



To: Wayne Conner, Director of Multifamily Bonds
Florida Housing Finance Corporation

From: Scott M. Eberhard, Senior Credit Underwriter
First Housing Development Corporation

Date: November 22, 2011

Subject: Mar Lago Village Apartments – 1997 Series F (HUD Risk Sharing, Guarantee Fund) 98L-500 Housing Credits – Assumption of Land Use Restriction Agreement & Extended Low-Income Housing Agreement

At the request of the Florida Housing Finance Corporation (“FHFC”), First Housing has reviewed a request to allow the assumption of the existing Land Use Restriction Agreement (“LURA”) and Extended Low-Income Housing Agreement (“EUA”) associated with Mar Lago Village Apartments (“Development”) in connection with a proposed purchase and sale of the Development. The bonds are expected to be redeemed on December 20, 2011. As FHFC bond financing will be paid off in conjunction with this transaction, the scope of this report is limited to a review of the ability of the new owner and the management agent to successfully execute the covenants contained within the LURA and EUA for its duration.

First Housing reviewed an executed Contract for Purchase and Sale of Real Property dated November 8, 2011 which indicates a purchase price of \$26,500,000 and a closing date on or before December 27, 2011. The seller is Mar Lago Village Associates, Ltd. and the buyer is ML CASA V, L.P. Please see the attached exhibit at the end of this report for a visual organizational chart of the highly complex proposed ownership structure. First Housing has not reviewed financial statements for any of the ownership entities. Financial analysis is not included in the scope of this report.

Henderson Global Investors (North America) Inc. (“Henderson”), who serves as real estate advisor for the Purchaser, will coordinate the transaction. Henderson is a Delaware corporation authorized to transact business within the State of Florida. Henderson’s US team has successfully invested in apartment communities on behalf of institutional clients for nearly two decades. As of November 1, 2010 Henderson manages over \$1.7 billion in apartment assets, which includes 62 properties in 25 markets totaling approximately 20,700 units. Since 1999,

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Henderson has acquired 74 apartment complexes for approximately \$2 billion, and sold 42 for approximately \$900 million.

The proposed management agent is ZRS Management, LLC (“ZRS”) (formerly ZOM Residential Services, Inc.) a Florida limited liability company originally formed in 1991 to manage multifamily communities. In 2010, ZRS Management, LLC became a stand-alone third party management company. Currently ZRS manages approximately 55 properties with 20,000 units for various institutional clients, partnerships, and individual owners. ZRS manages 12 condominium projects for lenders and developers.

ZRS maintains its headquarters in Orlando, Florida with regional offices located in Ft. Lauderdale, Jacksonville, Tampa, Dallas and Chicago.

First Housing reviewed a Draft Property Management Agreement reflecting a monthly Management Fee equal to 4% of Gross Rents each month. The agreement contains standard language and provisions found in comparable affordable housing developments. First Housing recommends that FHFC and their legal counsel review the final executed Management agreement to ensure the terms are satisfactory prior to approval of the assumption.

First Housing has prior underwriting experience with Henderson and ZRS on several Florida Housing Finance Corporation and Broward HFA funded transactions including Harbor Town at Jacaranda, Monterra and Sorrento at Miramar.

The existing LURA dated June 15, 1997 requires that 40% of the units in the Development shall be occupied by individuals whose incomes do not exceed 60% or less of the area median gross income adjusted for family size, as determined and published on a periodic basis by HUD for Broward County, Florida.

The existing EUA dated September 16, 1998 requires that 40.28% of the units in the Development shall be occupied by individuals whose incomes do not exceed 60% or less of the area median gross income, within the meaning of Section 42(g) of the Internal Revenue Code of 1986 for 50 years.

First Housing recommends that FHFC consult with qualified bond counsel to determine the specifics of the LURA and EUA requirements, including the Qualified Project Period, as that is beyond the scope of this report.

Recommendation

Based upon the review of the information submitted and within the scope of this analysis as described herein, First Housing recommends allowing the assumption of the existing LURA and

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EUA by Henderson Global Investors GP II, L.L.C or its assignee and approval of the selection of the proposed management agent, ZRS Management, LLC by FHFC Compliance Department.

Therefore, First Housing recommends that FHFC consent to the above referenced items subject to the following:

1. Buyer shall execute any assignment and assumption documents FHFC and its legal counsel deem necessary.
2. Satisfactory resolution of any non-compliance or past due items.
3. Payment of any outstanding arrearages to FHFC, its legal counsel, its servicer, or any agent or assignee of FHFC for past due issues applicable to the development team (Applicant or Developer or Principal, Affiliate, or Financial Beneficiary, as described in 67-48-0075 F.A.C., of an Applicant or a Developer).
4. Review and approval of any documents or other due diligence items requested by FHFC, its legal counsel, and its servicer.

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