

Florida Housing Finance Corporation

Credit Underwriting Report

Northwest Gardens V

SAIL, ELI Gap, and 4% Non-Competitive Housing Credit Programs

SAIL/ELI Gap RFA 2014-103 (2014-322S) / 4% Non-Competitive Housing Credits (2013-537C)

Section A Report Summary

Section B Loan Conditions and HC Allocation, Recommendation and Contingencies

Section C Supporting Information and Schedules

Prepared by

Seltzer Management Group, Inc.

Final Report

July 23, 2015

SMG

NORTHWEST GARDENS V

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JULY 23, 2015

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Section A
Report Summary

JULY 23, 2015

SAIL, ELI AND HC PROGRAMS CREDIT UNDERWRITING REPORT

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Recommendation

Seltzer Management Group, Inc. (“SMG” or “Seltzer”) recommends a State Apartment Incentive Loan (“SAIL”) in the amount of \$4,960,000, an Extremely Low income Program Loan (“ELI Gap Loan”) in the amount of \$1,500,000 and an annual Housing Credit allocation of \$1,067,851 be awarded to Northwest Gardens V by Florida Housing Finance Corporation (“FHFC” or “Florida Housing”) for permanent and/or construction financing.

DEVELOPMENT & SET-ASIDES

Development Name: Northwest Gardens V

Program Numbers: RFA 2014-103 2014-322S 2014-537C _____

700 NW 12th Avenue
1311 NW 7th Street
647 NW 13th Terrace
1208 NW 7th Street

Address: 100 SW 18th Avenue City: Fort Lauderdale Zip Code: 33311

County: Broward County Size: Large

Development Category: New Construction Development Type: Garden Style Apartments

Construction Type: Concrete masonry with slab on grade foundation

Demographic Commitment: Elderly: Yes Homeless: No ELI: 20 Units @ 30% AMI
Farmworker or Commercial Fish Worker: No Family: No Link: 10 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	5	440	30%	\$388			\$56	\$721	\$332	\$721	\$721	\$721	\$43,260
1.0	1.0	5	528	30%	\$388			\$56	\$721	\$332	\$721	\$721	\$721	\$43,260
1.0	1.0	55	440	60%	\$777			\$56	\$721	\$721	\$721	\$721	\$721	\$475,860
1.0	1.0	34	528	60%	\$777			\$56	\$721	\$721	\$721	\$721	\$721	\$294,168
1.0	1.0	1	528	60%	\$0			\$0		\$0	\$0	\$721	\$0	\$0
1.0	1.0	8	666	30%	\$388			\$58		\$330	\$330	\$330	\$330	\$31,680
1.0	1.0	67	666	60%	\$777			\$58		\$719	\$719	\$719	\$719	\$578,076
2.0	2.0	1	900	30%	\$466			\$68		\$398	\$398	\$398	\$398	\$4,776
2.0	2.0	9	900	60%	\$933			\$68		\$865	\$865	\$865	\$865	\$93,420
3.0	2.0	1	1082	30%	\$539			\$75		\$464	\$464	\$464	\$464	\$5,568
3.0	2.0	4	1082	60%	\$1,078			\$75		\$1,003	\$1,003	\$1,003	\$1,003	\$48,144
3.0	2.0	4	1212	60%	\$1,078			\$75		\$1,003	\$1,003	\$1,003	\$1,003	\$48,144
3.0	2.0	6	1214	60%	\$1,078			\$75		\$1,003	\$1,003	\$1,003	\$1,003	\$72,216
		200	124012											\$1,738,572

There is one manager’s unit in the 100 units tower to be rehabilitated.

SAIL, ELI AND HC PROGRAMS CREDIT UNDERWRITING REPORT

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Buildings: Residential - 7 Non-Residential - 0
 Parking: Parking Spaces - 154 Accessible Spaces - 14

Set Asides:

Program	% of Units	# of Units	% AMI	Term (Years)
HC	100.0%	200	60%	30
SAIL/ELI	10.0%	20	30%	30
SAIL	90.0%	180	60%	30

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

All proposed developments with the demographic commitment of Elderly non-ALF must set aside 50% of the required ELI set-aside units for Special Needs Households and develop and execute a Memorandum of Understanding with at least one Special Needs Household Referral Agency for the county where the proposed development will be located.

Absorption Rate 20 units per month for 10 months.

Occupancy Rate at Stabilization: Physical Occupancy 93.00% Economic Occupancy 89.6%
 Occupancy Comments _____

DDA?: Yes QCT?: Yes
 Site Acreage: 7.6885 Density: 26.0129 Flood Zone Designation: AE
 Zoning: RMM-25 and RM-15 - NW Regional Activity Center Flood Insurance Required?: Yes

SAIL, ELI AND HC PROGRAMS CREDIT UNDERWRITING REPORT

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DEVELOPMENT TEAM		
Applicant/Borrower:	Northwest Properties V, Ltd.	% Ownership
General Partner 1:	APC Northwest Properties V, LLC ("APC-NWV")	0.0049%
General Partner 2:	HEF-700, Inc. ("HEF-700")	0.0051%
General Partner 3:		
General Partner 4:		
General Partner 5:		
Limited Partner 1:	The Howard D. Cohen Revocable Trust U/A/D 4/16/1993 ("HDC Trust") and/or assigns to be replaced by Bank of America Merrill Lynch	99.9900%
Limited Partner 2:		
Limited Partner 3:		
Special Limited Partner:	Banc of America CDC Special Holding Company, Inc.	0.0000%
Construction Completion Guarantor(s):	Northwest Properties V, Ltd. APC-NWV APC Northwest Properties V Development, LLC ("APC-Dev") HDC Trust Howard D. Cohen Kenneth J. Cohen Stanley D. Cohen	
Operating Deficit Guarantor(s):	Northwest Properties V, Ltd. APC-NWV APC-Dev HDC Trust Howard D. Cohen Kenneth J. Cohen Stanley D. Cohen	
Pvt Placement Purchaser:	Bank of America Merrill Lynch ("BOAML")	
Developer:	APC-Dev	
Principal 1	Atlantic Pacific Communities, LLC ("APC")	
Principal 2		
Principal 3		
Principal 10		
Co-Developer:	HEF-Dixie Court Development, LLC ("HEF-Dixie")	
Principal 1	Housing Enterprises of Fort Lauderdale, Florida, Inc. ("HEF")	
Principal 2		

SAIL, ELI AND HC PROGRAMS CREDIT UNDERWRITING REPORT

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DEVELOPMENT TEAM (cont)	
General Contractor 1:	Atlantic Pacific Community Builders, LLC ("APC-Builders")
General Contractor 2:	
Management Company:	Atlantic Pacific Community Management, LLC ("APC-Mgmt")
Const. Credit Enhancer:	
Perm. Credit Enhancer:	
Syndicator:	BOAML and/or affiliates
Bond Issuer:	Broward County Housing Finance Authority ("BCHFA")
Architect:	Zyscovich Inc. ("Zyscovich")
Market Study Provider:	Meridian Appraisal Group, Inc. ("Meridian")
Appraiser:	Meridian

PERMANENT FINANCING INFORMATION						
	1st Source	2nd Source	3rd Source	4th Source	5th Source	Other
Lien Position	First	Second	Third	Fourth		
Lender/Grantor	BCHFA	FHFC/SAIL	FHFC/ELI	HACFL	0	0
Amount	\$6,500,000	\$4,960,000	\$1,500,000	\$3,500,000	\$0	\$0
Underwritten Interest Rate	5.49%	1.00%	0.00%	0.00%	0.00%	0.00%
All In Interest Rate	5.49%	1.21%	0.19%	0.00%	0.00%	0.00%
Loan Term	15.0	15.0	15.0	30.0	0	0
Amortization	35					
Market Rate/Market Financing LTV	28.6%	50.5%	57.1%	72.5%		
Restricted Rent/Favorable Financing LTV	68.8%	121.3%	137.1%	174.2%		
Loan to Cost	22.8%	17.4%	5.3%	12.3%		
Debt Service Coverage	1.402	1.226	1.201	1.201		
Operating/Deficit Service Reserve	\$381,244.00					
Period of Operating Expenses/Deficit Reserve in Months	4					

SAIL, ELI AND HC PROGRAMS CREDIT UNDERWRITING REPORT

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Deferred Developer Fee	\$743,213.00			
Land Value	\$5,000,000.00			
As-Is Value (Rehabilitation)	\$6,825,000.00			
Market Rent/Market Financing Stabilized Value	\$22,710,000.00			
Rent Restricted Market Financing Stabilized Value	\$7,600,000.00			
Rent Restricted Favorable Financing Stabilized Value	\$9,450,000.00			
Projected Net Operating Income (NOI) - Year 1	\$586,521.82			
Projected Net Operating Income (NOI) - 15 Year	\$562,356.41			
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	\$1.12			
Housing Credit Annual Allocation	\$1,067,851			
CONSTRUCTION/PERMANENT SOURCES:				
Source	Lender	Construction	Permanent	Perm Loan/Unit
First Mortgage	BCHFA - MMRB (BOAML)	\$14,000,000	\$0	\$0
First Mortgage	BCHFA-MMRB (MassMutual)	\$0	\$6,500,000	\$32,500
Second Mortgage	FHFC - SAIL	\$4,960,000	\$4,960,000	\$24,800
Third	FHFC - ELI	\$1,500,000	\$1,500,000	\$7,500
Fourth	HACFL	\$3,500,000	\$3,500,000	\$17,500
HC Equity	BoA	\$4,540,442	\$11,351,105	\$56,756
Deferred Developer Fee	APC-Dev	\$40,407	\$557,410	\$2,787
Deferred Developer Fee	HEF-Dixie	\$13,469	\$185,803	\$929
TOTAL		\$28,554,318	\$28,554,318	\$142,772

Changes from the Application:

COMPARISON CRITERIA	YES	NO
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?		2
Do the site plans/architectural drawings account for all amenities/features listed in the Application?		3
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	X	

SAIL, ELI AND HC PROGRAMS CREDIT UNDERWRITING REPORT

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committed to in the Application?		
Have the development costs remained equal to or less than those listed in the Application?		4
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?	X	
Is the development in all other material respects the same as presented in the Application?		5

The following are explanations of each item checked “No” in the table above:

1. The construction source of funds in the Application reflects a Wells Fargo Community Lending and Investment (“Wells Fargo”) Letter of Intent (“LOI”) for Tax-Exempt Multifamily Mortgage Revenue Bond financing (“MMRB”) in the amount of \$10,300,000. The Borrower subsequently provided a Term Sheet from BOAML for construction MMRB financing in the amount of \$14,000,000.

