

# **Florida Housing Finance Corporation**

*Credit Underwriting Report*

## **Peterborough**

**MMRB, SAIL, ELI and Non-Competitive Housing Credits**

**MMRB 2014-106B / RFA 2014-103/2014-321S**

**Section A      Report Summary**

**Section B      Loan Conditions and HC Allocation Contingencies**

**Section C      Supporting Information and Schedules**

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*Prepared by*

***Seltzer Management Group, Inc.***

*Final Report*

*April 23, 2015*

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**PETERBOROUGH**

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**Section A**  
**Report Summary**

**MMRB, SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

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**Recommendation**

Seltzer Management Group, Inc. ("SMG" or "Seltzer") recommends a Multifamily Mortgage Revenue Bond ("MMRB") Program loan in the amount of \$10,000,000 to be paid down to \$7,600,000 at conversion, a State Apartment Incentive Loan ("SAIL") Program loan in the amount of \$3,939,840, an ELI Loan in the amount of \$1,125,000 and a Housing Credit ("HC") allocation in the annual amount of \$689,489 be awarded to this development by the Florida Housing Finance Corporation ("FHFC" or "Florida Housing").

**DEVELOPMENT & SET-ASIDES**

Development Name: Peterborough

Program Numbers: 2014-106B      RFA 2014-103      2014-321S

Address: 440 4th Ave N.      City: St Petersburg      Zip Code: 33701

County: Pinellas      County Size: Large

Development Category: Acquisition/Rehab      Development Type: Highrise

Construction Type: Concrete exterior walls and roof and slab on grade foundation

Demographic Commitment:      Elderly: Yes      Homeless: No      ELI: 45 Units @ 40% AMI  
Farmworker or Commercial Fish Worker: No      Family: No      Link:      Units

Bed Rooms	Bath Rooms	Units	Square Feet	AMI%	Gross HC Rent	Low HOME Rents	High HOME Rents	Utility Allow	RD/HUD Cont Rents	Net HC Rent	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
1.0	1.0	9	612	40%	\$442			\$77	\$795	\$365	\$795	\$795	\$795	\$85,860
1.0	1.0	21	612	60%	\$663			\$77	\$795	\$586	\$795	\$795	\$795	\$200,340
1.0	1.0	18	600	40%	\$442			\$77	\$795	\$365	\$795	\$795	\$795	\$171,720
1.0	1.0	42	600	60%	\$663			\$77	\$795	\$586	\$795	\$795	\$795	\$400,680
1.0	1.0	2	628	40%	\$442			\$77	\$795	\$365	\$795	\$795	\$795	\$19,080
1.0	1.0	6	628	60%	\$663			\$77	\$795	\$586	\$795	\$795	\$795	\$57,240
1.0	1.0	16	628	40%	\$442			\$77	\$795	\$365	\$795	\$795	\$795	\$152,640
1.0	1.0	36	628	60%	\$663			\$77	\$795	\$586	\$795	\$795	\$795	\$343,440
		<b>150</b>	<b>92040</b>											<b>\$1,431,000</b>

Buildings: Residential - 1      Non-Residential - 0

Parking: Parking Spaces - 39      Accessible Spaces - 2

Set Asides:	Program	% of Units	# of Units	% AMI	Term (Years)
	MMRB SAIL ELI HC	30.0%	45	40%	30
	MMRB SAIL ELI HC	70.0%	105	60%	30

As required by the Federal Fair Housing Act, at least 80% of the total units will be rented to residents that qualify as Elderly.

**MMRB, SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

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Absorption Rate 0 units per month for 0 months.

Occupancy Rate at Stabilization: Physical Occupancy 95.00% Economic Occupancy 94.15%  
Occupancy Comments Existing residents to be relocated by completion

DDA?: Yes QCT?: No  
Site Acreage: 0.88 Density: 170.4545 Flood Zone Designation: X  
Zoning: DC-2 Downtown Center w/in Intown Activity Center Flood Insurance Required?: No

**DEVELOPMENT TEAM**

		% Ownership
Applicant/Borrower:	Peterborough 2, Ltd.	
General Partner 1:	Peterborough Apartments, Inc.	0.0100%
General Partner 2:		
General Partner 3:		
General Partner 4:		
General Partner 5:		
Limited Partner 1:	Blue Sky SLP, LLC	68.0100%
Limited Partner 2:	RBC Tax Credit Equity, LLC	31.9790%
Limited Partner 3:		
Special Limited Partner:	RBC Tax Credit Manager II, Inc.	0.1000%
Construction Completion Guarantor(s):	Peterborough 2, Ltd. Peterborough Apartments, Inc. Blue Sky GE, LLC Shawn Wilson James Chadwick	
Operating Deficit Guarantor(s):	Peterborough 2, Ltd. Peterborough Apartments, Inc. Blue Sky GE, LLC Shawn Wilson James Chadwick	
Pvt Placement Purchaser:	Red Stone Tax Exempt Funding, LLC	
Developer:	Peterborough Redevelopment Associates, LLC	
Principal 1	Shawn Wilson	
Principal 2	Weedon Enterprises, LLC	
General Contractor 1:	Core Construction Services of Florida, LLC	
General Contractor 2:		
Management Company:	Carteret Management Corporation	
Const. Credit Enhancer:		
Perm. Credit Enhancer:		
Syndicator:	RBC Tax Credit Equity, LLC, or assigns, and RBC Tax Credit Manager II, Inc.	
Bond Issuer:	Florida Housing Finance Corporation	
Architect:	Mesh Architecture, LLC	
Market Study Provider:	Integra Realty Resources	
Appraiser:	Integra Realty Resources	

**MMRB, SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

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<b>PERMANENT FINANCING INFORMATION</b>						
	<b>1st Source</b>	<b>2nd Source</b>	<b>3rd Source</b>	<b>4th Source</b>	<b>5th Source</b>	<b>Other</b>
Lien Position	First	Second	Third	Fourth		
Lender/Grantor	FHFC MMRB	FHFC SAIL	FHFC ELI	Peterborough	Peterborough	0
Amount	\$7,600,000	\$3,939,840	\$1,125,000	\$800,000	\$800,000	\$0
Underwritten Interest Rate	5.00%	1.00%	0.00%	8.00%	0.00%	0.00%
Loan Term	41.50	16.50	16.50	0.00	0.00	0.00
Amortization	40.00					
Market Rate/Market Financing LTV	63.0%	95.7%	105.0%	111.6%		
Restricted Market Financing LTV	87.4%	132.6%	145.6%	154.8%		
Loan to Cost	36.3%	18.8%	5.4%	3.8%		
Debt Service Coverage	1.14	1.03	1.02	1.02		
Operating/Deficit Service Reserve	\$638,450.00					
Period of Operating Expenses/Deficit Reserve in Months	9					
Deferred Developer Fee			\$533,699.00			
Land Value			\$1,970,000.00			
As-Is Value (Rehabilitation)			\$8,360,000.00			
Market Rent/Market Financing Stabilized Value			\$12,060,000.00			
Rent Restricted Market Financing Stabilized Value			\$8,700,000.00			
Rent Restricted Favorable Financing Stabilized Value			\$0.00			
Projected Net Operating Income (NOI) - Year 1			\$534,966.90			
Projected Net Operating Income (NOI) - 15 Year			\$578,705.45			
Year 15 Pro Forma Income Escalation Rate			2.00%			
Year 15 Pro Forma Expense Escalation Rate			3.00%			
Bond Structure			Fixed Rate Tax Exempt Bonds			
Housing Credit Syndication Price			\$0.965			
Housing Credit Annual Allocation			\$689,489			

**MMRB, SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

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<b>CONSTRUCTION/PERMANENT SOURCES:</b>				
<b>Source</b>	<b>Lender</b>	<b>Construction</b>	<b>Permanent</b>	<b>Perm Loan/Unit</b>
First Mortgage	FHFC MMRB	\$10,000,000	\$7,600,000	\$50,667
Second Mortgage	FHFC SAIL	\$3,939,840	\$3,939,840	\$26,266
Third	FHFC ELI	\$1,125,000	\$1,125,000	\$7,500
Fourth	Peterborough	\$800,000	\$800,000	\$5,333
Fifth	Peterborough	\$800,000	\$800,000	\$5,333
HC Equity	RBC	\$3,054,813	\$6,109,627	\$40,731
Deferred Developer Fee	Developer	\$1,188,513	\$533,699	\$3,558
<b>TOTAL</b>		<b>\$20,908,166</b>	<b>\$20,908,166</b>	<b>\$139,388</b>

Changes from the Application:

<b>COMPARISON CRITERIA</b>	<b>YES</b>	<b>NO</b>
Does the level of experience of the current team equal or exceed that of the team described in the application?	X	
Are all funding sources the same as shown in the Application?		1
Are all local government recommendations/contributions still in place at the level described in the Application?	X	
Is the Development feasible with all amenities/features listed in the Application?	X	
Do the site plans/architectural drawings account for all amenities/features listed in the Application?	X	
Does the Applicant have site control at or above the level indicated in the Application?	X	
Does the Applicant have adequate zoning as indicated in the Application?	X	
Has the Development been evaluated for feasibility using the total length of set-aside committed to in the Application?	X	
Have the Development costs remained equal to or less than those listed in the Application?		2
Is the Development feasible using the set-asides committed to in the Application?	X	
If the Development has committed to serve a special target group (e.g. elderly, large family, etc.), do the development and operating plans contain specific provisions for implementation?	X	
HOME ONLY: If points were given for match funds, is the match percentage the same as or greater than that indicated in the Application?	N/A	
HC ONLY: Is the rate of syndication the same as or greater than that shown in the Application?		1

**MMRB, SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

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Is the Development in all other material respects the same as presented in the Application?		3
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The following are explanations of each item checked “No” in the table above:

1. The source of funds in the MMRB Application reflected a request for \$10,000,000 of MMRB. The source of funds in the SAIL Application reflected a request for \$9,000,000 of MMRB to be paid down to \$6,000,000 during the permanent period. The MMRB Application contained a term sheet from City Community Capital for a construction/permanent loan to be advanced to FHFC and loaned to the Borrower; however, that was replaced with a HUD 223f first mortgage loan from First Housing Development Corporation to cash collateralize the MMRB which was subsequently replaced with a term sheet from Red Stone Tax Exempt Funding, LLC to purchase up to \$10,000,000 of MMRB to be paid down to \$7,600,000 in the permanent period.

The Applicant added a Seller Note and the purchase of \$800,000 of replacement reserves as additional sources of funds.

The syndicator in the MMRB application, Raymond James Tax Credit Funds, Inc., purchasing the HC at a rate of \$0.98 per allocated HC has changed to RBC Tax Credit Equity, LLC, its successors and assigns, purchasing the HC at a rate of \$0.965 per allocated HC.

