

The Indigo Apartments – Transaction Rationale

1. This Transaction will Result in a Significant Boost to Clearwater’s Affordable Housing Supply

The Indigo Apartments conversion will establish the third largest LIHTC community in Clearwater, ensure the City and County have site control indefinitely and increase the stock of Affordable Housing units in the City by 18%. As seen in the chart below, there are only 9 LIHTC properties in Clearwater totaling 1,127 units. This transaction is an opportunity to make the largest increase to the Clearwater Affordable Housing stock over the last two decades and nearly match the amount of units produced during that timeframe.

This transaction is not Affordable Housing preservation, it is Affordable Housing creation.

LIHTC Properties in Clearwater			
Property Name	Property Address	Year Built	# Units
Madison Point	380 S Martin Luther King Jr Ave	2019	80
Woodlawn Trail	803 Woodlawn Loop	2019	80
Garden Trail	700 Eldridge St	2017	76
Lexington Club	1200 S Missouri Ave	2000	240
Wellington Apartments	2900 Drew St	1998	269
Foundation Village	910 Woodlawn St	1984	28
Clearwater Apartments	1000 N Keene Rd	1983	90
Pine Berry	1225 S Highland Ave	1962	85
Palmetto Park	1003 West Ave	1949	179
Total			1,127

Source: CoStar. Rent-Restricted properties.

2. Produce New Affordable Housing Units at 42% Discount to New Development Costs

Last month, Clearwater announced its first new LIHTC development project in a few years, Clearwater Gardens. It is reported this deal has a cost basis of \$395k per unit. The cost basis for The Indigo Apartments is approximately \$229k per unit which represents a 42% discount to Clearwater Gardens.

3. Solving Affordable Housing Crisis Through Only New Development is Not Feasible

As demonstrated by Clearwater Gardens, it is incredibly difficult to identify feasible ground-up affordable housing deals due to increased construction costs, soaring insurance premiums, higher interest rates, and appreciating land values. Once a project does look financially feasible, it is still subject to winning a 9% LIHTC FHFC award, which is incredibly competitive and an unpredictable lottery process. Notably, it was reported that the Clearwater Gardens project had been in pre-development planning since 2020 due to multiple years of a failed 9% LIHTC FHFC awards.

The city will not be able to address the growing affordable housing crisis if new ground-up development is the only means to creating Affordable Housing. It will take years for new projects to match the number of Affordable Housing units being created in this transaction.

4. 100% of Indigo Units Will Be Rent & Income Restricted into Perpetuity

As part of this transaction, The Indigo Apartments will restrict rent & incomes for all units to ensure 100% of the residents earn less than 80% AMI. As illustrated in the unit mix below, Sunrise will set-aside units within a range of income bands from 30% AMI to 80% AMI. On average, we are decreasing property rents by ~32%.

Additionally, by placing the property in the Pinellas County Land Trust, the county & city will have control of this property in perpetuity. There is no opportunity for any owner in the future to convert The Indigo Apartments back to market-rate housing.

PRO FORMA RENT AND INCOME THRESHOLDS						
Unit	AMI	Total	Current	Pro Forma	Rent Decrease vs. Current	
Type	Restriction	Units	Indigo Rent	Indigo Rent	\$	%
Studio	30% AMI	24	\$1,450	\$501	(\$949)	(65%)
Studio	60% AMI	36	\$1,450	\$1,003	(\$447)	(31%)
Studio	80% AMI	36	\$1,450	\$1,338	(\$112)	(8%)
1-Bedroom	30% AMI	28	\$1,600	\$537	(\$1,063)	(66%)
1-Bedroom	60% AMI	42	\$1,600	\$1,074	(\$526)	(33%)
1-Bedroom	80% AMI	41	\$1,600	\$1,433	(\$167)	(10%)
Total / Avg.	60%	207	\$1,530	\$1,040	(\$491)	(32%)

5. Set-Aside for Community's Most Vulnerable Residents via Project-Based Voucher Subsidy

As part of Sunrise's commitment to affordability, 52 units will be set-aside for residents who earn 30% AMI or less. Sunrise is not aware of any other LIHTC properties in Clearwater targeting this underserved population at this scale.

In coordination with Clearwater Housing Authority, Sunrise will provide subsidy on all 52-units through a project-based voucher. This will ensure access to clean, safe and secure housing for the city's most vulnerable and at-need residents. The City of Clearwater PBV award letter *attached*.

6. Hired a Third-Party Consultant That Devised a URA-Compliant Relocation Plan for Over-Qualified Residents

Sunrise has hired a 3rd-party Tenant Relocation expert to devise a relocation plan that is URA-compliant and abides by all relevant regulations, including HUD. The relocation plan is *attached* and briefly summarized below:

- No resident will be evicted
- Substantial notice of non-renewal
- Sunrise to pay for reasonable moving costs
- Sunrise to pay for 1-on-1 meetings between residents and relocation specialist to find new living
- Sunrise to pay for any increased rent as a result of this transaction for 42 months

The average income for the over-qualified residents is ~\$85,000 per year which is around 120% AMI, and many of those residents have reported over six-figure salaries.

7. Gentrification by New Owners May Displace a Majority of Existing Residents

Sunrise was introduced to this project by JLL, which was marketing The Indigo as an opportunity to increase rents by \$300 per unit per month. If Sunrise were not to acquire The Indigo, the Property is likely to be bought by a new market-rate owner, who will continue the gentrification process by pushing rents higher to meet market levels. If this were to come to fruition, much of the existing residents are likely to be displaced with no URA-compliant tenant relocation plan or government oversight.

8. \$3 Million Loan from Clearwater will Result in \$25 Million in County and Federal Funding

The City of Clearwater will be able to attract \$25 million in County and federal funding through a \$3 million dollar loan to this development. For every dollar committed, Clearwater will receive an 8.3x funding multiple from the County and Federal government. This includes \$7 million from Pinellas County through the Penny for Pinellas Program and \$18 million from the federal government in tax credits.