Permanent financing in the Application reflects Wells Fargo MMRB financing in the amount of \$3,470,407. The Borrower subsequently provided a term sheet from Cornerstone Real Estate Advisors LLC (“Cornerstone”) as authorized agent for Massachusetts Mutual Life Insurance Company (“MassMutual”) together with its subsidiaries for a \$6,500,000 MMRB fixed rate first priority fee mortgage loan.

A local government loan from Broward County in the amount of \$121,000 was anticipated in the Application. Borrower has determined that the cost to administer this loan is prohibitive and will not close this local government loan. Borrower subsequently provided a commitment for a fourth mortgage loan from the Housing Authority of the City of Fort Lauderdale (“HACFL”) in an amount not to exceed \$3,500,000.

2. On March 23, 2015 Borrower requested to replace the commitment to provide a full-size 30-inch range and oven in the 100 units to be rehabilitated with a 20-inch range and oven because it is not financially feasible to provide the full-size 30-in range and oven due to the size of the kitchen. The infeasibility of the full-size 30-in range and oven was confirmed by the consultant, GLE Associates, Inc. (“GLE”), in the capital needs assessment (“CNA”).

3. The CNA indicated the following committed features and amenities are not structurally and financially feasible in the units to be rehabilitated:
 - a. Full size range and oven because there is only room for a 20-inch range and oven
 - b. Cabinet drawer handles and cabinet door handles in bathroom and kitchen shall be lever or D-pull type handles in the bathrooms since the sinks are wall hung.
 - c. Roll-out shelving or drawers in all bathroom vanity cabinets because the sinks are wall hung.
 - d. Energy Star qualified dishwashers due to the size of the kitchen.
 - e. Humidistats because they are not compatible with the existing HVAC units.
 - f. Energy Star qualified roof coating because an Energy Star roof covering is provided on the existing roof. The roof was replaced in 2011 and was observed to be in satisfactory condition.
 - g. Installation of daylight sensors, timers or motion detectors on all lighting attached to the building because existing timers are provided.
 - h. If a bathtub/shower combination without a permanent seat is provided, grab bars shall be installed because they are already installed.
 - i. Roll-out shelving or drawers in all bottom bathroom vanity cabinets because the sinks are wall hung.
4. The plans and specifications have not been “as permitted” signed and sealed and do not contain all of the features and amenities.
5. Development costs increased from \$20,501,020 in the Application to \$28,554,318 primarily due to increases in construction costs.
 - a. On June 1, 2015, Borrower requested approval to expand the size of the Northwest Gardens V site. Due to additional land acquisitions by HACFL, Lot 38 in Block 273 and Lots 35 and 36 in Block 1 in Fort Lauderdale were added to the development site. According to the Borrower, the total number of units remained the same and the increase in the overall site did not change the Development Location Point nor did it reduce the total proximity points awarded during the scoring of the Application. A Surveyor’s Affidavit was enclosed with the request. On July 2, 2015, FHFC Staff approved the Borrower’s request.
 - b. On February 12, 2015, Borrower requested a change in the unit split from 101 new construction units and 99 rehabilitation units as reflected in the Applications to 100 new construction units and 100 rehabilitation units. FHFC Staff approved the Borrower’s request on February 19, 2015.
 - c. On July 22, 2015, Borrower requested approval to change the unit mix from one hundred seventy-five (175) one-bedroom / one bath units plus fifteen (15) two-bedroom / two bath units plus ten (10) three-bedroom / two bath units as reflected in the Application to one hundred seventy-five (175) one-bedroom / one bath units plus ten (10) two-bedroom / two bath units plus fifteen (15) three-bedroom / two bath units. FHFC staff approved Borrower’s request on July 23, 2015.

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

Does the Development Team have any FHFC Financed developments on the Past Due/Noncompliance Report?

Florida Housing's Past Due Report dated June 30, 2015 reflects the following past due items:

- a. Dr. Kennedy Homes: TCEP – Owes \$250 late fee for failure to submit the 2014 audited financials and Form SR-1 by April 30, 2015.
- b. Northwest Gardens I (Alan Apartments): TCEP – Owes \$250 late fee for failure to submit the 2014 audited financials and Form SR-1 by April 30, 2015.
- c. Dixie Court Apartments: SAIL – Failure to submit copies of monthly statements for Taxes and Insurance and Replacement Reserve Escrow accounts.
- d. Dixie Court Apartments II: RRLP – Failure to pay 2014 Late Filing fees i/a/o \$500.

Florida Housing's Noncompliance Report dated June 30, 2015 does not reflect any items in noncompliance.

Strengths:

1. The Principals are experienced in multifamily Affordable Housing.
2. The Principals have the financial resources to develop, construct and operate the proposed development.
3. The appraiser states that the subject's average market rent is 67% greater than the estimated average achievable rents.
4. The appraiser opines that occupancy is high and demand for the units in the subject's Primary Market Area ("PMA") appears prevalent. Therefore, it appears that there is more than adequate demand for the subject development in the current market environment.

Issues and Concerns

1. The July 10, 2015 Plan and Cost Analysis ("PCA") reflects that the following features and amenities are not included in the plans and specifications:
 - a. Programmable thermostat in each unit
 - b. Humidistat (shown in new construction units only)
 - c. Energy Star qualified refrigerators (shown in new construction units only)
 - d. 40 gallon electric water heater with a minimum .93 EF (included in new construction units only – the units to be rehabilitated have an existing boiler with 645,000 Btu/h 85% Et)
 - e. Energy Star qualified ceiling fans with lighting fixtures in the bedrooms (shown in new construction units only)
 - f. In unit air conditioning: minimum 14 SEER (provided in new construction units only – PTACs in existing building)

- g. Fifteen percent of all new construction units must have roll-in showers (only 14 of the 100 new construction units reflect a roll-in shower)
- h. In at least one of the kitchen's bottom or base cabinets, there shall be a large drawer that has full extension drawer slides

Seltzer's recommendation is contingent upon receipt and satisfactory review of a final PCA reflecting all feasible features and amenities are included in the new construction and rehabilitation units.

- 2. The management agreement and management plan provide by the Borrower are unexecuted drafts with no dates. Seltzer's recommendation is conditioned upon receipt and satisfactory review, prior to loan closing of a final, fully executed and dated management plan and management agreement.

Waiver Requests: None

Other Considerations: None

Mitigating Factors: None

Additional Information:

- 1. SMG has reviewed correspondence from HACFL indicating the 100 units in the 5-story tower are currently undergoing a Subsidy Layering Review (the "Review") with HUD in order to enter into a HAP contract with Northwest Properties V, Ltd. Upon completion of the rehabilitation HACFL will enter into a HAP contract for the 100 rehabilitated units which will set the rents at 60% AMI. This will increase the rents for ten (10) of the units from 30% AMI or less to 60% AMI.
- 2. Borrower has provided an unexecuted Fourth Amended and Restated Ground Lease Agreement that:
 - a. Indicates the MMRB are issued by Broward County instead of Florida Housing
 - b. change the term of the lease to expire on the date that is sixty-five (65) years from the commencement date that is the date that the Borrower (also known as the tenant) closes on its financing and the syndication of Housing Credits with respect to the development or other financing acceptable to Landlord and sufficient to fund the total cost of the development
 - c. changed the ground rent to \$2,200,000

Seltzer's recommendation is contingent upon receipt and satisfactory review of a fully executed Fourth Amended and Restated Ground Lease Agreement with terms consistent with this credit underwriting report.

- 3. Borrower submitted a May 27, 2015 request to Florida Housing for a twelve (12) month extension to the Northwest Gardens V SAIL and ELI Gap Loan closing date. The request was granted at the June 19, 2015 FHFC Board meeting.

