,106	497,811	522,702	548,837	1, 766
Replacement Reserve	78,500	78,500	78,500	78,500	78,500	78,500	78,500	78,500	78,500	78,500	78,500	78,500	78,500	78,500	78,500	500
(B) EXPENSES	975,500	1,020,350	1,067,443	1,116,890	1,168,809	1,223,325	1,280,566	1,340,669	1,403,778	1,470,041	1,539,618	1,612,674	1,689,383	1,769,927	1,854,499	6, 213
Expense per unit	6,213	6,499	6,799	7,114	7,445	7,792	8,156	8,539	8,941	9,363	9,806	10,272	10,760	11,273	11,812	40
NET OPERATING INCOME																
(A) Income	4,448,538	4,581,995	4,719,454	4,861,038	5,006,869	5,157,075	5,311,787	5,471,141	5,635,275	5,804,334	5,978,464	6,157,818	6,342,552	6,532,829	6,728,813	28, 335
(B) Expenses	(975,500)	(1,020,350)	(1,067,443)	(1,116,890)	(1,168,809)	(1,223,325)	(1,280,566)	(1,340,669)	(1,403,778)	(1,470,041)	(1,539,618)	(1,612,674)	(1,689,383)	(1,769,927)	(1,854,499)	- 6, 213
NET OPERATING INCOME	3,473,038	3,561,645	3,652,012	3,744,148	3,838,060	3,933,751	4,031,222	4,130,472	4,231,498	4,334,292	4,438,845	4,545,143	4,653,169	4,762,901	4,874,315	22, 121
DEBT SERVICE COVERAGE																
(A) Net Operating Income	3,473,038	3,561,645	3,652,012	3,744,148	3,838,060	3,933,751	4,031,222	4,130,472	4,231,498	4,334,292	4,438,845	4,545,143	4,653,169	4,762,901	4,874,315	22, 121
(B) Annual Debt Service	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	3, 279
(C) NET INCOME	994,312	1,082,918	1,173,285	1,265,422	1,359,333	1,455,024	1,552,495	1,651,745	1,752,771	1,855,566	1,960,118	2,066,416	2,174,442	2,284,175	2,395,588	3, 279
(D) Debt Service Coverage	1.40	1.44	1.47	1.51	1.55	1.59	1.63	1.67	1.71	1.75	1.79	1.83	1.88	1.92	1.97	
OTHER EXPENSES																
Management Fees - 4%	177,942	183,280	188,778	194,442	200,275	206,283	212,471	218,846	225,411	232,173	239,139	246,313	253,702	261,313	269,153	1, 133
PILOT	85,000	89,250	93,713	98,398	103,318	108,484	113,908	119,604	125,584	131,863	138,456	145,379	152,648	160,280	168,294	541
(C) OTHER EXPENSES	262,942	272,530	282,491	292,840	303,593	314,767	326,380	338,449	350,995	364,036	377,595	391,692	406,350	421,593	437,447	1, 675
NET OPERATING INCOME INCLUDING OTHER EXPENSES																
(A) Income	4,448,538	4,581,995	4,719,454	4,861,038	5,006,869	5,157,075	5,311,787	5,471,141	5,635,275	5,804,334	5,978,464	6,157,818	6,342,552	6,532,829	6,728,813	28, 335
(B) Expenses	(1,238,442)	(1,292,880)	(1,349,933)	(1,409,729)	(1,472,402)	(1,538,092)	(1,606,945)	(1,679,118)	(1,754,772)	(1,834,078)	(1,917,213)	(2,004,366)	(2,095,733)	(2,191,521)	(2,291,945)	- 7, 888
NET OPERATING INCOME	3,210,097	3,289,115	3,369,521	3,451,309	3,534,467	3,618,984	3,704,842	3,792,023	3,880,503	3,970,256	4,061,251	4,153,452	4,246,819	4,341,308	4,436,868	20, 446
DEBT SERVICE COVERAGE INCLUDING OTHER EXPENSES																
(A) Net Operating Income	3,210,097	3,289,115	3,369,521	3,451,309	3,534,467	3,618,984	3,704,842	3,792,023	3,880,503	3,970,256	4,061,251	4,153,452	4,246,819	4,341,308	4,436,868	20, 446
(B) Annual Debt Service	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	2,478,727	3, 279
(C) NET INCOME	731,370	810,388	890,795	972,582	1,055,741	1,140,257	1,226,115	1,313,296	1,401,776	1,491,529	1,582,524	1,674,725	1,768,092	1,862,581	1,958,141	3, 279
(D) Debt Service Coverage	1.30	1.33	1.36	1.39	1.43	1.46	1.49	1.53	1.57	1.60	1.64	1.68	1.71	1.75	1.79	