2. Development costs have increased from \$17,727,886 in the application to \$20,908,166 primarily due to increases in construction costs, financial costs, the addition of an operating deficit reserve, the purchase of replacement reserves as a part of the purchase price and an increase in developer fees.
3. The number of units in the MMRB and SAIL applications was 150; however, previous underwritings indicate there are actually 153 units. The 3 units on the bottom floor are used for a) a non-income producing gift shop; b) a maintenance room; and c) a wellness center that pays rent via a lease. The HAP Contract reflects the first two as non-revenue units and the wellness as income producing. Evidently, the use of one unit for a maintenance room has been the case from inception. It is uncertain when the other two units were converted to other uses.

The 75% member of the developer listed its members as Shawn Wilson (30%) and Weedon Enterprises, LLC (70%) but has subsequently added a third member, Scott Macdonald with a 5% interest thereby reducing Shawn Wilson’s interest to 28.5% and Weedon Enterprises’ interest to 66.5%.

The limited partner of Peterborough 2, Ltd. was Blue Sky SLP, LLC who initially held a 99.99% interest in the Applicant, whose members are Shawn Wilson (30%) and Weedon Enterprises, LLC (70%). Florida Housing was notified in writing regarding the changes to the limited partner. An Amended and Restated Agreement of Limited Partnership effective February 1, 2015 reflects the limited partner to be RBC Tax Credit Equity, LLC with 31.979% interest, the special limited partner to be RBC Tax Credit Manager II, Inc. with .001% interest, and Blue Sky SLP, LLC as existing limited partner with 68.01% interest.

These changes have no substantial material impact to the MMRB/SAIL/ELI/HC recommendation for this development.



Does the Development Team have any FHFC Financed Developments on the Past Due/Non-Compliance Report?

Florida Housing's Past Due Report dated February 13, 2015 does not reflect any past due items for the development team. The Asset Management Noncompliance Report dated February 13, 2015 does not reflect the subject to be in noncompliance.

This recommendation is subject to satisfactory resolution (as determined by FHFC) of any outstanding past due or noncompliance issues applicable to the development team by closing of the loan(s).

Strengths:

1. Peterborough was built in 1981. The subject's acquisition and renovation will preserve the development as affordable housing.
2. Peterborough had a January 2015 occupancy rate of 96.03%, and a March 2015 occupancy rate of 94.70%. Units are not being leased as vacated in order to empty one floor (10 units) by renovation commencement to accommodate the relocation of residents.
3. Peterborough currently operates under a property-based Department of Housing and Urban Development ("HUD") Section 8 Housing Assistance Program ("HAP") contract which sets the rents and utility allowances for the development and provides subsidy to the residents.
4. The subject's renovation will not require significant resident relocations and minimal turnover is anticipated due to renewal of the HUD Section 8 contract. Stabilized occupancy of 95% is projected upon completion of rehabilitation.
5. Although the Applicant and developer are newly formed, the general partner, contractor, and management company and their principals have sufficient experience and financial resources to develop, construct and operate the proposed development.

Other Considerations: None

Mitigating Factors: None

Waiver Requests/Special Conditions:

1. Applicant filed a Petition for Waiver of Rule 67-21.003(8)(f) for a Change in Development Category on April 20, 2015 in order to change its development category listed in the Non-Competitive Application of "Acquisition/Preservation" to match what is stated within the Competitive Application of "Acquisition/Rehabilitation". The Petition has not yet been ruled upon.

Additional Information:

1. The Total Development Cost for Peterborough meets the limitation set forth in RFA 2014-103.

**MMRB, SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

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2. Per an April 1, 2015 proposal, Red Stone Tax Exempt Funding, LLC, will purchase the bonds directly or indirectly with a designee through a placement agent or bond underwriter at closing. The designee will abide by all the terms set forth by Red Stone. Currently, it is anticipated that RBC Capital Markets as the bond underwriter will be facilitating the delivery of the bonds through a limited offering, limited to Red Stone or its designee. The proceeds of the bond purchase will be lent to the Applicant pursuant to a Loan Agreement. An April 13, 2015 letter from Red Stone indicates that GA Housing, LLC ("GA") is the Red Stone-sponsored investment fund that will acquire the bonds used to finance Peterborough. GA utilizes various bank facilities to acquire bonds and Deutsche Bank will be the bank acquiring the bonds used to finance Peterborough on behalf of GA at closing. It is Seltzer's recommendation that Florida Housing consult its Bond Counsel and/or Financial Advisors as to this bond structure.
3. Peterborough was constructed under HUD's Section 202 financing and operates under HUD Section 202 Use Agreement. Per section 5.2.c. of the RFA, developments financed with HUD Section 202 or HUD Section 811 are exempt from the requirement to provide units for Special Needs Households.

Issues and Concerns: None

Recommendation:

SMG recommends FHFC approve a \$10,000,000 MMRB loan consisting entirely of tax-exempt bonds, a SAIL Program loan of \$3,939,840, an ELI loan of \$1,125,000 and a \$689,489 annual allocation of HC be awarded for the rehabilitation and permanent financing of Peterborough.

This recommendation is based upon the assumptions detailed in the Report Summary (Section A) and Supporting Information and Schedules (Section C). In addition, this recommendation is subject to the MMRB, SAIL, and ELI Loan Conditions and HC Allocation Contingencies (Section B). The reader is cautioned to refer to these sections for complete information.

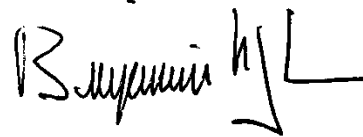
This recommendation is only valid for six months from the date of the report.

Prepared by:



Cindy Highsmith  
Credit Underwriting Manager

Reviewed by:



Benjamin S. Johnson  
President

## Overview

### Construction Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
First Mortgage	FHFC MMRB	\$9,000,000	\$10,000,000	\$10,000,000	5.00%	\$750,000
Second Mortgage	FHFC SAIL	\$3,939,840	\$3,939,840	\$3,939,840	1.00%	\$59,098
Third Mortgage	FHFC ELI	\$1,125,000	\$1,125,000	\$1,125,000	0.00%	\$0
Seller Note	Peterborough	\$0	\$800,000	\$800,000	8.00%	\$96,000
RR Purchase	Peterborough	\$0	\$800,000	\$800,000	0.00%	\$0
HC Equity	RBC	\$3,076,548	\$3,054,813	\$3,054,813		
Deferred Developer Fee	Developer	\$586,498	\$719,587	\$1,188,513		
<b>Total</b>		<b>\$17,727,886</b>	<b>\$20,439,240</b>	<b>\$20,908,166</b>		<b>\$905,098</b>

#### First Mortgage and Tax Exempt MMRB Loan:

The Applicant applied for a MMRB loan to be issued by the Florida Housing Finance Corporation for the financing of this development in the amount of \$10,000,000 under the MMRB application and for \$9,000,000 under the SAIL/ELI application, the former being shown in the chart above. The Applicant has submitted a proposal dated April 1, 2015 from Red Stone Tax Exempt Funding, LLC (“Red Stone”) to purchase up to \$10,000,000 of tax exempt bonds that will require interest only for 18 months. Interest is to be paid monthly at a fixed rate of 5.00% per annum on the bonds beginning on the date of delivery of the bonds (the “closing”) through the loan term. In addition to interest, the Applicant will pay all Issuer (.24%), Servicing (.0321%), Compliance (.0441%), and Trustee (.0658%) fees on the MMRB from NOI during the rehabilitation period.

#### Other Construction Sources of Funds:

Additional sources of funds for this development during rehabilitation are a SAIL Program loan, an ELI loan, a seller note, housing credit equity of \$3,054,813, the purchase of existing replacement reserves, and deferred developer fees. See the Permanent Financing section below for details.

#### Construction/Stabilization Period:

The subject’s renovation will be conducted with its existing tenants in place and minimal turnover is anticipated. The property is currently reporting an occupancy rate of 94%. The appraiser projects a stabilized physical occupancy of 95% at completion. The construction contract requires substantial completion of the rehabilitation within 322 days or approximately 11 months.

**MMRB, SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

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**Permanent Financing Sources**

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt
First Mortgage	FHFC MMRB	\$6,000,000	\$7,600,000	\$7,600,000	5.00%	40	41.5	\$439,763
Second Mortgage	FHFC SAIL	\$3,939,840	\$3,939,840	\$3,939,840	1.00%	N/A	16.5	\$39,398
Third Mortgage	FHFC ELI	\$1,125,000	\$1,125,000	\$1,125,000	0.00%	N/A	16.5	\$0
Seller Note	Peterborough	\$0	\$800,000	\$800,000	8.00%			\$0
RR Purchase	Peterborough	\$0	\$800,000	\$800,000	0.00%			\$0
HC Equity	RBC	\$6,153,096	\$6,109,627	\$6,109,627				
Def. Developer Fee	Developer	\$509,950	\$64,773	\$533,699				
<b>Total</b>		<b>\$17,727,886</b>	<b>\$20,439,240</b>	<b>\$20,908,166</b>				<b>\$479,162</b>

First Mortgage and Tax Exempt MMRB Loan:

As previously noted, the Applicant has submitted a proposal dated April 1, 2015 from Red Stone to purchase up to \$10,000,000 of tax exempt bonds. Red Stone will purchase the bonds directly or indirectly with a designee through a placement agent or bond underwriter at closing. The designee will abide by all the terms set forth by Red Stone. Currently, it is anticipated that RBC Capital Markets as the bond underwriter will be facilitating the delivery of the bonds through a limited offering, limited to Redstone and/or its designee. The proceeds of the bond purchase will be lent to the Applicant pursuant to a Loan Agreement. An April 13, 2015 letter from Red Stone indicates that GA Housing, LLC (“GA”) is the Red Stone-sponsored investment fund that will acquire the bonds used to finance Peterborough. GA utilizes various bank facilities to acquire bonds and Deutsche Bank will be the bank acquiring the bonds used to finance Peterborough on behalf of GA at closing.

The loan amount is based on Redstone’s pro forma NOI of \$536,670, and subject to a maximum 85% loan to value, and a minimum 1.15 debt service coverage ratio. The bonds will require payments of interest only for 18 months followed by amortization on a 40 year schedule. The Bonds shall mature 40 years after the interest only period; however, upon the 16-year anniversary of closing Red Stone shall have the option, with 6 months notice, to require a mandatory tender of the Bonds. Interest will be paid monthly at a fixed rate of 5.00% per annum on the bonds beginning on the date of delivery of the bonds (the “closing”) through the loan term. In addition to interest, the Applicant will pay all Issuer, Servicing, Compliance, and Trustee fees on the MMRB. The fees are shown as a part of debt service in the operating pro forma.

Other fees payable at closing a construction loan administration fee of 0.50% of the loan and an origination fee of 1.00% of the loan. The permanent loan will be secured by a first mortgage lien on the Peterborough development and a first security interest in all personalty of the development.

Housing Credits Equity Investment:

The Applicant has applied to Florida Housing to receive 4% Housing Credits directly from the United States Treasury in conjunction with tax-exempt financing. A HC calculation is contained in Exhibit 4 of this credit underwriting report.