4. Borrower submitted a draft Master Development Agreement between HACFL and APC for the development of Northwest Gardens V that indicates that the Co-General Partner (the "HACFL Affiliate"), will acquire the Managing General Partner's (the "Developer GP"), ownership interest at any time following the first to occur of (i) completion and stabilization; or (ii) two (2) years following the issuance of the first certificate of occupancy for the development (the "Change Date"). Stabilization is defined as (i) the completion of construction; (ii) leasing and occupancy of all units, and (iii) the release by lenders and investors of all completion and lease-up guarantees. At any time following the Change Date, the HACFL Affiliate may provide written notice to the Developer GP of its intent to acquire the Developer GP's interest in the Borrower. Upon such notice and receipt of approval of the Investor Limited Partner, the HACFL Affiliate will acquire the Developer GP's ownership interest in the Borrower in consideration of, and only upon, payment to the Developer GP of the amount of its capital account, repayment of any loans made by the Developer GP, and payment of any deferred developer fee then outstanding to the Developers. At the same time, the management of Northwest Gardens V will be transferred to HEF Management LLC. At such time, the HACFL and/or an affiliate of the HACFL, with approval from Florida Housing, the Investor Limited Partner and any other lenders.

Seltzer's recommendation is conditioned upon receipt and satisfactory review of a fully executed Master Development Agreement.

5. Borrower submitted a June 1, 2015 request to Florida Housing to expand the size of the Northwest Gardens V site due to additional land acquisitions by HACFL. Lot 38 in Block 273 and Lots 35 and 36 in Block 1 in Fort Lauderdale were added to the development site. The increase in the overall site neither changed the Development Location Point nor did it reduce the total proximity points awarded during the scoring of the application. A Surveyor's Affidavit confirming the Development Location Point was attached to the request. Staff approved the increase July 2, 2015.
6. The Total Development Cost for Northwest Gardens V meets the limitation set forth in RFA 2014-103.
7. Seltzer notes that there are several environmental issues involving the five sites including the subject rehabilitation site identified on the EDR report and the regulatory databases as a UST facility for maintaining a 250-gallon UST and various asbestos issues on at least three (3) of the five (5) sites. In addition, at least one (1) parcel of the twenty-five (25) parcels that comprise the four (4) new units construction sites does not appear to have been included in the Phase I Environmental Site Assessment Update ("ESA"). Please see Section C "Environmental Report" for details.
8. Seltzer notes that Broward County has agreed that the only required features and amenities and resident programs are those committed by the Borrower in its Applications to Florida Housing Finance Corporation.
9. According to the Fort Lauderdale Zoning Administrator, the status of the zoning as legally non-conforming for the site containing the 100 rehabilitation units is based upon the entire original site and not the portion or the original site that is leased to the Borrower.

10. Seltzer notes that it appears that the committed resident programs, literacy training and computer training need to be provided in the rehabilitated tower or off-site since the six (6) new construction buildings to be located on four (4) of the five (5) sites will not have any on-site common area features and amenities.

Recommendation

SMG recommends FHFC award SAIL second mortgage and SAIL/ELI third mortgage construction and permanent financing in the amounts of \$4,960,000 and \$1,500,000, respectively, plus an annual HC allocation of \$1,067,851 for construction/permanent financing of Northwest Gardens V.

Seltzer's recommendation is based upon the assumptions detailed in the Report Summary (Section A) and Supporting Information and Schedules (Section B) of this Credit Underwriting Report. 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:



Wanda Greggo
Credit Underwriter

Reviewed by:



Cindy Highsmith
Credit Underwriting Manager

Overview

Construction Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
First Mortgage	BCHFA - MMRB (BOAML)	\$10,300,000	\$14,000,000	\$14,000,000	3.41%	\$680,295
Second	FHFC - SAIL	\$4,960,000	\$3,648,624	\$4,960,000	1.00%	\$49,600
Third	FHFC - ELI	\$579,578	\$1,109,881	\$1,500,000	0.00%	\$0
Fourth	HACFL	\$0	\$1,103,414	\$3,500,000	0.00%	\$0
Fifth	Broward County	\$121,000	\$0	\$0	0.00%	\$0
HC Equity	BoA	\$4,540,442	\$8,523,000	\$4,540,442		
Deferred Developer Fee	APC-Dev	\$0	\$0	\$40,407		
Deferred Developer Fee	HEF-Dixie	\$0	\$0	\$13,469		
Total		\$20,501,020	\$28,384,919	\$28,554,318		\$729,895

Tax Exempt Bonds/First Mortgage Financing

Borrower applied for a tax-exempt MMRB loan to be issued by BCHFA for the construction financing of this development in the amount of \$14,000,000. Borrower submitted a term sheet dated April 10, 2015 from BOAML to provide construction financing through the bank's Special Bond Offering product ("SBO"), by purchasing no more than \$14,000,000 in floating rate tax-exempt bonds issued through the BCHFA. The debt service on the bonds will be monthly interest-only payments at a floating rate until the date that is thirty (30) months after the closing date. During the construction and stabilization period, the SBO floating rate will be based on the LIBOR Daily Floating Rate + 2.00%. The all-in interest rate is currently estimated to be 3.41% which includes ongoing issuer fees, Trustee fees and servicing fees. The SBO will be a draw down bond.

Take out permanent/amortization financing conditions must be acceptable to BOAML and may include a requirement for interest rate protection. It is anticipated that the complete terms of the purchase of the MMRB by the permanent investor will be reflected in a Bond Purchase Agreement to be executed by and among the Borrower, BOAML and the permanent Lender at the time of construction loan closing.

Other Construction/Stabilization Phase Sources of Funds

Additional sources of funds during the construction period include a FHFC SAIL Program loan, an ELI Gap loan, a loan from HACFL, and HC Equity available during the construction period in the amount of \$4,540,442. To balance the Sources and Uses of Funds during the Construction/Stabilization Phase, the developer must defer developer fee in the amount of \$53,876 of which 25% (\$13,469) must be deferred by the non-profit co-developer and the remaining 75% (\$40,407) by the for-profit developer.

Construction/Stabilization Period

A construction contract between Owner and APC-Builders anticipates achieving Substantial Completion of the six (6) new residential buildings within 390 days (13 months). A second construction contract between Owner and APC-Builders anticipates achieving renovation of the 5-story tower in 300 days (10 months). A Production Schedule for the construction of the new residential buildings projects

demolition of the current improvements to begin in September 2015, with construction completion expected in November 2016. Meridian's May 12, 2015 Market Study reflects an absorption rate of 20 units per month considering the timing of the rehabilitation and the construction of the new units. Stabilization at a 93% Occupancy Rate including 5% physical vacancy and 2% collection loss should be reached in September 2017. For purposes of this credit underwriting, SMG assumes a 30-month Construction/Stabilization Phase as anticipated by the proposed Bond Purchase Agreement between the Borrower, construction lender and the permanent lender.

Permanent Financing Sources

Source	Lender	Applicant	Revised		Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt
			Applicant	Underwriter				
First Mortgage	BCHFA-MMRB (Mass Mutual)	\$3,470,407	\$6,500,000	\$6,500,000	5.49%	35	15	\$418,362
Second	FHFC - SAIL	\$4,960,000	\$4,960,000	\$4,960,000	1.00%	N/A	15	\$49,600
Third	FHFC - ELI	\$1,500,000	\$1,500,000	\$1,500,000	0.00%	N/A	15	\$0
Fourth	HACFL	\$0	\$3,500,000	\$3,500,000	0.00%	N/A	30	\$0
Fifth	Broward County	\$121,000	\$0	\$0	0.00%	0	0	\$0
HC Equity	BoA	\$7,979,000	\$11,364,000	\$11,351,105				
Def. Developer Fee	APC-Dev	\$2,470,613	\$441,026	\$557,410				
Def. Developer Fee	HEF-Dixie	\$0	\$147,009	\$185,803				
Total		\$20,501,020	\$28,412,035	\$28,554,318				\$467,962

First Mortgage Financing

Borrower submitted a term sheet dated April 17, 2015 from Cornerstone as authorized agent for MassMutual together with its subsidiaries for a \$6,500,000 tax exempt first mortgage permanent financing sourced from the sale to MassMutual of one or more tax exempt bonds from the construction lender, BOAML. Subsequent to approval of the investment for permanent financing by MassMutual, the complete terms of the purchase of the bond(s) will be reflected in a Bond Purchase Agreement executed by and among the Borrower, BOAML and MassMutual with the terms of the permanent first mortgage loan set forth in documents ancillary to the Bond Purchase Agreement. In addition to the requirements in the Bond Purchase Agreement, MassMutual’s full funding of the permanent first mortgage will be contingent upon:

- (i) lien-free completion of the development in accordance with the Cornerstone approved plans and specifications;
- (ii) not less than ninety per cent (90%) of the units shall have been leased and physically occupied by residents who meet Borrower’s leasing requirements as approved by MassMutual for at least the three (3) consecutive months immediately preceding the funding date (the “Lease-Up Threshold”);
- (iii) an average debt service coverage ratio (“DSC”) of at least 1.20 to 1.00 for at least the three (3) consecutive months immediately preceding the funding date (the “Performance Threshold”);
- (iv) no material adverse occurrence.

The funding date is defined as 30 months from the date of rate lock. Rate lock is the later of the date of the closing of the construction loan with BOAML or MassMutual’s receipt of a fully executed Loan Rate Lock Letter between Cornerstone and the Borrower. If on the funding date, the property has achieved lien-free completion but has not met the Lease-Up or Performance Thresholds, three options will be available to the Borrower: (a) a six (6) month extension; (b) funding at a reduced amount by sizing the loan to a 1.20 DSC; or (c) full funding with a one-year letter-of-credit for the unsupported loan amount. Pricing is subject to change at any time based on market conditions until rate lock. Also, the forward cost is calculated daily by MassMutual and will fluctuate based on several factors including the steepness of the yield curve.

Monthly principal and interest payments will be due based on a fixed interest rate equal to the greater of 4.25% or the sum of the 10-year U.S. Treasury rate plus the term spread in basis points plus the cost

of a forward rate lock plus the rate premium for the ability to take down 5% less in loan proceeds than the rate locked loan amount. For credit underwriting purposes, the rate is currently estimated to be 5.49%. The loan term will be fifteen (15) years from the Funding Date with a 35 year level amortization schedule.

The MassMutual loan will be secured by a first mortgage Loan on the subject development and a first security interest in all personalty. Tax, insurance and replacement reserve escrow accounts will be required. Currently, it is estimated that \$7,500,000 in MMRB will be redeemed at or prior to conversion to permanent financing.

SAIL

Borrower applied to Florida Housing's RFA 2014-103 for SAIL funds in the amount of \$4,960,000. The SAIL will be co-terminus with the first mortgage loan. Therefore, the entire SAIL term will be 17.5 years. The term of the SAIL permanent period will be 15 years. The SAIL will be non-amortizing and will bear 1% simple interest per annum plus annual payments of applicable fees for an all-in rate of 1.21% which includes a Servicing Fee equal to 0.20% and a Compliance Fee equal to .01%. Payment on the loan shall be based upon development cash flow. Any unpaid interest will be deferred until cash flow is available. At the maturity of the SAIL, all principal and unpaid interest will be due.

ELI Loan

All Borrowers who submitted an Application for RFA 2014-103 are also eligible for ELI gap funding for ELI set-aside units not to exceed 10% of the total units for Applications with an Elderly demographic commitment. The demographic commitment for the subject is Elderly. The ELI Loan is in the form of a forgivable loan in an amount of \$1,500,000.

The ELI AMI for Broward County is 30%. The Borrower committed to set side 10% of the units (20 units) at or below 30% AMI. The ELI units are distributed across the unit mix on an approximate pro-rata basis. The ELI loan is non-amortizing at 0.0000% simple interest per annum plus annual payments of applicable program fees at the rate of 0.19%, comprised of a Servicing Fee of 0.18% and a Compliance Monitoring Fee of 0.01% annually. The principal is 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.

All proposed developments with the demographic commitment of Elderly non-ALF must set aside 50% of the required ELI set-aside units for Special Needs Households and develop and execute a Memorandum of Understanding with at least one Special Needs Household Referral Agency for the county where the proposed development will be located.

The entire loan term of the ELI loan is 17.5 years and is co-terminus with the loan term of the first mortgage loan. The ELI permanent loan term is anticipated to be 15 years.

HACFL Mortgage

Borrower submitted a commitment dated April 9, 2015 from HACFL for a loan in a principal amount not to exceed \$3,500,000 for the construction and rehabilitation of the development. The funds will be

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from a non-Federal source. The loan will be for a total loan term of 30 years including up to a 36 month construction loan period. Interest will be at 0.00% with all principal due at maturity.

HC Equity

The Applicant has applied to Florida Housing to receive 4% Housing Credits directly from the United States Treasury in conjunction with tax-exempt bond financing.

An April 29, 2015 term sheet from BOAML is summarized as follows:

Capital Contributions	Amount	Percent of Total	When Due
1st Installment	\$2,270,221	20.0%	Closing
2nd Installment	\$2,270,221	20.0%	50% construction completion
3rd Installment	\$3,972,887	35.0%	Construction completion
4th Installment	\$2,270,221	20.0%	Stabilization and conversion to permanent financing
5th Installment	\$567,555	5%	Form 8609
Total	\$11,351,105	100%	

Annual Tax Credits per Syndication Agreement:	\$1,013,593
Total HC Syndication:	\$10,134,916
Syndication Percentage (limited partner interest):	99.990%
Calculated HC Exchange Rate (per dollar):	\$1.120
HC Equity Proceeds Available During Construction:	\$4,540,442

Deferred Developer Fee

In order to balance the sources and uses of funds during the permanent loan period, the Developer will have to defer Developer fee of \$743,213 for payment after all loan proceeds and HC equity capital contributions have been received. Since developer fee is apportioned 25% to the non-profit co-developer, HEF-Dixie, and the remaining 75% to the co-Developer APC-Dev, deferred Developer fee has been apportioned accordingly.

Uses of Funds

CONSTRUCTION COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Accessory Buildings					
Demolition			\$276,745	\$1,384	\$276,745
Installation of Pre Fab Units					
New Rental Units	\$8,605,583	\$13,918,064	\$12,439,700	\$62,199	
Off-Site Work					
Recreational Amenities	\$375,000				
Rehab of Existing Common Areas					
Rehab of Existing Rental Units	\$990,000		\$1,201,619	\$6,008	
Site Work					
Swimming Pool					
General Conditions		\$835,084	\$835,083	\$4,175	
Overhead		\$278,361	\$278,360	\$1,392	
Profit	\$1,389,629	\$835,084	\$835,083	\$4,175	
Builder's Risk Insurance					
General Liability Insurance					
Payment and Performance Bonds					
Furniture, Fixture, & Equipment					
Total Construction Contract/Costs	\$11,360,213	\$15,866,593	\$15,866,590	\$79,333	\$276,745
Hard Cost Contingency	\$676,000	\$793,330	\$793,329	\$3,967	
Fees for LOC used as Construction Surety					
Other: Recreational/Owner Items		\$375,000	\$375,000	\$1,875	\$27,500
Other: GC General Liability Insurance		\$104,385	\$104,385	\$522	
Other: Payment and Performance Bonds		\$173,976	\$173,976	\$870	
Total Construction Costs:	\$12,036,213	\$17,313,284	\$17,313,280	\$86,566	\$304,245

Notes to the Actual Construction Costs:

1. Applicant provided a construction contract for new construction between Applicant and APC-Builders dated July 7, 2015 in the amount of \$14,496,745. The contract is a Standard Form of Agreement between Owner and Contractor where the basis of payment is a Stipulated Sum and includes General Conditions, Drawings and Addenda named therein whether or not attached thereto. The contract includes all new construction hard costs and contractor's fees. The contract provides for retainage of 10% until 50% completion at which time retainage will be reduced to 0% if agreed upon in writing by Applicant and APC-Builders and consented to by all lender(s) and the general contractor's surety. Final payment will be made when the contract has been fully performed and within 90 days of the Architect's final Certificate for Payment. The contract requires substantial completion of the new construction not later than 390 days from the date of commencement. The date of commencement will be fixed in a Notice to Proceed to be issued by the Owner.

2. Applicant provided a second construction contract (the “rehab-contract”) for the rehabilitation of a five (5) story tower containing 100 units for elderly and located at 100 SW 18th Avenue, Fort Lauderdale, Florida 33312. The rehab-contract dated July 7, 2015, is between Borrower and APC-Builders in the amount of \$1,369,845. The contract is a Standard Form of Agreement between Owner and Contractor where the basis of payment is a Stipulated Sum and includes General Conditions, Drawings and Addenda named therein whether or not attached thereto. The contract includes all rehabilitation hard costs and contractor’s fees. The contract provides for retainage of 10% until 50% completion at which time retainage will be reduced to 0% if agreed upon in writing by Applicant and APC-Builders and consented to by all lender(s) and the general contractor’s surety. Final payment will be made when the contract has been fully performed and within 90 days of the Architect’s final Certificate for Payment. The contract requires substantial completion of the new construction not later than 300 days from the date of commencement. The date of commencement will be fixed in a Notice to Proceed to be issued by the Owner. For credit underwriting purposes, all amounts have been rounded down to the nearest whole dollar.
3. Other: Recreational/owner Items include but are not limited to costs for Coin operated washers and dryers, signage, computers, golf carts, security, access control, and site furnishings. The HC Ineligible Costs – CUR are the anticipated costs of the washers and dryers that will be available to rent for 25 of the new construction units.
4. The General Contractor Fee includes General Conditions of \$835,083, Overhead of \$278,360 and Profit of \$835,083, which collectively total 14.0%, which is within the maximum allowed, of the Construction Contracts less the General Contractor Fee, itself.
5. GC General Liability Insurance and Payment and Performance Bonds premiums will be paid by the Borrower outside of the general construction contracts.
6. A Hard Cost Contingency of \$793,329 is within 5.00%, which is within the maximum allowed, of the amounts of the total Construction Contracts.
7. SMG received and reviewed a July 10, 2015, PCA by GLE . Seltzer notes that the PCA does not include a cost analysis of the July 7, 2015 general construction contracts which included increased costs. Seltzer’s recommendation is based upon receipt and satisfactory review, prior to loan closing, of a final complete PCA reflecting an analysis of the costs of the July 7, 2015 fully executed general construction contracts. For a full discussion, see Plan and Cost Review within Section C of this credit underwriting report for further information.