Based upon a December 16, 2014 proposal, RBC Tax Credit Equity, LLC, its successors and assigns (“RBC”) and RBC Tax Credit Manager II, Inc., an affiliate, collectively, will provide HC equity as follows:

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Capital Contributions	Amount	Percent of Total	When Due
1st Installment	\$1,221,925	20.0%	Later of Closing or HAP contract
2nd Installment	\$610,963	10.0%	Later of 35% Completion or 10/1/15
3rd Installment	\$1,221,925	20.0%	Later of 65% completion of 1/1/16
4th Installment	\$2,749,333	45.0%	Later of FCC; 100% qualified occupancy; 1.15x DSC for 90 days or 10/1/16
5th Installment	\$305,481	5%	Later of stabilization, 8609, or 1/1/17
6th Installment	\$0	0%	
Total	\$6,109,627	100%	

Annual Tax Credits per Syndication Agreement:	\$633,122
Total HC Syndication:	\$6,330,587
Syndication Percentage (limited partner interest):	99.990%
Calculated HC Exchange Rate (per dollar):	\$0.965
Proceeds Available During Construction:	\$3,054,813

SAIL Program Loan:

Applicant received an allocation for a SAIL in the amount of \$3,939,840. The SAIL will be non-amortizing and will have an interest rate of 1% per annum over the life of the loan with payments based upon available cash flow as determined by FHFC. The SAIL term reflects an 18-month construction/stabilization period followed by a 15-year permanent period. Annual payments of all applicable fees will be required as shown on the operating pro forma. All accrued interest and principal will be due at maturity.

ELI Loan:

Applicant received an allocation for an ELI Loan in the amount of \$1,125,000. The ELI Loan will be non-amortizing and have an interest rate of 0% per annum over the life of the loan with the principal forgivable at maturity provided the units for which the ELI loan amount is awarded are targeted to ELI Households for the duration of the 30 year compliance period. However, after 15 years all of the ELI set-aside units may convert to serve residents at or below 60% AMI. The ELI Loan term reflects an 18-month construction/stabilization period followed by a 15-year permanent period. Annual payments of all applicable fees will be required as shown on the operating pro forma.

Seller Note:

Based upon a March 27, 2015 commitment letter, Peterborough Apartments, Inc. (Seller and General Partner), will provide seller financing to Applicant in an amount not to exceed \$800,000 at an interest rate of 8.00% per annum with principal and interest payments from available cash flow prior to maturity. The maturity date is 15 years from conversion to permanent financing but in no event later than 17 years from the date of closing. The recourse Seller Note will be in fourth lien position and Applicant will pay all Seller expenses in connection with the loan.

Replacement Reserve Purchase:

The existing development has approximately \$800,000 in replacement reserves that, according to a First Amendment to Agreement for Purchase and Sale are being purchased as a part of the acquisition cost of the property. Seltzer has shown the receipt of the reserves as a source of funds to offset that portion of the purchase price during both the rehabilitation and permanent period. Replacement reserves are not included in HC eligible basis and no developer fee is earned thereon.

Other Permanent Sources of Funds:

The developer will have to defer \$533,699 of developer fees for payment from development operations after all loan proceeds and capital contributions have been received.

MMRB, SAIL, ELI AND HC CREDIT UNDERWRITING REPORT

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Uses of Funds

CONSTRUCTION COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Accessory Buildings					
Demolition					
Installation of Pre Fab Units					
New Rental Units					
Off-Site Work					
Recreational Amenities					
Rehab of Existing Common Areas	\$1,000,000				
Rehab of Existing Rental Units	\$4,000,000	\$5,187,797	\$5,090,002	\$33,933	
Site Work			\$97,795	\$652	
Swimming Pool					
General Conditions		\$311,267	\$311,267	\$2,075	
Overhead		\$103,756	\$103,756	\$692	
Profit	\$675,000	\$311,267	\$311,267	\$2,075	
Builder's Risk Insurance					
General Liability Insurance					
Payment and Performance Bonds					
Furniture, Fixture, & Equipment					
Total Construction Contract/Costs	\$5,675,000	\$5,914,087	\$5,914,087	\$39,427	\$0
Hard Cost Contingency		\$887,113	\$887,113	\$5,914	
Fees for LOC used as Construction Surety					
Other: P&P Bonds Outside GC Contract		\$40,489	\$40,489	\$270	
Other:					
Other:					
Other:					
Other:					
<b>Total Construction Costs:</b>	<b>\$5,675,000</b>	<b>\$6,841,689</b>	<b>\$6,841,689</b>	<b>\$45,611</b>	<b>\$0</b>

Notes to the Actual Construction Costs:

1. The Applicant has provided an executed construction contract between the Applicant and CORE Construction Services of Florida, LLC dated January 22, 2015 where the basis for payment is a Stipulated Sum in the amount of \$5,914,087. The date of commencement shall be the later of 1) a fully executed Agreement; 2) evidence of funding; 3) issuance of permits; 4) the date fixed in a notice to proceed issued by the Owner; or 5) a recorded Notice of Commencement. The contract requires the contractor to achieve substantial completion of the entire work not later than 322 days from the date of commencement. Retainage of 10% will be withheld until 50% completion. Final payment will be made when the contract has been fully performed and a final certificate for payment has been issued by the Architect. The Owner's final payment to the Contractor shall be made no later than 30 days after the Architect's final certificate for payment and satisfaction of all matters described in 9.10 of the General Conditions.
2. General contractor fees are within the 14% maximum per Rule.

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3. The Hard Cost Contingency for this development is within the maximum.
4. Payment Bond and Performance Bond fees are paid outside of the GC Contract.
5. SMG ordered a Physical Needs Assessment/Plan and Cost Review from C3 Consulting Group, Inc. Complete results are set forth in Section C of this credit underwriting report.



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GENERAL DEVELOPMENT COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Accounting Fees	\$30,000	\$30,000	\$30,000	\$200	
Appraisal	\$6,000	\$8,000	\$13,250	\$88	
Architect's and Planning Fees					
Architect's Fee - Green Initiative					
Architect's Fee - Landscape					
Architect's Fee - Site/Building Design	\$134,000	\$130,000	\$130,000	\$867	
Architect's Fee - Supervision	\$26,000	\$26,000	\$26,000	\$173	
Building Permits	\$64,000	\$67,441	\$67,441	\$450	
Builder's Risk Insurance	\$37,000	\$25,000	\$25,000	\$167	
Capital Needs Assessment/Rehabilitation	\$8,000	\$18,745	\$18,745	\$125	
Demolition paid outside Const Contract					
Engineering Fees	\$6,000				
Environmental Report	\$5,000	\$6,897	\$6,897	\$46	
Federal Labor Standards Monitoring					
FF&E paid outside Construction Contract		\$150,000	\$150,000	\$1,000	
FHFC Administrative Fees	\$35,000	\$28,750	\$34,474	\$230	\$34,474
FHFC Application Fee	\$6,000	\$9,000	\$6,000	\$40	\$6,000
FHFC Credit Underwriting Fee	\$16,886	\$25,000	\$21,941	\$146	
FHFC HC Compliance Fee (HC)		\$219,527			\$0
FHFC Other Processing Fee(s)					
Impact Fee					
Lender Inspection Fees / Const Admin	\$15,000	\$30,000	\$20,000	\$133	
Green Building Cert. (LEED, FGBC, NAHB)	\$30,000				
Home Energy Rating System (HERS)					
Insurance					
Legal Fees	\$300,000	\$185,000	\$185,000	\$1,233	\$92,500
Local Subsidy Underwriting Fee					
Market Study	\$6,000	\$6,700	\$4,400	\$29	
Marketing and Advertising	\$15,000	\$15,000	\$15,000	\$100	\$15,000
Plan and Cost Review Analysis					
Property Taxes					
Soil Test	\$5,000				
Start-Up/Lease-up Expenses					
Survey	\$15,000	\$25,000	\$25,000	\$167	
Tenant Relocation Costs	\$180,000	\$165,600	\$165,600	\$1,104	
Title Insurance and Recording Fees	\$105,000	\$105,000	\$105,000	\$700	\$24,796
Traffic Study					
Utility Connection Fees					
Soft Cost Contingency	\$688,000	\$65,857	\$54,000	\$360	\$54,000
Other:					
Other:					
Other:					
<b>Total General Development Costs:</b>	<b>\$1,732,886</b>	<b>\$1,342,517</b>	<b>\$1,103,748</b>	<b>\$7,358</b>	<b>\$226,770</b>

*Notes to the General Development Costs:*

1. Appraisal and market study budgets reflect the actual cost of the reports.
2. No engineering was required for the rehabilitation.
3. The cost of the Plan and Cost Review/Analysis is included in the Physical Needs Assessment budget.
4. The FHFC Administrative Fee is based on 5% of the recommended annual allocation of HC for non-profit entities receiving at least 25% of developer fees. The FHFC Application Fee is reflective of the 2014 MMRB application fee and the SAIL/ELI application fee. The FHFC Underwriting Fee reflects the MMRB, SAIL, ELI, and HC fees. Compliance monitoring fees are billed directly to the Trustee.
5. Existing properties undergoing rehabilitation with minimal new construction do not typically require impact fees, utility connection fees, or soil tests.
6. The Applicant anticipates rehabilitation to occur with residents being relocated one floor (10 units) at a time with minimal turnover, therefore, a tenant relocation budget is provided.
7. Soft Cost Contingency has been limited to meet the aggregate maximum per RFA.
8. Other General Development Costs are based on the Applicant's estimates, which appear reasonable.

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FINANCIAL COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Construction Loan Application Fee		\$25,000	\$15,000	\$100	
Construction Loan Underwriting Fee					
Construction Loan Origination Fee	\$87,000	\$100,000	\$3,530	\$24	
Construction Loan Commitment Fee					
Construction Loan Closing Costs					
Construction Loan Interest	\$150,000	\$64,536	\$800,604	\$5,337	\$398,077
Construction Loan Servicing Fees		\$50,000	\$50,000	\$333	
Permanent Loan Application Fee					
Permanent Loan Underwriting Fee					
Permanent Loan Subsidy Layering Review					
Permanent Loan Commitment Fee					
Permanent Loan Origination Fee	\$53,000		\$96,470	\$643	\$96,470
Permanent Loan Closing Costs	\$140,000				
Permanent Loan Interest					
Permanent Loan Servicing Fee					
FHFC Bond Application Fee					
FHFC Bond Underwriting Fee			\$31,000	\$207	\$31,000
FHFC Bond Subsidy Layering Review					
FHFC Bond Origination Fee			\$40,000	\$267	\$40,000
FHFC Bond Commitment Fee					
FHFC Bond Trustee Fee			\$10,500	\$70	\$10,500
FHFC Bond Credit Enhancement Fee					
FHFC Bond Rating Fee					
FHFC Bond Closing Costs		\$247,548	\$158,778	\$1,059	\$158,778
FHFC Bond Interest					
FHFC Bond Servicing Fee					
SAIL Origination Fee		\$39,398	\$39,398	\$263	\$39,398
Misc Loan Origination Fee-ELI		\$11,250	\$11,250	\$75	\$11,250
Negative Arbitrage					
Reserves - ACC Reserve					
Reserves - Operating Deficit		\$649,553	\$638,450	\$4,256	\$638,450
Reserves - Debt Service Coverage					
Reserves - Required by Lender					
Reserves - Required by Syndicator					
Reserves - Required by FHFC					
Reserves - Replacement Escrow					
Other: Syndicator Due Diligence		\$35,000	\$35,000	\$233	\$35,000
<b>Total Financial Costs:</b>	<b>\$430,000</b>	<b>\$1,222,285</b>	<b>\$1,929,980</b>	<b>\$12,867</b>	<b>\$1,458,923</b>

Notes to the Financial Costs:

1. Construction Loan Interest is based on the bonds being fully funded at closing at a 5% interest rate for the maximum 18 month interest only period including all Issuer, Servicer, and Trustee fees.