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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	\$40,000	\$40,000	\$40,000	\$200	
Appraisal	\$16,000	\$6,250	\$6,250	\$31	
Architect's and Planning Fees					
Architect's Fee - Green Initiative					
Architect's Fee - Landscape					
Architect's Fee - Site/Building Design	\$300,000	\$551,820	\$551,820	\$2,759	
Architect's Fee - Supervision	\$100,000	\$121,330	\$121,330	\$607	
Building Permits	\$625,000	\$257,543	\$257,543	\$1,288	
Builder's Risk Insurance	\$138,963	\$158,666	\$158,666	\$793	
Capital Needs Assessment/Rehabilitation					
Demolition paid outside Const Contract					
Engineering Fees					
Environmental Report	\$65,000	\$239,975	\$239,975	\$1,200	\$170,000
Federal Labor Standards Monitoring					
FF&E paid outside Construction Contract					
FHFC Administrative Fees	\$40,711	\$50,195	\$53,412	\$267	\$53,412
FHFC Application Fee	\$6,500	\$70,600	\$70,600	\$353	\$70,600
FHFC Credit Underwriting Fee	\$16,886	\$16,886	\$16,886	\$84	
FHFC HC Compliance Fee (HC)	\$181,177	\$141,790	\$141,790	\$709	\$141,790
FHFC Other Processing Fee(s)					
Impact Fee	\$454,500	\$74,036	\$74,036	\$370	
Lender Inspection Fees / Const Admin	\$125,000	\$141,825	\$141,825	\$709	
Green Building Cert. (LEED, FGBC, NAHB)	\$50,000				
Home Energy Rating System (HERS)					
Insurance	\$49,320	\$106,000	\$106,000	\$530	
Legal Fees	\$400,000	\$500,000	\$500,000	\$2,500	\$26,250
Local Subsidy Underwriting Fee					
Market Study	\$15,000	\$6,875	\$6,875	\$34	
Marketing and Advertising	\$100,000	\$34,500	\$34,500	\$173	\$34,500
Plan and Cost Review Analysis					
Property Taxes	\$141,538	\$136,600	\$136,525	\$683	\$136,525
Soil Test	\$12,000	\$9,874	\$9,874	\$49	
Stabilized Operating Expenses/Reserve		\$85,354	\$85,354	\$427	\$85,354
Survey	\$35,000	\$47,060	\$47,060	\$235	
Tenant Relocation Costs					
Title Insurance and Recording Fees	\$179,435	\$261,272	\$261,272	\$1,306	\$130,636
Traffic Study					
Utility Connection Fees	\$249,700	\$124,850	\$124,850	\$624	
Soft Cost Contingency		\$157,229	\$157,229	\$786	
Other: DRC/Site Plan App Fee		\$9,880	\$9,880	\$49	
Total General Development Costs:	\$3,341,729	\$3,350,410	\$3,353,552	\$16,768	\$849,067

Notes to the General Development Costs:

1. Applicant applied to FHFC for 4% HC; Ineligible Costs associated with HC are reflected in the above schedule.
2. Appraisal cost includes reports engaged directly by SMG as well as the cost of a final update once construction and rehabilitation have been completed.
3. Building Permits includes the actual cost of permits.
4. Engineering fees are included in the Architect Fee – Site/Building Design.
5. Environmental Report includes \$170,000 for Asbestos Abatement during demolition of the buildings on the sites where the 100 new units will be constructed plus \$40,000 for soil removal and replacement due to the presence of Arsenic, Benzo(a)Pyrene and equivalents at levels which exceed the allowed amounts at the sites of the new construction after the demolition is completed.
6. FHFC Administrative Fee is based upon 5% of the recommended annual allocation of HC for non-profit entities receiving at least 25% of developer fees.
7. FHFC Application Fee is reflective of the 2014 HC Application Fee and the SAIL/ELI Application Fee plus \$64,600 to extend the SAIL/ELI closing date for 12 months.
8. FHFC Underwriting Fee of \$16,886 represents \$12,790 for SAIL/ELI Loan underwriting and \$4,096 for the 4% HC credit underwriting.
9. FHFC Compliance Fee is based upon Florida Housing's schedule for 2015 based upon 200 Rent-Restricted Units set aside for 30 years for the 4% HC.
10. Lender Inspection Fees include the fees for blower door tests, the physical needs assessment and plan and cost analysis along with the monthly building inspection fees.
11. Borrower anticipates that rehabilitation of the 100 units will occur with residents in place. Therefore, no tenant relocation costs are anticipated.
12. Soft Cost Contingency has been limited to 5% of General Development Costs.
13. Other: DRC/Site Plan App Fee is the fee for site plan approval by the City of Fort Lauderdale for the new construction.
14. Other General Development Costs are based upon Applicant's estimates, which appear reasonable at this time.

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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					
Construction Loan Underwriting Fee					
Construction Loan Origination Fee	\$103,000	\$140,000	\$140,000	\$700	
Construction Loan Commitment Fee					
Construction Loan Closing Costs	\$30,900	\$42,000	\$42,000	\$210	
Construction Loan Interest	\$657,063	\$563,634	\$729,895	\$3,649	\$308,502
Construction Loan Servicing Fees					
Permanent Loan Application Fee		\$3,500	\$3,500	\$18	\$3,500
Permanent Loan Underwriting Fee					
Permanent Loan Subsidy Layering Review					
Permanent Loan Commitment Fee		\$48,750	\$48,750	\$244	\$48,750
Permanent Loan Origination Fee	\$34,704				
Permanent Loan Closing Costs	\$10,411	\$19,500	\$19,500	\$98	\$19,500
Permanent Loan Interest					
Permanent Loan Servicing Fee					
FHFC Bond Rating Fee					
FHFC Bond Closing Costs (COI)	\$305,770	\$240,750	\$240,750	\$1,204	\$240,750
FHFC Bond Interest					
FHFC Bond Servicing Fee					
Local HFA Bond Application Fee		\$5,500	\$5,500	\$28	\$5,500
Local HFA Bond Underwriting Fee		\$13,749	\$13,749	\$69	
Local HFA Bond Subsidy Layering Review					
Local HFA Bond Origination Fee					
Local HFA Bond Commitment Fee					
Local HFA Bond Trustee Fee					
Local HFA Bond Credit Enhancement Fee					
Local HFA Bond Capitalized Issuer Fee		\$33,740	\$33,740	\$169	
Local HFA Bond Closing Costs					
SAIL Underwriting Fee					
SAIL Origination Fee					
SAIL Commitment Fee		\$49,600	\$49,600	\$248	
SAIL Closing Costs					
SAIL Interest					
SAIL Servicing Fee					
Reserves - ACC Reserve					
Reserves - Operating Deficit	\$815,553	\$381,244	\$381,244	\$1,906	\$381,244
Reserves - Working Capital					
Reserves - Required by Syndicator					
Reserves - Required by FHFC					
Reserves - Replacement Escrow					
Other: Capitalized Issuer Fee		\$33,740	\$33,740	\$169	\$33,740
Other: ELI Gap loan Commitment Fee		\$15,000	\$15,000	\$75	
Other: FHFC Legal Counsel		\$19,200	\$19,200	\$96	
Total Financial Costs:	\$1,957,402	\$1,609,907	\$1,776,168	\$8,881	\$1,041,486

SAIL, ELI AND HC PROGRAMS CREDIT UNDERWRITING REPORT

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Notes to the Financial Costs:

1. Construction Loan Origination Fee is 1% of the loan amount per BOAML.
2. Construction and SAIL loan interest and ineligible portion are based on the bonds and the SAIL loan proceeds being disbursed during the construction and rehabilitation period on a monthly basis for the maximum 30 month construction loan period.
3. Permanent loan application fee is the Cornerstone application fee.
4. Permanent loan commitment fee is based on the Cornerstone term sheet which reflects a commitment fee of 75 basis points on the permanent loan amount.
5. Permanent Loan Closing costs includes amounts for lender counsel and third party expenses.
6. Local HFA Bond Closing Costs (COI) includes the amounts for Bond and County Legal Counsel, and various BCHFA fees.
7. SAIL Commitment Fee is equal to 1% of the SAIL.
8. Reserves - Operating Deficit are consistent with the BOAML and Cornerstone term sheets and deemed appropriate by the credit underwriter.
9. Local HFA Bond Capitalized Issuer Fee is the initial issuer fee to be paid to BCHFA.
10. ELI Gap Loan Commitment Fee is 1% of the ELI Gap Loan.
11. Other: FHFC Legal Counsel includes anticipated SAIL and ELI Gap loan closing fees.

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/Lease					
Other:					
Total Non-Land Acquisition Costs:	\$0	\$0	\$0	\$0	\$0

Notes to the Non-Land Acquisition Costs:

None

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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	\$17,335,344	\$22,273,601	\$22,443,000	\$112,215	\$2,194,798
Developer Fee on Acquisition of Buildings					
Developer Fee	\$2,965,676	\$3,911,318	\$3,911,318	\$19,557	
Developer Fee to fund Operating Debt Reserve					
Other: Brokerage Fees - Land					
Consultant Fees					
Excess Acquisition Costs					
Excess Land Value					
Guaranty Fees					
Other:					
Total Other Development Costs:	\$2,965,676	\$3,911,318	\$3,911,318	\$19,557	\$0

Notes to the Other Development Costs:

1. Developer Fees are within 18 percent of development cost excluding land and reserves, and as permitted by Rule 67.21 and 67-48.F.A.C.

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					
Land Lease Payment	\$200,000	\$2,200,000	\$2,200,000	\$11,000	\$2,200,000
Land Carrying Costs					
Other:					
Total Acquisition Costs:	\$200,000	\$2,200,000	\$2,200,000	\$11,000	\$2,200,000

Notes to the Land Acquisition Costs:

1. Applicant has provided a Fourth Amended and Restated Ground Lease Agreement that:
 - a. Indicates the MMRB are issued by Broward County instead of Florida Housing
 - b. change the term of the lease to expire on the date that is sixty-five (65) years from the commencement date that is the date that the Borrower (also known as the tenant) closes on its financing and the syndication of Housing Credits with respect to the development or other financing acceptable to Landlord and sufficient to fund the total cost of the development
 - c. changed the ground rent to \$2,200,000
2. The May 12, 2015, Meridian Appraisal concluded an "as is" land value of \$5,000,000 for the subject development Site.

TOTAL DEVELOPMENT COSTS:	\$20,501,020	\$28,384,919	\$28,554,318	\$142,772	\$4,394,798
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SAIL, ELI AND HC PROGRAMS CREDIT UNDERWRITING REPORT

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Operating Pro forma

		ANNUAL	PER UNIT
INCOME	Gross Potential Rental Income	\$1,738,572	\$8,693
	Rent Subsidy (ODR)	\$0	\$0
	Other Income:		
	Ancillary Income-Parking	\$0	\$0
	Miscellaneous	\$12,000	\$60
	Washer/Dryer Rentals	\$24,000	\$120
	Cable/Satellite Income	\$0	\$0
	Rent Concessions	\$0	\$0
	Alarm Income	\$0	\$0
	Gross Potential Income	\$1,774,572	\$8,873
	Less:		
	Economic Loss - Percentage:	\$0	\$0
Physical Vacancy Loss - Percentage: 5.0%	(\$88,729)	(\$444)	
Collection Loss - Percentage: 2.0%	(\$17,746)	(\$89)	
Total Effective Gross Revenue	\$1,668,098	\$8,340	
EXPENSES	Fixed:		
	Ground Lease	\$0	\$0
	Sub-Ground Lease	\$0	\$0
	Real Estate Taxes	\$144,194	\$721
	Insurance	\$106,000	\$530
	Other	\$0	\$0
	Variable:		
	Management Fee - Percentage: 6.0%	\$100,086	\$500
	General and Administrative	\$80,000	\$400
	Payroll Expenses	\$178,096	\$890
	Utilities	\$165,000	\$825
	Marketing and Advertising	\$0	\$0
	Maintenance and Repairs	\$70,000	\$350
	Grounds Maintenance and Landscaping	\$60,000	\$300
	Resident Programs	\$0	\$0
	Contract Services	\$0	\$0
	Security	\$115,000	\$575
Other-	\$0	\$0	
Reserve for Replacements	\$63,200	\$316	
Total Expenses	\$1,081,576	\$5,408	
Net Operating Income	\$586,522	\$2,933	
Debt Service Payments			
DEBT SERVICE	First Mortgage	\$418,362	\$2,092
	Second Mortgage	\$60,178	\$301
	Third Mortgage	\$9,632	\$48
	Fourth Mortgage	\$0	\$0
	Fifth Mortgage	\$0	\$0
	All Other Mortgages	\$0	\$0
	Other Fees -	\$0	\$0
	Other Fees - Agency/Trustee/Service	\$0	\$0
Total Debt Service Payments	\$488,172	\$2,441	
Cash Flow After Debt Service	\$98,350	\$492	

Debt Service Coverage Ratios	
DSC - First Only (incl. Negative Arbitrage)	1.402
DSC - First and Second	1.226
DSC - First, Second and Third	1.201
DSC - First, Second, Third, and Fourth	1.201
DSC - First, Second, Third, Fourth, and Fifth	1.201
DSC - All Other Mortgages	1.201
DSC - All Mortgages and Fees	1.201

Financial Ratios	
Operating Expense Ratio	64.8%
Break-Even Ratio	88.5%

Notes to the Operating Pro Forma and Ratios:

1. The SAIL / ELI Gap programs do not impose any rent restrictions. However, this development will be utilizing HC in conjunction with the tax exempt bond financing, which will impose rent restrictions. The subject is projected to achieve 2015 Maximum Allowable HC Rents published by Florida Housing on all units based upon the appraiser's estimate of achievable rents per the comparables surveyed. However, the rents utilized herein for the 100 units located in the 5-story tower that will be rehabilitated are based upon the May 6, 2015 commitment from HACFL indicating that upon completion of a Subsidy Layering Review by HUD which is estimated to be completed in August of 2015, HACFL will enter into an AHAP agreement for these units. Under the AHAP agreement, rents for all 100 units will be set at 60% AMI. These rents are documented in the HACFL commitment. Upon completion of the rehabilitation of the 100 units, HACFL will enter into a HAP contract with the Borrower. Seltzer's recommendation is contingent upon receipt and satisfactory review, prior to loan closing, of a fully executed AHAP agreement consistent with the assumptions of this report. There is currently one (1) manager/employee unit in the 5-story tower. Utilities are based upon Broward County Utility Allowance charts for garden apartments and mid-rise (5 or more stories) with the residents paying electric and the owner paying water, sewer, trash and pest control. The rent roll is shown below:

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HMFA/County: Fort Lauderdale HMFA; Miami-Fort Lauderdale-Pompano Beach MSA/Broward County

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	5	440	30%	\$388			\$56	\$721	\$332	\$721	\$721	\$721	\$43,260
1.0	1.0	5	528	30%	\$388			\$56	\$721	\$332	\$721	\$721	\$721	\$43,260
1.0	1.0	55	440	60%	\$777			\$56	\$721	\$721	\$721	\$721	\$721	\$475,860
1.0	1.0	34	528	60%	\$777			\$56	\$721	\$721	\$721	\$721	\$721	\$294,168
1.0	1.0	1	528	60%	\$0			\$0		\$0	\$0	\$721	\$0	\$0
1.0	1.0	8	666	30%	\$388			\$58		\$330	\$330	\$330	\$330	\$31,680
1.0	1.0	67	666	60%	\$777			\$58		\$719	\$719	\$719	\$719	\$578,076
2.0	2.0	1	900	30%	\$466			\$68		\$398	\$398	\$398	\$398	\$4,776
2.0	2.0	9	900	60%	\$933			\$68		\$865	\$865	\$865	\$865	\$93,420
3.0	2.0	1	1082	30%	\$539			\$75		\$464	\$464	\$464	\$464	\$5,568
3.0	2.0	4	1082	60%	\$1,078			\$75		\$1,003	\$1,003	\$1,003	\$1,003	\$48,144
3.0	2.0	4	1212	60%	\$1,078			\$75		\$1,003	\$1,003	\$1,003	\$1,003	\$48,144
3.0	2.0	6	1214	60%	\$1,078			\$75		\$1,003	\$1,003	\$1,003	\$1,003	\$72,216
		200	124012											\$1,738,572

2. SMG projects Miscellaneous Income (i.e., Application Fees, Cancellation Fees, Late Fees, Forfeitures, Vending and Other Income) at \$5 per unit per month, which is consistent with Market Comparables and the Meridian Appraisal.
3. Washer/Dryer Rentals includes washer and dryer rental income from the 25 units that will have washer and dryer hook-ups. In addition, laundry income is included at \$10 per unit per month for the remaining 175 units without hook-ups.
4. A projected Vacancy Loss of 5.0% is supported by the Meridian Appraisal, with a Collection Loss Allowance at 2.0%.
5. Management Fees of 6% of Effective Gross Income are based upon the draft Property Management Agreement between Borrower and APC-Mgmt.
6. The cost of resident programs, if any, has been included in General and Administrative Costs.
7. Payroll expenses and marketing and advertising expenses are based on the Borrower's estimate and past performance of the HACFL properties.
8. SMG underwrites Replacement Reserves at \$316 per-unit per-year, based on \$300 per unit per year for the 100 newly constructed units plus \$331.37 per unit per year for the 100 rehabilitated units as required by GLE in the capital needs assessment.
9. Other Operating Expense projections are based upon Market Comparables, which are supported by the Meridian Appraisal.
10. A 15-year Income and Expense Projection reflecting income line items increasing at 2.00% per year and operating expense line items increasing at 3.00% per year is attached to this credit underwriting report as Exhibit 1.

SMG

Section B

Loan Conditions

HC Allocation Recommendation and Contingencies

JULY 23, 2015

Special Conditions

Seltzer Management Group, Inc. (“SMG” or “Seltzer”) SAIL recommendations are contingent upon review and approval of the following items by SMG and FHFC at least 30 days prior to loan closing. Failure to receive approval of these items within this time frame may result in postponement of the closing date.

1. A final PCA reflecting all feasible features and amenities are included in the new construction and rehabilitation units and an analysis of the construction costs and construction schedules as reflected in the most recent. Fully executed and dated construction contracts for new construction and rehabilitation.
2. A fully executed Fourth Amended and Restated Ground Lease Agreement with terms consistent with this credit underwriting report.
3. A fully executed Master Development Agreement.
4. A fully executed AHAP agreement consistent with the assumptions of this report.
5. A revised ESA from HAI or a signed certification from HAI identifying the correct parcel and advising of any RECs or other conditions associated with that parcel and the additional cost to mitigate those RECs or conditions.
6. An asbestos abatement plan for the remaining parcels that have asbestos contamination as reflected in the asbestos survey of the 4 sites for new construction at Northwest Gardens V.
7. Verification from FDEP and the EPGMD of closure of the tank removal from Sunnyreach Acres and verification of a no further action required status related to the former tank location; or an environmental insurance policy providing protection regarding the UST and its removal.
8. An abatement plan for the asbestos in the five-story building.
9. A final, fully executed Management Agreement and a written request from the Borrower that the selection of the management company, APC-Mgmt, for Northwest Gardens V is approved by FHFC Asset Management.