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Construction interest paid after the final certificate of occupancy is considered ineligible for HC basis.

2. The Construction Loan Application fee and Administrative/Servicing Fee of 0.5% of the loan amount is payable to Red Stone per the Red Stone proposal.
3. The Loan Origination Fee is 1% of the loan amount per the Red Stone proposal, a pro rata portion of which is allocated to the construction period.
4. The Bond Underwriting fee reflects a fee of \$31,000 to RBC Capital Markets.
5. Bond Closing Costs include, but are not limited to, fees and expenses of the Issuer, Real Estate Counsel, Bond Counsel, Disclosure Counsel, and the Fiscal Sufficiency Determination, and TEFRA fees.
6. The SAIL requires a 1% commitment fee. The ELI Loan requires a 1% commitment fee.
7. The Operating Deficit Reserve of \$638,450 is required by the HC Investor to be paid concurrent with the fourth equity installment. Prior to the Release Date (defined as later of 5<sup>th</sup> anniversary of Stabilization Date, 1.15 average debt service coverage for 12 months immediately prior to Release Date, 1.15 debt service coverage for each of the 3 months immediately prior to the Release Date, HAP Contract in place on all units, or a passing REAC score on most recent HUD report), the balance of the Operating Reserve shall not be reduced to less than \$320,000. Expenditures from the Reserves will be replenished from available cash flow. Withdrawals from the operating reserve will be subject to RBC's consent and released in full at the end of the 15 year HC compliance period. Applicant advises that Red Stone will hold the reserve. Any and all terms and conditions of the Operating Reserve must be acceptable to Florida Housing, its Servicer, and its Legal Counsel.
8. RBC requires a \$35,000 fee be paid at closing out of the first capital contribution for its due diligence review and tax opinion. Syndication fees are ineligible for HC basis.

NON-LAND ACQUISITION COSTS		Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Brokerage Fees - Building						
Building Acquisition Cost		\$5,475,000	\$5,625,000	\$6,079,896	\$40,533	
Other:	Replacement Reserves		\$800,000	\$800,000	\$5,333	\$800,000
Other:						
Other:						
<b>Total Non-Land Acquisition Costs:</b>		<b>\$5,475,000</b>	<b>\$6,425,000</b>	<b>\$6,879,896</b>	<b>\$45,866</b>	<b>\$800,000</b>

*Notes to the Non-Land Acquisition Costs:*

1. The Applicant submitted an Agreement for Purchase and Sale between Peterborough Apartments, Inc., a Florida not for profit corporation, as Seller, and Peterborough 2, Ltd., a Florida limited partnership, as Buyer, dated February 3, 2014 that provides for the purchase of Peterborough Apartments for a purchase price of \$7,500,000 and a closing date on or before December 31, 2014.

The Applicant subsequently submitted a First Amendment to Agreement for Purchase and Sale dated December 17, 2014 to define "property" to include the real property and all of Seller's

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reserves for replacement related to the real property and state that the Buyer shall be given credit at closing for the replacement reserve as of the date of closing; to increase the purchase price to \$8,300,000; to clarify the proration of taxes, rents, and service contracts; and to extend the closing date to May 31, 2015.

The Applicant subsequently submitted a Second Amendment to Agreement for Purchase and Sale dated March 31, 2015 to change escrow agents and to extend the closing date to July 31, 2015.

The appraiser estimated a current "as is" value of the property and improvements using HUD restricted rents of \$8,360,000 which supports the reported purchase price. . The appraisal estimated the land value at \$1,970,000; however, the land is allocated based upon the Pinellas County Tax Appraiser's 2014 estimate of \$1,420,104. This amount has been deducted from the total acquisition cost of \$7,500,000 resulting in a building acquisition cost of \$6,079,896.

The purchase of replacement reserves is HC ineligible and is excluded from the developer fee calculation.

OTHER DEVELOPMENT COSTS		Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Development Cost Before Developer Fee and Land Costs		\$13,312,886	\$15,831,491	\$16,755,313	\$111,702	\$2,485,693
Developer Fee on Acquisition of Buildings						
Developer Fee		\$2,390,000	\$2,732,749	\$2,732,749	\$18,218	
Developer Fee to fund Operating Debt Reserve						
Other:	Brokerage Fees - Land					
	Consultant Fees					
	Excess Acquisition Costs					
	Excess Land Value					
	Guaranty Fees					
Other:						
Other:						
Other:						
<b>Total Other Development Costs:</b>		<b>\$2,390,000</b>	<b>\$2,732,749</b>	<b>\$2,732,749</b>	<b>\$18,218</b>	<b>\$0</b>

*Notes to the Other Development Costs:*

1. Developer Fees shown above are within 18 percent of Development Cost excluding land and reserves, and as permitted by Rule 67-21, F.A.C.

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LAND ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Brokerage Fees - Land					
Land Acquisition Costs					
Land	\$2,025,000	\$1,875,000	\$1,420,104	\$9,467	\$1,420,104
Land Lease Payment					
Land Carrying Costs					
Other:					
Other:					
Other:					
<b>Total Acquisition Costs:</b>	<b>\$2,025,000</b>	<b>\$1,875,000</b>	<b>\$1,420,104</b>	<b>\$9,467</b>	<b>\$1,420,104</b>

*Notes to the Land Acquisition Costs:*

1. As noted above, a land value of \$1,420,104 was used to prorate the overall purchase price between buildings and land.

<b>TOTAL DEVELOPMENT COSTS:</b>	<b>\$17,727,886</b>	<b>\$20,439,240</b>	<b>\$20,908,166</b>	<b>\$139,388</b>	<b>\$3,905,797</b>
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**Operating Pro forma**

OPERATING PRO FORMA		ANNUAL	PER UNIT
INCOME	Gross Potential Rental Income	\$1,431,000	\$9,540
	Rent Subsidy (ODR)	\$0	\$0
	Other Income:		
	Ancillary Income-Wellness Center	\$4,992	\$33
	Miscellaneous	\$10,800	\$72
	Washer/Dryer Rentals	\$0	\$0
	Cable/Satellite Income	\$0	\$0
	Rent Concessions	\$0	\$0
	Alarm Income	\$0	\$0
	Gross Potential Income	\$1,446,792	\$9,645
Less:			
Economic Loss - Percentage:		\$0	
Physical Vacancy Loss - Percentage: 4.0%	(\$57,672)	(\$384)	
Collection Loss - Percentage: 1.0%	(\$14,418)	(\$96)	
<b>Total Effective Gross Revenue</b>	\$1,374,702	\$9,165	
EXPENSES	Fixed:		
	Ground Lease	\$0	\$0
	Sub-Ground Lease	\$0	\$0
	Real Estate Taxes	\$1,500	\$10
	Insurance	\$90,000	\$600
	Other	\$0	\$0
	Variable:		
	Management Fee - Percentage: 5.0%	\$68,735	\$458
	General and Administrative	\$40,500	\$270
	Payroll Expenses	\$345,000	\$2,300
	Utilities	\$161,250	\$1,075
	Marketing and Advertising	\$5,250	\$35
	Maintenance and Repairs	\$58,500	\$390
	Grounds Maintenance and Landscaping	\$4,500	\$30
	Resident Programs	\$0	\$0
	Contract Services	\$12,750	\$85
Security	\$0	\$0	
Other-Pest Control	\$6,750	\$45	
Reserve for Replacements	\$45,000	\$300	
<b>Total Expenses</b>	\$839,735	\$5,598	
<b>Net Operating Income</b>	\$534,967	\$3,566	
<b>Debt Service Payments</b>			
DEBT SERVICE	First Mortgage and Fees	\$468,787	\$3,125
	Second Mortgage and Fees	\$49,976	\$333
	Third Mortgage and Fees	\$3,695	\$25
	Fourth Mortgage	\$0	\$0
	Fifth Mortgage	\$0	\$0
	All Other Mortgages	\$0	\$0
	Other Fees -SAIL/ELI Servicing	\$0	\$0
	Other Fees-Issuer/Trustee/Servicer/Compliance	\$0	\$0
<b>Total Debt Service Payments</b>	\$522,459	\$3,483	
<b>Cash Flow After Debt Service</b>	\$12,508	\$83	

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Debt Service Coverage Ratios		
	DSC - First Only (incl. Negative Arbitrage)	1.141
	DSC - First and Second	1.031
	DSC - First, Second and Third	1.024
	DSC - First, Second, Third, and Fourth	1.024
	DSC - First, Second, Third, Fourth, and Fifth	1.024
	DSC - All Other Mortgages	1.024
	DSC - All Mortgages and Fees	1.024

Financial Ratios		
	Operating Expense Ratio	61.1%
	Break-Even Ratio	94.2%

Notes to the Operating Pro forma and Ratios:

- The MMRB/SAIL/ELI program does not impose any rent restrictions, only income restrictions. However, this development will be utilizing Housing Credits in conjunction with the tax exempt bond financing, which will impose rent restrictions. The rent schedule below reflects the 2015 maximum HC restricted rents published by Florida Housing, less utility allowances as required by the HC Program based on an analysis from Duke Energy of usage at the site for the prior year. The utility allowance reflects the resident paying electricity, and the Applicant paying water, sewer, basic cable, trash disposal and pest control. However, Peterborough currently operates under a property-based Department of Housing and Urban Development (“HUD”) Section 8 Housing Assistance Program (“HAP”) contract which sets the rents and utility allowances for the development. The most recent contract renewal is dated February 23, 2011 and has a term of five years; however, a March 17, 2015 letter from HUD indicates approval of the termination of the current HAP Renewal Contract set to expire February 22, 2016 and execute a new 20-year HAP Contract upon closing. The rent roll is shown below:

MSA/County: Tampa-St. Petersburg-Clearwater / Pinellas

Bed Rooms	Bath Rooms	Units	Square Feet	AMI%	Gross HC Rent	Low HOME Rents	High HOME Rents	Utility Allow	RD/HUD Cont Rents	Net HC Rent	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
1.0	1.0	9	612	40%	\$442			\$77	\$795	\$365	\$795	\$795	\$795	\$85,860
1.0	1.0	21	612	60%	\$663			\$77	\$795	\$586	\$795	\$795	\$795	\$200,340
1.0	1.0	18	600	40%	\$442			\$77	\$795	\$365	\$795	\$795	\$795	\$171,720
1.0	1.0	42	600	60%	\$663			\$77	\$795	\$586	\$795	\$795	\$795	\$400,680
1.0	1.0	2	628	40%	\$442			\$77	\$795	\$365	\$795	\$795	\$795	\$19,080
1.0	1.0	6	628	60%	\$663			\$77	\$795	\$586	\$795	\$795	\$795	\$57,240
1.0	1.0	16	628	40%	\$442			\$77	\$795	\$365	\$795	\$795	\$795	\$152,640
1.0	1.0	36	628	60%	\$663			\$77	\$795	\$586	\$795	\$795	\$795	\$343,440
		150	92040											\$1,431,000

- Ancillary income reflects a Lease Agreement dated October 23, 2013 between the General Partner and Jojo Rehab Therapy, Inc., a wellness center which occupies a converted unit on the first floor containing approximately 458 square feet. The monthly rental rate is \$520 plus applicable Florida Sales Tax on commercial rents. The Agreement was for an initial term of one year with automatic renewals upon 60 days written notice. The Lease was amended by letter agreement at the same



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rental rate in September 2014 for a term through October 31, 2015. The appraiser has applied a 20% vacancy to the commercial rent resulting in a projected income of \$4,992 per year.