General Conditions

Seltzer’s SAIL recommendations are contingent upon review and approval of the following items by SMG and FHFC at least 30 days prior to loan closing. Failure to receive approval of these items within this time frame may result in postponement of the closing date.

1. Borrower to comply with any and all recommendations noted in the GLE PCA for Northwest Gardens V.

2. Signed and sealed survey, dated within 90 days of closing, unless otherwise approved by FHFC and its legal counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to FHFC and its legal counsel, as well as the title insurance company, and shall indicate the legal description, exact boundaries of the subject development, easements, utilities, roads, and means of access to public streets, total acreage and flood hazard area, and any other requirements of FHFC.
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 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 Loan Servicer. A detailed calculation of construction interest based upon 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. 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, 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 FHFC as Loss Payee/Mortgagee, with coverages, deductibles and amounts satisfactory to FHFC.
8. If the development is not 100% lien-free completed at the time of initial SAIL Loan funding, 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 Loan 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 the Loan Servicer and to FHFC and its legal counsel.
11. Satisfactory resolution of any outstanding past due or noncompliance items.
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).
13. At all times there will be undisbursed loan funds (collectively held by FHFC, the first lender and any other source) sufficient to complete the development. If at any time there are not sufficient funds to complete the development, the Borrower will be required to expend additional equity on development costs or to deposit additional equity with FHFC which is sufficient (in Florida Housing's judgment) to complete the development before additional loan funds are disbursed. This condition specifically includes escrowing at closing all equity necessary to complete construction or another alternative acceptable to FHFC in its sole discretion.
14. Final "as permitted" (signed and sealed) site plans, building plans and specifications. The geotechnical report, if any, must be bound within the final plans and specifications.

Seltzer's recommendations are contingent upon the review and approval of the following items by FHFC and its legal counsel at least 30 days prior to 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 FHFC, prepared within 90 days of closing, unless otherwise approved by FHFC 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 SAIL and ELI Gap loans 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 SAIL Program Loans have been satisfied.
6. Evidence of general liability, flood (if applicable), builder's risk, and replacement cost hazard insurance (as certificate 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 Applicant's legal counsel acceptable to FHFC 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.
 - 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 subject development is subject to the Borrower's Partnership Agreement.
 - e. Such other matters as Florida Housing or its legal counsel may require.
8. Evidence of compliance with local concurrency laws.
9. UCC Searches for the Borrower and its partnerships, as requested by legal counsel.
10. Such other assignments, affidavits, certificates, financial statements, closing statements, and other documents as may be reasonably requested by FHFC or its legal counsel in form and substance acceptable to FHFC and its legal counsel, in connection with the loan(s).
11. Any other reasonable conditions established by FHFC and its legal counsel.

Additional Conditions

Seltzer's SAIL / ELI Gap program recommendations are 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. Development and execution by the Borrower of the required Memorandum of Understanding (“MOU”) with a designated Special Needs Household Referral Agency to assist Special Needs Households as outlined in Section Four A.5.b.(2)(c). of the RFA.
3. Acceptance by the Borrower and execution of all documents evidencing and securing the MMRB Loan and first mortgage Loan, SAIL and ELI Gap 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 Loan Income Housing Agreement(s).
4. If MMRB, SAIL or ELI Gap 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.
5. If applicable, receipt and satisfactory review of Financial Statements from all Guarantors dated within 90 days of loan closing.
6. Guarantors are to provide the standard FHFC Construction Completion Guarantee, to be released upon lien free completion as approved by the Servicer.
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 Revenue 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 (3) 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. Operating Deficit Reserves (“ODR”) in the amount of \$381,244 will be permitted within the Borrower’s budget. The calculation of developer fee will be exclusive of the budget ODR. Upon expiration of the ODR, the balance in the reserve will be used to pay down any other FHFC administered loan debt, if any, and if there is no FHFC administered loan debt, then the balance of the ODR shall be deposited into the subject’s Replacement Reserve Account for the proposed development. In no event shall the remaining balance in said ODR be paid to the Applicant or Developer..

11. A mortgagee title insurance lender's policy naming FHFC as the insured second and third mortgage holder in the amount of the Loan(s) is to be issued immediately after closing. Any exceptions to the title insurance policy must be acceptable to FHFC 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 loan closing.
12. Property tax and hazard insurance escrows are to be established and maintained by the first mortgage lender or the loan 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.
13. Replacement Reserves in the amount of \$316 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 or Florida Housing's loan servicing agent. However, Borrower has the option to prepay Replacement Reserves. New construction developments shall not be allowed to draw during the first five (5) years or until the establishment of a minimum balance equal to the accumulation of five (5) years of replacement reserves per unit. Per the first mortgagee, the reserve shall be increased annually by the lesser of three percent (3%) or the CPI beginning no later than the year the first residential building receives a certificate of occupancy, a temporary certificate of occupancy, or is placed in service, whichever is earlier ("Initial Replacement Date").
14. GLE, or other construction inspector acceptable for FHFC, is to act as Florida Housing's inspector during the construction period.
15. 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.
16. Satisfactory completion of a pre-loan closing compliance audit conducted by Florida Housing or its Loan Servicer, if applicable.
17. Closing of the MMRB first mortgage loan prior to or simultaneous with the closing of the SAIL and ELI Gap loans.
18. Any other reasonable requirements of the Loan Servicer, FHFC or its legal counsel.

Housing Credit Allocation Recommendation

SMG recommends a preliminary annual Housing Credit (“HC”) allocation of \$1,067,851. Please see the HC Allocation Calculation section of this report for further details.

Contingencies

Seltzer’s annual HC allocation recommendation is contingent upon the receipt and satisfactory review of the following items by SMG and FHFC 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, if applicable.
2. Receipt and satisfactory resolution of any outstanding past due or noncompliance items.
3. Any reasonable requirements of FHFC and/or SMG.