3. Miscellaneous income includes income from laundry facilities, application fees, late fees, early termination fees, and forfeited security deposits, and is based on historical income at the property.
4. The appraiser estimates a vacancy rate of 4% and collection loss of 1% and stabilized occupancy of 95% which is utilized herein for underwriting purposes.
5. As a non-profit owned entity, the property is exempt from real estate taxes. The budget used herein is based on the appraiser's estimate of personal property taxes.
6. Management Fees of 5% are based upon market comparables and the Applicant's management agreement.
7. Other operating expense estimates are based on either market comparables or historical operations at the subject and are supported by the appraisal.
8. Replacement Reserves in the amount of \$300 per unit per year will be required to be deposited on a monthly basis into a designated escrow account.
9. Resident programs are provided at no cost to the development by a service coordinator.
10. A 15-year income and expense projection is attached to this report as Exhibit 1.

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**Section B**

**Loan Conditions**

**HC Allocation Recommendation and Contingencies**

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**APRIL 23, 2015**

Special Conditions

This recommendation is contingent upon the review and approval of the following items by SMG and Florida Housing at least 30 days prior to real estate loan closing. Failure to receive approval of these items within this time frame may result in postponement of the bond pricing date. For competitive bond sales, these items must be reviewed and approved prior to issuance of the Notice of Bond Sale.

1. A firm commitment for private purchase of the bonds with terms and conditions that are not substantially different than those utilized in this credit underwriting report;
2. An Order approving the Petition for Waiver to Change Development Category;
3. A March 17, 2015 letter from HUD indicates approval of the termination of the current HAP Renewal Contract set to expire February 22, 2016 and execution of a new 20-year HAP Contract upon closing; therefore, an executed 20 year HAP contract is a condition to close.
4. Notwithstanding any and all provisions including those pertaining to release, expenditure, or other conditions to the Operating Deficit Reserve within the RBC December 16, 2014 proposal or any subsequent Operating Agreement, any and all terms and conditions of the Operating Reserve must be acceptable to Florida Housing, its Servicer, and its Legal Counsel.

Upon the expiration of the Operating Deficit Reserve, the balance in the reserve will be used to pay down any FHFC administered loan debt, if any, and if there is no FHFC administered loan debt, then the balance of the Reserve shall be deposited into a replacement reserve account for the proposed development. In no event shall the remaining balance in said Operating Deficit Reserve be paid to the Applicant or Developer.

General Conditions

This recommendation is contingent upon the review and approval of the following items by SMG and Florida Housing at least 30 days prior to real estate loan closing. Failure to receive approval of these items within this time frame may result in postponement of the bond pricing date. For competitive bond sales, these items must be reviewed and approved prior to issuance of the Notice of Bond Sale.

1. Borrower to comply with any and all recommendations noted in the physical needs assessment and in the plan and cost review;
2. Signed and sealed survey, dated within 90 days of closing, unless otherwise approved by Florida Housing, and its legal counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to Florida Housing and its legal counsel, as well as the title insurance company, and shall indicate the legal description, exact boundaries of the Development, easements, utilities, roads, and means of access to public streets, total acreage and flood hazard area, and any other requirements of Florida Housing.
3. Building permits and any other necessary approvals and permits (e.g., final site plan approval, water management district, Department of Environmental Protection, Army Corps of Engineers, Department of Transportation, etc.). Acceptable alternatives to this requirement are receipt and satisfactory review of a letter from the local permitting and approval authority that the above referenced permits and approvals will be issued upon receipt of applicable fees (with no other

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- conditions), or evidence of 100% lien-free completion, if applicable. If a letter is provided, copies of all permits will be required as a condition of the first post-closing draw.
4. Final sources and uses of funds itemized by source and line item, in a format and in amounts approved by the Servicer. A detailed calculation of the construction interest based on the final draw schedule (see below), documentation of the closing costs, and draft loan closing statement must also be provided. The sources and uses of funds schedule will be attached to the Loan Agreement as the approved development budget.
  5. A final construction draw schedule showing itemized sources and uses of funds for each monthly draw. MMRB/SAIL/ELI Program Loan Proceeds shall be disbursed pro rata with other funding sources during the construction or rehabilitation phase, unless otherwise approved by the Credit Underwriter. The closing draw shall include appropriate backup and ACH wiring instructions.
  6. During construction/ rehabilitation, the developer is only allowed to draw a maximum of 50% of the total developer fee during construction/rehabilitation, but in no case more than the payable developer fee, which is determined to be "developer's overhead". No more than 35% of "developer's overhead" during construction/ rehabilitation will be allowed to be disbursed at closing. The remainder of the "developer's overhead" will be disbursed during construction/ rehabilitation on a pro rata basis, based on the percentage of completion of the development, as approved and reviewed by FHFC and Servicer. The remaining unpaid developer fee shall be considered attributable to "developer's profit" and may not be funded until the development has achieved 100% lien free completion, and retainage has been released.
  7. Evidence of general liability, flood (if applicable), builder's risk and replacement cost hazard insurance (as certificates of occupancy are received) reflecting Florida Housing as Loss Payee / Mortgagee, with coverages, deductibles and amounts satisfactory to Florida Housing.
  8. 100% Payment and Performance ("P&P") Bonds or a Letter of Credit ("LOC") in an amount not less than 25% of the construction contract is required in order to secure the construction contract between the general contractor and the Borrower. In either case, Florida Housing must be listed as co-obligee. The P&P bonds must be from a company rated at least "A-" by A.M. Best & Co. with a financial size category of at least FSC VI. Florida Housing and/or legal counsel must approve the source, amount(s) and all terms of the P&P bonds or LOC. If the LOC option is utilized, the LOC must contain "evergreen" language and be in a form satisfactory to the Servicer, FHFC, and its Legal Counsel.
  9. Architect, Construction Consultant, and Borrower certifications on forms provided by Florida Housing will be required for both design and as-built with respect to Section 504 of the Rehabilitation Act, the Americans with Disabilities Act, and Federal Fair Housing Act requirements, as applicable.
  10. A copy of an Amended and Restated Limited Partnership Agreement reflecting purchase of the HC under terms consistent with the assumptions contained within this Credit Underwriting Report. The Amended and Restated Limited Partnership Agreement shall be in a form and of financial substance satisfactory to Servicer and to FHFC and its Legal Counsel.
  11. Satisfactory resolution of any outstanding past due or noncompliance notices applicable to the development team by closing of the loan(s).

12. Payment of any outstanding arrearages to the Corporation, its legal counsel, Servicer or any agent or assignee of the Corporation for past due issues applicable to the development team (Applicant or Developer or Principal, Affiliate or Financial Beneficiary, as described in 67-21.0025 (5) F.A.C. and 67-48.0075 (5) F.A.C. , of an Applicant or a Developer).

This recommendation is contingent upon the review and approval of the following items by Florida Housing and its legal counsel at least 30 days prior to real estate loan closing. Failure to receive approval of these items within this time frame may result in postponement of the bond pricing date. For competitive bond sales, these items must be reviewed and approved prior to issuance of the Notice of Bond Sale.

1. Documentation of the legal formation and current authority to transact business in Florida for the Borrower, the general partner/principal(s)/manager(s) of the Applicant, the guarantors, and any limited partners of the Applicant.
2. Signed and sealed survey, dated within 90 days of closing, unless otherwise approved by Florida Housing, and its legal counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to Florida Housing and its legal counsel, as well as the title insurance company, and shall indicate the legal description, exact boundaries of the Development, easements, utilities, roads, and means of access to public streets, total acreage and flood hazard area, and any other requirements of Florida Housing.
3. An acceptable updated Environmental Audit Report, together with a reliance letter to Florida Housing, prepared within 90 days of closing, unless otherwise approved by Florida Housing, and legal counsel, based upon the particular circumstances of the transaction. Borrower to comply with any and all recommendations noted in the Environmental Assessment(s) and Update and the Environmental Review, if applicable.
4. Title insurance pro-forma or commitment for title insurance with copies of all Schedule B exceptions, in the amount of the MMRB/SAIL/ELI Loan naming FHFC as the insured. All endorsements required by FHFC shall be provided.
5. Florida Housing and its legal counsel shall review and approve all other lenders closing documents and the limited partnership or other applicable agreement. Florida Housing shall be satisfied in its sole discretion that all legal and program requirements for the Loans have been satisfied.
6. Evidence of general liability, flood (if applicable), builder's risk, and replacement cost hazard insurance (as certificates of occupancy are received) reflecting Florida Housing as Loss Payee / Mortgagee, with coverages, deductibles and amounts satisfactory to Florida Housing.
7. Receipt of a legal opinion from the Applicant's legal counsel acceptable to Florida Housing addressing the following matters:
  - a. The legal existence and good standing of the Borrower and of any partnership or limited liability company that is the general partner of the Borrower (the "GP") and of any corporation or partnership that is the managing general partner of the GP, of any corporate guarantor and any manager.;

**MMRB, SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

- b. Authorization, execution, and delivery by the Borrower and the guarantors, of all Loan documents;
  - c. The Loan documents being in full force and effect and enforceable in accordance with their terms, subject to bankruptcy and equitable principles only;
  - d. The Borrower's and the guarantor's execution, delivery and performance of the loan documents shall not result in a violation of, or conflict with, any judgments, orders, contracts, mortgages, security agreements or leases to which the Borrower is a party or to which the Development is subject to the Borrower's Partnership Agreement and;
  - e. Such other matters as Florida Housing or its legal counsel may require.
8. Evidence of compliance with local concurrency laws, as applicable for rehabilitation.
  9. UCC Searches for the Borrower, its partnerships, as requested by counsel.
  10. Any other reasonable conditions established by Florida Housing and its legal counsel.

Additional Conditions

This recommendation is also contingent upon the following additional conditions:

1. Compliance with all provisions of Sections 420.507 and 420.509, Florida Statutes, Rule Chapter 67-21, F.A.C., Sections 420.507(22) and 420.5087, Florida Statutes, Rule Chapter 67-53, F.A.C., Rule Chapter 67-60, F.A.C., Rule Chapter 67-48, F.A.C., , Section 42 I.R.C., RFA 2014-103 and any other State and Federal requirements.
2. Acceptance by the Borrower and execution of all documents evidencing and securing the MMRB Loan and First Mortgage Loan, SAIL, and ELI Loan in form and substance satisfactory to Florida Housing and its legal counsel, including, but not limited to, the Promissory Note(s), the Loan Agreement(s), the Mortgage and Security Agreement(s), the Land Use Restriction Agreement(s), and Extended Low Income Housing Agreement(s).
3. If MMRB, SAIL or ELI funds are used for construction or rehabilitation, all amounts necessary to complete construction must be deposited with the Bond Trustee prior to Loan Closing, or any phased pay-in of amount necessary to complete construction shall be contingent upon an unconditional obligation, through a Joint Funding Agreement or other mechanism acceptable to Florida Housing, of the entity providing HC Equity payments (and evidence that 100% of such amount is on deposit with such entity at Loan Closing) to pay, regardless of any default under any documents relating to the HC as long as the First Mortgage continues to be funded.
4. If applicable, receipt and satisfactory review of Financial Statements from all Guarantors dated within 90 days of Real Estate Closing.
5. If applicable, Guarantors are to provide the standard FHFC Construction Completion Guarantee, to be released upon lien free completion as approved by the Servicer.
6. Guarantors are to provide the standard FHFC Operating Deficit Guarantee to be released upon achievement of an average 1.15 DSC on the First Mortgage (MMRB Program Loan), 90% Occupancy and 90% of Gross Potential Rental Income net of utility allowances, if applicable, for a period equal to twelve (12) consecutive months, all certified by an independent Certified Public Accountant ("CPA"). The calculation of the debt service coverage ratio shall be made by Florida Housing or the

Servicer. Notwithstanding the above, the Operating Deficit Guarantee shall not terminate earlier than three years following the final certificate of occupancy.

7. Guarantors are to provide the standard FHFC Operating Deficit Guarantee to be released upon achievement of an average 1.15 DSC on the combined permanent first mortgage and SAIL, 90% Occupancy and 90% of Gross Potential Rental Income net of utility allowances, if applicable for a period equal to twelve (12) consecutive months, all certified by an independent Certified Public Accountant ("CPA"). The calculation of the debt service coverage ratio shall be made by Florida Housing or the Servicer. Notwithstanding the above, the Operating Deficit Guarantee shall not terminate earlier than three years following the final certificate of occupancy.
8. Guarantors are to provide the standard FHFC Environmental Indemnity.
9. Guarantors are to provide the standard FHFC Guaranty of Recourse Obligations.
10. A mortgagee title insurance lender's policy naming Florida Housing and the Trustee as the insured second mortgage holder in the amount of the Loan is to be issued immediately after closing. Any exceptions to the title insurance policy must be acceptable to Florida Housing or its legal counsel. All endorsements that are required by FHFC are to be issued and the form of the title policy must be approved prior to closing.
11. Property tax and hazard insurance escrows are to be established and maintained by the First Lender or the Servicer. In the event the reserve account is held by Florida Housing's loan servicing agent, the release of funds shall be at Florida Housing's sole discretion.
12. Replacement Reserves in the amount of \$300 per unit per year will be required to be deposited on a monthly basis into a designated escrow account, to be maintained by the First Mortgagee, the Bond Trustee, or Florida Housing's loan servicing agent. Preservation or Rehabilitation Developments (with or without acquisition) shall not be allowed to draw until the start of the scheduled replacement activities as outlined in the pre-construction capital needs assessment report ("CNA") subject to the activities completed in the scope of rehabilitation, but not sooner than the third year. The amount established as a Replacement Reserve shall be adjusted based on a CNA to be received by the Corporation or its servicers, prepared by an independent third party and acceptable to the Corporation and its servicers at the time the CNA is required, beginning no later than the 10<sup>th</sup> year after the first residential building in the development receives a certificate of occupancy, a temporary certificate of occupancy, or is placed in service, whichever is earlier ("Initial Replacement Reserve Date"). A subsequent CNA is required no later than the 15<sup>th</sup> year after the Initial Replacement Reserve Date and subsequently every five (5) years thereafter.
13. C3 Consulting Group, Inc., or other construction inspector acceptable for Florida Housing, is to act as Florida Housing's inspector during the construction period.
14. A minimum of 10% retainage holdback on all construction draws until the Development is 50% completed, and 0% retainage thereafter is required. Retainage will not be released until successful completion of construction and issuance of all certificates of occupancy.
15. Satisfactory completion of a pre-loan closing compliance audit conducted by Florida Housing or its Servicer, if applicable.

**MMRB, SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

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**SMG**

16. Closing of the MMRB first mortgage loan prior to or simultaneous with the closing of the SAIL and ELI loans.
17. Any other reasonable requirements of the Servicer, Florida Housing or its legal counsel.



## Housing Credit Allocation Recommendation

Seltzer Management Group, Inc. recommends a preliminary annual Housing Credit allocation of \$689,489. Please see the HC Allocation Calculation section of this report for further details.

### Contingencies

The HC allocation recommendation is contingent upon the receipt and satisfactory review of the following items by SMG and the Florida Housing Finance Corporation by the deadline established in the Preliminary HC Allocation. Failure to submit these items within this time frame may result in forfeiture of the HC Allocation.

1. All items listed under the Special Conditions section of the Loan Conditions to Close.
2. Receipt and satisfactory resolution (as determined by FHFC) of any outstanding past due items or non-compliance issues according to the latest FHFC Past Due and/or Noncompliance Reports.
3. Any reasonable requirements of Florida Housing and/or SMG.

Exhibit 1  
Peterborough  
15 Year Income and Expense Projection

FINANCIAL COSTS:		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	
<b>OPERATING PRO FORMA</b>																	
INCOME	Gross Potential Rental Income	\$1,431,000	\$1,459,620	\$1,488,812	\$1,518,589	\$1,548,960	\$1,579,940	\$1,611,538	\$1,643,769	\$1,676,645	\$1,710,177	\$1,744,381	\$1,779,269	\$1,814,854	\$1,851,151	\$1,888,174	
	Rent Subsidy (ODR)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Other Income:																
	Ancillary Income-Parking	\$4,992	\$5,092	\$5,194	\$5,298	\$5,404	\$5,512	\$5,622	\$5,734	\$5,849	\$5,966	\$6,085	\$6,207	\$6,331	\$6,458	\$6,587	
	Miscellaneous	\$10,800	\$11,016	\$11,236	\$11,461	\$11,690	\$11,924	\$12,163	\$12,406	\$12,654	\$12,907	\$13,165	\$13,428	\$13,697	\$13,971	\$14,250	
	Washer/Dryer Rentals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Cable/Satellite Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Rent Concessions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Alarm Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Gross Potential Income	\$1,446,792	\$1,475,728	\$1,505,242	\$1,535,347	\$1,566,054	\$1,597,375	\$1,629,323	\$1,661,909	\$1,695,147	\$1,729,050	\$1,763,631	\$1,798,904	\$1,834,882	\$1,871,580	\$1,909,011	
	Less:																
	Economic Loss - Percentage:																
Physical Vacancy Loss - Percentage: 4.0%	(\$57,672)	(\$58,825)	(\$60,002)	(\$61,202)	(\$62,426)	(\$63,675)	(\$64,948)	(\$66,247)	(\$67,572)	(\$68,923)	(\$70,302)	(\$71,708)	(\$73,142)	(\$74,605)	(\$76,097)		
Collection Loss - Percentage: 1.0%	(\$14,418)	(\$14,706)	(\$15,000)	(\$15,300)	(\$15,607)	(\$15,919)	(\$16,237)	(\$16,562)	(\$16,893)	(\$17,231)	(\$17,575)	(\$17,927)	(\$18,286)	(\$18,651)	(\$19,024)		
<b>Total Effective Gross Revenue</b>	<b>\$1,374,702</b>	<b>\$1,402,196</b>	<b>\$1,430,240</b>	<b>\$1,458,845</b>	<b>\$1,488,022</b>	<b>\$1,517,782</b>	<b>\$1,548,138</b>	<b>\$1,579,100</b>	<b>\$1,610,682</b>	<b>\$1,642,896</b>	<b>\$1,675,754</b>	<b>\$1,709,269</b>	<b>\$1,743,455</b>	<b>\$1,778,324</b>	<b>\$1,813,890</b>		
EXPENSES	Fixed:																
	Ground Lease	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Sub-Ground Lease	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Real Estate Taxes	\$1,500	\$1,545	\$1,591	\$1,639	\$1,688	\$1,739	\$1,791	\$1,845	\$1,900	\$1,957	\$2,016	\$2,076	\$2,139	\$2,203	\$2,269	
	Insurance	\$90,000	\$92,700	\$95,481	\$98,345	\$101,296	\$104,335	\$107,465	\$110,689	\$114,009	\$117,430	\$120,952	\$124,581	\$128,318	\$132,168	\$136,133	
	Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Variable:																
	Management Fee - Percentage: 5.0%	\$68,735	\$70,110	\$71,512	\$72,942	\$74,401	\$75,889	\$77,407	\$78,955	\$80,534	\$82,145	\$83,788	\$85,463	\$87,173	\$88,916	\$90,695	
	General and Administrative	\$40,500	\$41,715	\$42,966	\$44,255	\$45,583	\$46,951	\$48,359	\$49,810	\$51,304	\$52,843	\$54,429	\$56,061	\$57,743	\$59,476	\$61,260	
	Payroll Expenses	\$345,000	\$355,350	\$366,011	\$376,991	\$388,301	\$399,950	\$411,948	\$424,306	\$437,036	\$450,147	\$463,651	\$477,561	\$491,888	\$506,644	\$521,843	
	Utilities	\$161,250	\$166,088	\$171,070	\$176,202	\$181,488	\$186,933	\$192,541	\$198,317	\$204,267	\$210,395	\$216,707	\$223,208	\$229,904	\$236,801	\$243,905	
	Marketing and Advertising	\$5,250	\$5,408	\$5,570	\$5,737	\$5,909	\$6,086	\$6,269	\$6,457	\$6,651	\$6,850	\$7,056	\$7,267	\$7,485	\$7,710	\$7,941	
	Maintenance and Repairs	\$58,500	\$60,255	\$62,063	\$63,925	\$65,842	\$67,818	\$69,852	\$71,948	\$74,106	\$76,329	\$78,619	\$80,978	\$83,407	\$85,909	\$88,486	
	Grounds Maintenance and Landscaping	\$4,500	\$4,635	\$4,774	\$4,917	\$5,065	\$5,217	\$5,373	\$5,534	\$5,700	\$5,871	\$6,048	\$6,229	\$6,416	\$6,608	\$6,807	
	Resident Programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Contract Services	\$12,750	\$13,133	\$13,526	\$13,932	\$14,350	\$14,781	\$15,224	\$15,681	\$16,151	\$16,636	\$17,135	\$17,649	\$18,178	\$18,724	\$19,286	
	Security	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other-Pest Control	\$6,750	\$6,953	\$7,161	\$7,376	\$7,597	\$7,825	\$8,060	\$8,302	\$8,551	\$8,807	\$9,071	\$9,344	\$9,624	\$9,913	\$10,210		
Reserve for Replacements	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$46,350	\$46,350	\$46,350	\$46,350	\$46,350		
<b>Total Expenses</b>	<b>\$839,735</b>	<b>\$862,890</b>	<b>\$886,725</b>	<b>\$911,262</b>	<b>\$936,520</b>	<b>\$962,522</b>	<b>\$989,289</b>	<b>\$1,016,843</b>	<b>\$1,045,209</b>	<b>\$1,074,410</b>	<b>\$1,105,821</b>	<b>\$1,138,767</b>	<b>\$1,168,625</b>	<b>\$1,201,422</b>	<b>\$1,235,185</b>		
<b>Net Operating Income</b>	<b>\$534,967</b>	<b>\$539,306</b>	<b>\$543,515</b>	<b>\$547,583</b>	<b>\$551,501</b>	<b>\$555,260</b>	<b>\$558,849</b>	<b>\$562,257</b>	<b>\$565,473</b>	<b>\$568,486</b>	<b>\$569,933</b>	<b>\$572,502</b>	<b>\$574,829</b>	<b>\$576,902</b>	<b>\$578,705</b>		
DEBT SERVICE	<b>Debt Service Payments</b>																
	First Mortgage and Fees	\$468,787	\$468,787	\$468,787	\$468,787	\$468,787	\$468,787	\$468,787	\$468,787	\$468,787	\$468,787	\$468,787	\$468,787	\$468,787	\$468,787	\$468,787	
	Second Mortgage and Fees	\$49,976	\$49,976	\$49,976	\$49,976	\$49,976	\$49,976	\$49,976	\$49,976	\$49,976	\$49,976	\$49,976	\$49,976	\$49,976	\$49,976	\$49,976	
	Third Mortgage and Fees	\$3,695	\$3,695	\$3,695	\$3,695	\$3,695	\$3,695	\$3,695	\$3,695	\$3,695	\$3,695	\$3,695	\$3,695	\$3,695	\$3,695	\$3,695	
	Fourth Mortgage	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Fifth Mortgage	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	All Other Mortgages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other Fees -	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Other Fees - Agency/Trustee/Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
<b>Total Debt Service Payments</b>	<b>\$522,459</b>	<b>\$522,459</b>	<b>\$522,459</b>	<b>\$522,459</b>	<b>\$522,459</b>	<b>\$522,459</b>	<b>\$522,459</b>	<b>\$522,459</b>	<b>\$522,459</b>	<b>\$522,459</b>	<b>\$522,459</b>	<b>\$522,459</b>	<b>\$522,459</b>	<b>\$522,459</b>	<b>\$522,459</b>		
<b>Cash Flow After Debt Service</b>	<b>\$12,508</b>	<b>\$16,848</b>	<b>\$21,056</b>	<b>\$25,124</b>	<b>\$29,042</b>	<b>\$32,801</b>	<b>\$36,390</b>	<b>\$39,798</b>	<b>\$43,015</b>	<b>\$46,027</b>	<b>\$47,474</b>	<b>\$50,043</b>	<b>\$52,371</b>	<b>\$54,443</b>	<b>\$56,247</b>		
<b>Debt Service Coverage Ratios</b>																	
DSC - First Only (incl. Negative Arbitrage)	1.141	1.150	1.159	1.168	1.176	1.184	1.192	1.199	1.206	1.213	1.216	1.221	1.226	1.231	1.234		
DSC - First and Second	1.031	1.040	1.048	1.056	1.063	1.070	1.077	1.084	1.090	1.096	1.099	1.104	1.108	1.112	1.116		
DSC - First, Second and Third	1.024	1.032	1.040	1.048	1.056	1.063	1.070	1.076	1.082	1.088	1.091	1.096	1.100	1.104	1.108		
DSC - First, Second, Third, and Fourth	1.024	1.032	1.040	1.048	1.056	1.063	1.070	1.076	1.082	1.088	1.091	1.096	1.100	1.104	1.108		
DSC - First, Second, Third, Fourth, and Fifth	1.024	1.032	1.040	1.048	1.056	1.063	1.070	1.076	1.082	1.088	1.091	1.096	1.100	1.104	1.108		
DSC - All Other Mortgages	1.024	1.032	1.040	1.048	1.056	1.063	1.070	1.076	1.082	1.088	1.091	1.096	1.100	1.104	1.108		
DSC - All Mortgages and Fees	1.024	1.032	1.040	1.048	1.056	1.063	1.070	1.076	1.082	1.088	1.091	1.096	1.100	1.104	1.108		
<b>Financial Ratios</b>																	
Operating Expense Ratio	61.1%	61.5%	62.0%	62.5%	62.9%	63.4%	63.9%	64.4%	64.9%	65.4%	66.0%	66.5%	67.0%	67.6%	68.1%		
Break-Even Ratio	94.2%	93.9%	93.6%	93.4%	93.2%	93.0%	92.8%	92.6%	92.5%	92.4%	92.3%	92.2%	92.2%	92.1%	92.1%		

Peterborough  
#2014-106B

DESCRIPTION OF FEATURES AND AMENITIES

A. The Development will consist of:

150 units located in 1 High-Rise residential building w/elevator.

Unit Mix:

One-hundred fifty (150) one bedroom/one bathroom units;

150 Total Units

The Development is to be constructed in accordance with the final plans and specifications approved by the appropriate city or county building or planning department or equivalent agency, and approved as reflected in the Pre-Construction Analysis prepared for Florida Housing or its Servicer, unless a change has been approved in writing by Florida Housing or its Servicer. The Development will conform to requirements of local, state & federal laws, rules, regulations, ordinances, orders and codes, Federal Fair Housing Act and Americans with Disabilities Act ("ADA"), as applicable.

B. The Applicant commits to provide the following Optional Features and Amenities for All Developments:

1. Emergency call service in all units.
2. Community Center or clubhouse

C. The Applicant has committed to provide the following Green Building Features:

1. Programmable thermostat in each unit.
2. Energy Star qualified roofing materials or coating.
3. Florida Yards and Neighborhoods certification on all landscaping.
4. Install daylight sensors, timers or motion detectors on all outdoor lighting attached to buildings.
5. Energy Star qualified refrigerators, dishwashers, and washing machines that are provided by the Applicant.

D. The Applicant has committed to provide the following Qualified Resident Program:

1. Health and Nutrition Classes – At least 8 hours per year, provided on site at no cost to the residents. Classes must be held between the hours of 8:00 a.m. and 7:00 p.m. and electronic media, if used, must be used in conjunction with live instruction. If the development consists of Scattered Sites, this resident program must be provided on the Scattered Site with the most units.

Peterborough  
RFA 2014-103 / 2014-321S  
DESCRIPTION OF FEATURES AND AMENITIES

**A.** The Development will consist of:

150 units located in 1 High-Rise residential building w/elevator.

Unit Mix:

One-hundred fifty (150) one bedroom/one bath units

150 Total Units

**B.** The Development must meet all requirements of local, state & federal laws, rules, regulations, ordinances, orders and codes, Federal Fair Housing Act as implemented by 24 CFR 100, the 2012 Florida Accessibility Code for Building Construction as adopted pursuant to Section 553.503, F.S., Section 504 of the Rehabilitation Act of 1973, and Titles II and III of the Americans with Disabilities Act ("ADA") of 1990 as implemented by 28 CFR 35, incorporating the most recent amendments, regulations, and rules, as applicable.

**C.** The Development must provide the following General features:

1. Termite prevention;
2. Pest control;
3. Window covering for each window and glass door inside each unit;
4. Cable or satellite TV hook-up in each unit and, if the Development offers cable or satellite TV service to the residents, the price cannot exceed the market rate for service of similar quality available to the Development's residents from a primary provider of cable or satellite TV;
5. Full-size range and oven in all units;
6. At least two full bathrooms in all 3 bedroom or larger new construction units;
7. Bathtub with shower in at least one bathroom in at least 90% of the new construction non-Elderly units.

**D.** All new construction units that are located on an accessible route must have the following Accessibility, Adaptability, Universal Design and Visitability Features listed below. All rehabilitation units that are located on an accessible route must include as many of the features listed below as are structurally and financially feasible within the scope of rehabilitation work utilizing a capital needs assessment performed during the credit underwriting process:

1. Primary entrance door shall have a threshold with no more than a ½-inch rise;

2. All door handles on primary entrance door and interior doors must have lever handles;
  3. Lever handles on all bathroom faucets and kitchen sink faucets;
  4. Mid-point on light switches and thermostats shall not be more than 48 inches above finished floor level; and
  5. Cabinet drawer handles and cabinet door handles in bathroom and kitchen shall be lever or D-pull type that operate easily using a single closed fist.
- E.** All rehabilitation units must include the following Green Building Features (as are structurally and financially feasible within the scope of the rehabilitation work utilizing a capital needs assessment performed during the credit underwriting process):
1. Required Green Building Features in all Family and Elderly Demographic Developments:
    - a. Low or No-VOC paint for all interior walls (50 grams per liter or less for flat paint; 150 grams per liter or less for non-flat paint);
    - b. Low-flow water fixtures in bathrooms – WaterSense labeled products or the following specifications:
      - i. Toilets: 1.6 gallons/flush or less,
      - ii. Faucets: 1.5 gallons/minute or less,
      - iii. Showerheads: 2.2 gallons/minute or less;
    - c. Energy Star qualified refrigerator;
    - d. Energy Star qualified dishwasher;
    - e. Water heating minimum efficiency specifications (choose gas, electric, or gas tankless or boiler/hot water maker);
      - i. Gas:
        - 30 gal = .63 EF; or
        - 40 gal = .61 EF; or
        - 50 gal = .59 EF; or
        - 60 gal = .57 EF; or
        - 70 gal = .55 EF; or
        - 80 gal = .53 EF; or
      - ii. Electric:
        - 30 gal = .94 EF; or
        - 40 gal = .93 EF; or
        - 50 gal = .92 EF; or
        - 60 gal = .91 EF; or
        - 70 gal = .90 EF; or
        - 80 gal = .89 EF; or

- iii. Tankless gas water heater: minimum .80 EF
  - iv. Boiler or hot water maker:
    - <300,000 Btu/h: 85% Et (thermal efficiency); or
    - 300,000 Btu/h or higher: 80% Et;
  - f. Energy Star qualified ceiling fans with lighting fixtures in the bedrooms;
  - g. Air Conditioning (choose in-unit or commercial);
    - i. In-unit air conditioning: minimum 14 SEER; or
    - ii. Central chiller AC system – based on size:
      - 0-65 KBtuh: Energy Star certified; or
      - >65-135 KBtuh: 11.3 EER/11.5 IPLV; or
      - >135-240 KBtuh: 11.0 EER/11.5 IPLV; or
      - >240 KBtuh: 10.6 EER/11.2 IPLV;
  - h. Caulk, weather-strip, or otherwise seal all holes, gaps, cracks, penetrations, and electrical receptacles in building envelope;
  - i. Seal and insulate heating and cooling system ducts with mastic or metal backed tape.
- F.** The Applicant has committed to provide the following Additional Green Building to achieve a total point value of at least 10 points:
- 1.  Programmable thermostat in each unit (2 points)
  - 2.  Humidistat in each unit (2 points)
  - 3.  Water Sense certified dual flush toilets in all bathrooms (2 points)
  - 4.  Light colored concrete pavement instead of or on top of asphalt to reduce the heat-island effect (2 points)
  - 5.  Energy star qualified roof coating (2 points) \*
  - 6.  Energy star qualified roofing materials (metal, shingles, thermoplastic polyolefin (TPO), or tiles) (3 points) \*
  - 7.  Eco-friendly cabinets – formaldehyde free, material certified by the Forest Stewardship Council (3 points)
  - 8.  Eco-friendly flooring for entire unit – Carpet and Rug Institute Green Label certified carpet and pad, bamboo, cork, 100 percent recycled content tile, and/or natural linoleum (3 points)

9. \_\_\_ Energy star rating for all windows in each unit ( 3 points)
  10. X Florida Yards and Neighborhoods certification on all landscaping (2 points)
  11. X Install daylight sensors, timers or motion detectors on all outdoor lighting attached to buildings (2 points)
- \* Applicant may choose only one option related to Energy Star qualified roofing.
- G.** In addition to the required features above, all Applications with the Elderly Demographic must also provide the following in all units (new construction units and rehabilitation units):
1. Fifteen (15) percent of the new construction units must have roll-in showers.
  2. In all of the new construction units and in as many of the rehabilitation units as is structurally and financially feasible within the scope of the rehabilitation work utilizing a capital needs assessment performed during the credit underwriting process:
    - a. Horizontal grab bars in place around each tub and/or shower, the installation of which meets or exceeds 2010 ADA Standards for Accessible Design, Section 609. In addition, the following standards for grab bars are required:
      - i. If a bathtub/shower combination with a permanent seat is provided, grab bars shall be installed to meet or exceed 2010 ADA Standards for Accessible Design, Section 607.4.1.
      - ii. If a bathtub/shower combination without a permanent seat is provided, grab bars shall be installed to meet or exceed 2010 ADA Standards for Accessible Design, Section 607.4.2.
      - iii. If a roll-in shower is provided, grab bars shall be installed to meet or exceed 2010 ADA Standards for Accessible Design, Section 608.3.2;
    - b. Reinforced walls for future installation of horizontal grab bars in place around each toilet, the installation of which meets or exceeds 2010 ADA Standards for Accessible Design, Section 604.5.1 (Side Wall);
    - c. Roll-out shelving or drawers in all bottom bathroom vanity cabinets;
    - d. Adjustable shelving in master bedroom closets (must be adjustable by resident); and
    - e. In at least one of the kitchen's bottom or base cabinets, there shall be a large drawer that has full extension drawer slides.
- H.** The Applicant has committed to provide the following Resident Programs:
1. Computer Training – The Applicant or its Management Company shall make available computer and internet training classes (basic and/or advanced level depending on the needs and requests of the residents). The training classes must be provided at least once a week, at no cost to the resident, in a dedicated space on site. Training must be held between the hours of 8:00 a.m. and 7:00 p.m. and electronic media, if used, must



be used in conjunction with live instruction. If the Development consists of Scattered Sites, this resident program must be provided on the Scattered Site with the most units.

2. Assistance with Light Housekeeping, Grocery Shopping and/or Laundry – The Applicant or its Management Company must provide residents with a list of qualified service providers for (a) light housekeeping, and/or (b) grocery shopping, and/or (c) laundry and will coordinate, at no cost to the resident, the scheduling of services. The Developer or Management Company shall verify that the services referral information is accurate and up-to-date at least once every six (6) months.
3. Resident Assurance Check-In Program – Applicant commits to provide and use an established system for checking in with each resident on a pre-determined basis not less than once per day, at no cost to the resident. Residents may opt out of this program with a written certification that they choose not to participate.

## COMPLETENESS AND ISSUES CHECKLIST

**DEVELOPMENT NAME:** Peterborough

**DATE:** April 23, 2015

In accordance with applicable Program Rule(s), the Applicant is required to submit the information required to evaluate, complete, and determine its sufficiency in satisfying the requirements for Credit Underwriting to the Credit Underwriter in accordance with the schedule established by the Florida Housing Finance Corporation ("Florida Housing" or "FHFC"). The following items must be satisfactorily addressed. "Satisfactorily" means that the Credit Underwriter has received assurances from third parties unrelated to the Applicant that the transaction can close within the allotted time frame. Unsatisfactory items, if any, are noted below and in the "Issues and Concerns" section of the Executive Summary.

CREDIT UNDERWRITING REQUIRED ITEMS:	STATUS	NOTE
	Satis. /Unsatis.	
1. The development's final "as submitted for permitting" plans and specifications. Note: Final "signed, sealed, and approved for construction" plans and specifications will be required thirty days before closing.	Satis.	
2. Final site plan and/or status of site plan approval.	Satis.	
3. Permit Status.	Satis.	
4. Pre-construction analysis ("PCA").	Satis.	
5. Survey.	Satis.	
6. Complete, thorough soil test reports.	N/A	
7. Full or self-contained appraisal as defined by the Uniform Standards of Professional Appraisal Practice.	Satis.	
8. Market Study separate from the Appraisal.	Satis.	
9. Environmental Site Assessment – Phase I and/or Phase II if applicable (If Phase I and/or II disclosed environmental problems requiring remediation, a plan, including time frame and cost, for the remediation is required). If the report is not dated within one year of the application date, an update from the assessor must be provided indicating the current environmental status.	Satis.	
10. Audited financial statements for the most recent fiscal year ended or acceptable alternative as stated in the Rule for credit enhancers, Applicant, general partner, principals, guarantors and general contractor.	Satis.	
11. Resumes and experience of Applicant, general contractor and management	Satis.	

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**SMG**

agent.		
12. Credit authorizations; verifications of deposits and mortgage loans.	Satis.	
13. Management Agreement and Management Plan.	Satis.	
14. Firm commitment from the credit enhancer or private placement purchaser, if any.	Satis.	1
15. Firm commitment letter from the syndicator, if any.	Satis.	
16. Firm commitment letter(s) for any other financing sources.	Satis.	
17. Updated sources and uses of funds.	Satis.	
18. Draft construction draw schedule showing sources of funds during each month of the construction and lease-up period.	Satis.	
19. Fifteen-year income, expense, and occupancy projection.	Satis.	
20. Executed general construction contract with "not to exceed" costs.	Satis.	
21. HC ONLY: 15% of the total equity to be provided prior to or simultaneously with the closing of the construction financing.	Satis.	
22. Any additional items required by the credit underwriter.	Satis.	

**NOTES AND APPLICANT'S RESPONSES:**

1. The private purchase proposal from Red Stone is not a firm commitment.

Applicant's Response: A firm commitment not materially different from the assumptions used in this CUR will be provided at closing.

## HC Allocation Calculation

Section I: Qualified Basis Calculation	
Development Cost	\$20,908,166
Less Land Cost	(\$1,420,104)
Less Federal Funds	\$0
Less Other Ineligible Cost	(\$2,485,693)
Less Disproportionate Standard	\$0
Acquisition Qualified Basis	\$6,079,896
Rehabilitation Qualified Basis	\$10,922,473
Total Qualified Basis	\$17,002,369
Applicable Fraction	100.00%
DDA/QCT Basis Credit	130.00%
Acquisition Percentage	3.40%
Rehabilitation Percentage	3.40%
Annual HC-Acquisition	\$206,716
Annual HC-Rehabilitation	\$482,773
Annual Housing Credit Allocation	\$689,489

### Notes to the Qualified Basis Calculation:

1. Other Ineligible Costs primarily include administrative fees, legal fees, origination fees, bond costs of issuance, and all escrows/reserves.
2. The Applicant committed to a set aside of 100%. Therefore, SMG has utilized an Applicable Fraction of 100.00%.
3. This development is located in a Difficult Development Area ("DDA"). Therefore, the 130.00% basis credit has been applied to the Rehabilitation Qualified Basis.
4. Per Florida Housing Rule, 15 basis points are added to the actual percentage (3.25%) reported as of the date of invitation to credit underwriting for 4% Housing Credits (August 2014). For purposes of this report, a Housing Credit Percentage of 3.40% is applied.

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**SMG**

<b>Section II: Gap Calculation</b>	
Total Development Cost (Including Land and Ineligible Costs)	\$20,908,166
Less Mortgages	(\$13,464,840)
Less Grants	\$0
Equity Gap	\$7,443,326
Percentage to Investment Partnership	99.99%
HC Syndication Pricing	\$0.9650
HC Required to Meet Gap	\$7,714,063
Annual HC Required	\$771,406

*Notes to the Gap Calculation:*

1. Mortgages are the Red Stone first mortgage, the SAIL, the ELI Loan and the Seller Note.
2. HC Syndication Pricing and Percentage to Investment Partnership are based upon the December 16, 2014 proposal from RBC.

<b>Section III: Tax-Exempt Bond 50% Test</b>	
Total Depreciable Cost	\$17,002,369
Plus Land Cost	\$1,420,104
Aggregate Basis	\$18,422,473
Tax-Exempt Bond Amount	\$10,000,000
Less Debt Service Reserve	\$0
Less Proceeds Used for Costs of Issuance	\$0
Plus Tax-exempt GIC earnings	\$0
Tax-Exempt Proceeds Used for Building and Land	\$10,000,000
Proceeds Divided by Aggregate Basis	54.28%

*Notes to 50% Test:*

1. SMG estimates the Tax-Exempt MMRB loan amount to be 54.28% of Depreciable Development Costs plus Land Acquisition Costs. If, at the time of Final Cost Certification, the Tax-Exempt Bond Amount is less than 50%, developer fees will have to be reduced by an amount to ensure compliance with the 50% Test. That may, in turn, result in a reduction to HC Equity.

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**SMG**

<b>Section III: Summary</b>	
HC per Applicant Request	\$630,917
HC per Qualified Basis	\$689,489
HC per Gap Calculation	\$771,406
Annual HC Recommended	\$689,489

*Notes to the Summary:*

1. The Annual HC Recommended is based on the Qualified Basis Calculation.