Exhibit 1
Northwest Gardens V
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
OPERATING PRO FORMA																
INCOME	Gross Potential Rental Income	\$1,738,572	\$1,773,343	\$1,808,810	\$1,844,987	\$1,881,886	\$1,919,524	\$1,957,914	\$1,997,073	\$2,037,014	\$2,077,754	\$2,119,310	\$2,161,696	\$2,204,930	\$2,249,028	\$2,294,009
	Rent Subsidy (ODR)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Other Income:															
	Ancillary Income-Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Miscellaneous	\$12,000	\$12,240	\$12,485	\$12,734	\$12,989	\$13,249	\$13,514	\$13,784	\$14,060	\$14,341	\$14,628	\$14,920	\$15,219	\$15,523	\$15,834
	Washer/Dryer Rentals	\$24,000	\$24,480	\$24,970	\$25,469	\$25,978	\$26,498	\$27,028	\$27,568	\$28,120	\$28,682	\$29,256	\$29,841	\$30,438	\$31,047	\$31,667
	Cable/Satellite Income	\$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
	Alarm Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Gross Potential Income	\$1,774,572	\$1,810,063	\$1,846,265	\$1,883,190	\$1,920,854	\$1,959,271	\$1,998,456	\$2,038,425	\$2,079,194	\$2,120,778	\$2,163,193	\$2,206,457	\$2,250,586	\$2,295,598	\$2,341,510
	Less:															
	Economic Loss - Percentage:															
	Physical Vacancy Loss - Percentage: 5.0%	(\$88,729)	(\$90,503)	(\$92,313)	(\$94,160)	(\$96,043)	(\$97,964)	(\$99,923)	(\$101,921)	(\$103,960)	(\$106,039)	(\$108,160)	(\$110,323)	(\$112,529)	(\$114,780)	(\$117,076)
Collection Loss - Percentage: 2.0%	(\$17,746)	(\$36,201)	(\$36,925)	(\$37,664)	(\$38,417)	(\$39,185)	(\$39,969)	(\$40,769)	(\$41,584)	(\$42,416)	(\$43,264)	(\$44,129)	(\$45,012)	(\$45,912)	(\$46,830)	
Total Effective Gross Revenue	\$1,668,098	\$1,683,359	\$1,717,026	\$1,751,367	\$1,786,394	\$1,822,122	\$1,858,564	\$1,895,736	\$1,933,650	\$1,972,323	\$2,011,770	\$2,052,005	\$2,093,045	\$2,134,906	\$2,177,604	
EXPENSES	Fixed:															
	Ground Lease	\$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	
	Real Estate Taxes	\$144,194	\$148,520	\$152,975	\$157,565	\$162,292	\$167,160	\$172,175	\$177,340	\$182,661	\$188,140	\$193,785	\$199,598	\$205,586	\$211,754	\$218,106
	Insurance	\$106,000	\$109,180	\$112,455	\$115,829	\$119,304	\$122,883	\$126,570	\$130,367	\$134,278	\$138,306	\$142,455	\$146,729	\$151,131	\$155,665	\$160,335
	Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Variable:															
	Management Fee - Percentage: 6.0%	\$100,086	\$101,002	\$103,022	\$105,082	\$107,184	\$109,327	\$111,514	\$113,744	\$116,019	\$118,339	\$120,706	\$123,120	\$125,583	\$128,094	\$130,656
	General and Administrative	\$80,000	\$82,400	\$84,872	\$87,418	\$90,041	\$92,742	\$95,524	\$98,390	\$101,342	\$104,382	\$107,513	\$110,739	\$114,061	\$117,483	\$121,007
	Payroll Expenses	\$178,096	\$183,439	\$188,942	\$194,610	\$200,449	\$206,462	\$212,656	\$219,036	\$225,607	\$232,375	\$239,346	\$246,527	\$253,922	\$261,540	\$269,386
	Utilities	\$165,000	\$169,950	\$175,049	\$180,300	\$185,709	\$191,280	\$197,019	\$202,929	\$209,017	\$215,288	\$221,746	\$228,399	\$235,251	\$242,308	\$249,577
	Marketing and Advertising	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Maintenance and Repairs	\$70,000	\$72,100	\$74,263	\$76,491	\$78,786	\$81,149	\$83,584	\$86,091	\$88,674	\$91,334	\$94,074	\$96,896	\$99,803	\$102,797	\$105,881
	Grounds Maintenance and Landscaping	\$60,000	\$61,800	\$63,654	\$65,564	\$67,531	\$69,556	\$71,643	\$73,792	\$76,006	\$78,286	\$80,635	\$83,054	\$85,546	\$88,112	\$90,755
	Resident Programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Contract Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Security	\$115,000	\$118,450	\$122,004	\$125,664	\$129,434	\$133,317	\$137,316	\$141,435	\$145,679	\$150,049	\$154,550	\$159,187	\$163,963	\$168,881	\$173,948
	Other:	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Reserve for Replacements	\$63,200	\$65,096	\$67,049	\$69,060	\$71,132	\$73,266	\$75,464	\$77,728	\$80,060	\$82,462	\$84,936	\$87,484	\$90,108	\$92,811	\$95,596
Total Expenses	\$1,081,576	\$1,111,936	\$1,144,284	\$1,177,583	\$1,211,859	\$1,247,143	\$1,283,464	\$1,320,853	\$1,359,341	\$1,398,961	\$1,439,747	\$1,481,732	\$1,524,953	\$1,569,446	\$1,615,248	
Net Operating Income	\$586,522	\$571,423	\$572,742	\$573,784	\$574,535	\$574,979	\$575,100	\$574,883	\$574,309	\$573,362	\$572,023	\$570,273	\$568,093	\$565,461	\$562,356	
DEBT SERVICE	Debt Service Payments															
	First Mortgage	\$418,362	\$418,362	\$418,362	\$418,362	\$418,362	\$418,362	\$418,362	\$418,362	\$418,362	\$418,362	\$418,362	\$418,362	\$418,362	\$418,362	\$418,362
	Second Mortgage	\$60,178	\$60,178	\$60,178	\$60,178	\$60,178	\$60,178	\$60,178	\$60,178	\$60,178	\$60,178	\$60,178	\$60,178	\$60,178	\$60,178	\$60,178
	Third Mortgage	\$9,632	\$9,632	\$9,632	\$9,632	\$9,632	\$9,632	\$9,632	\$9,632	\$9,632	\$9,632	\$9,632	\$9,632	\$9,632	\$9,632	\$9,632
	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	
Total Debt Service Payments	\$488,172	\$488,172	\$488,172	\$488,172	\$488,172	\$488,172	\$488,172	\$488,172	\$488,172	\$488,172	\$488,172	\$488,172	\$488,172	\$488,172	\$488,172	
Cash Flow After Debt Service	\$98,350	\$83,251	\$84,570	\$85,612	\$86,363	\$86,807	\$86,928	\$86,711	\$86,137	\$85,190	\$83,851	\$82,101	\$79,921	\$77,289	\$74,185	
Debt Service Coverage Ratios																
DSC - First Only (incl. Negative Arbitrage)	1.402	1.366	1.369	1.372	1.373	1.374	1.375	1.374	1.373	1.370	1.367	1.363	1.358	1.352	1.344	
DSC - First and Second	1.226	1.194	1.197	1.199	1.201	1.202	1.202	1.201	1.200	1.198	1.195	1.192	1.187	1.182	1.175	
DSC - First, Second and Third	1.201	1.171	1.173	1.175	1.177	1.178	1.178	1.178	1.176	1.175	1.172	1.168	1.164	1.158	1.152	
DSC - First, Second, Third, and Fourth	1.201	1.171	1.173	1.175	1.177	1.178	1.178	1.178	1.176	1.175	1.172	1.168	1.164	1.158	1.152	
DSC - First, Second, Third, Fourth, and Fifth	1.201	1.171	1.173	1.175	1.177	1.178	1.178	1.178	1.176	1.175	1.172	1.168	1.164	1.158	1.152	
DSC - All Other Mortgages	1.201	1.171	1.173	1.175	1.177	1.178	1.178	1.178	1.176	1.175	1.172	1.168	1.164	1.158	1.152	
DSC - All Mortgages and Fees	1.201	1.171	1.173	1.175	1.177	1.178	1.178	1.178	1.176	1.175	1.172	1.168	1.164	1.158	1.152	
Financial Ratios																
Operating Expense Ratio	64.8%	66.1%	66.6%	67.2%	67.8%	68.4%	69.1%	69.7%	70.3%	70.9%	71.6%	72.2%	72.9%	73.5%	74.2%	
Break-Even Ratio	88.5%	88.4%	88.4%	88.5%	88.5%	88.6%	88.7%	88.7%	88.9%	89.0%	89.1%	89.3%	89.4%	89.6%	89.8%	

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A. The Development will consist of:

200 Garden Apartments located in 7 residential buildings.

Unit Mix:

One-hundred seventy-five (175) one bedroom/one bath units;

Ten (10) two bedroom/two bath units; and

Fifteen (15) Three bedroom/two bath units;

200 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 (20 inch only – 30 inch range not feasible) 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

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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 new construction units must include the following Green Building Features:
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

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- 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. _X_ Programmable thermostat in each unit (2 points)
 2. _X_ Humidistat in each unit (shown in new construction only) (2 points)

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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. X 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:

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- 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. Literacy Training – Applicant or its Management Company must make available, at no cost to the resident, literacy tutor(s) who will provide weekly literacy lessons to residents in private 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. 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.
 - 3. 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

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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.

COMPLETENESS AND ISSUES CHECKLIST

DEVELOPMENT NAME: Northwest Gardens V

DATE: July 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").	Unsatis.	1
5. Survey.	Satis.	
6. Complete, thorough soil test reports.	Satis.	
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.	

SAIL, ELI AND HC PROGRAMS CREDIT UNDERWRITING REPORT

SMG

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 agent.	Satis.	
12. Credit authorizations; verifications of deposits and mortgage loans.	Satis.	
13. Management Agreement and Management Plan.	Unsatis.	2
14. Firm commitment from the credit enhancer or private placement purchaser, if any.	Satis.	
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 July 10, 2015 PCA analysis of costs is not based on the final executed construction contracts and reflects that the following features and amenities are not included in the plans and specifications:
 - a. Programmable thermostat in each unit
 - b. Humidistat in each unit (shown in new construction only)
 - c. Energy Star qualified refrigerators (shown in new construction units only)
 - d. 40 gallon electric water heater with a minimum .93 EF (included in new construction units only – the units to be rehabilitated have an existing boiler with 645,000 Btu/h 85% Et)
 - e. Energy Star qualified ceiling fans with lighting fixtures in the bedrooms (shown in new construction units only)
 - f. In unit air conditioning: minimum 14 SEER (provided in new construction units only – PTACs in existing building)

- g. Fifteen percent of all new construction units must have roll-in showers (only 14 of the 100 new construction units reflect a roll-in shower)
- h. In at least one of the kitchen's bottom kitchen or base cabinets, there shall be a large drawer that has full extension drawer slides

Applicant's Response: A final PCA reflecting the most recent executed construction contracts and reflecting all feasible committed features and amenities are included will be provided. Seltzer's recommendation is contingent upon receipt and satisfactory review, prior to loan closing, of a final PCA reflecting all feasible features and amenities are included in the new construction and rehabilitation units and an analysis of the construction costs and construction schedules as reflected in the most recent fully executed and dated construction contracts for new construction and rehabilitation.

- 2. The management agreement and management plan provide by the Borrower are unexecuted drafts with no dates.

Applicant's Response: A final, fully executed and dated management plan and management agreement will be provided at loan closing. Seltzer's recommendation is conditioned upon receipt and satisfactory review, prior to loan closing of a final, fully executed and dated management plan and management agreement.

HC Allocation Calculation

Section I: Qualified Basis Calculation	
Development Cost	\$28,554,318
Less Land Cost	(\$2,200,000)
Less Federal Funds	\$0
Less Other Ineligible Cost	(\$2,194,798)
Less Disproportionate Standard	\$0
Total Eligible Basis	\$24,159,520
Applicable Fraction	100.00%
DDA/QCT Basis Credit	130.00%
Qualified Basis	\$31,407,376
Housing Credit Percentage	3.40%
Annual Housing Credit Allocation	\$1,067,851

Notes to the Qualified Basis Calculation:

1. Other Ineligible Costs primarily consist of FHFC application, administration and compliance monitoring fees and HC compliance fees, permanent loan origination and closing fees, and portions of title insurance and recording fees plus soft cost contingency.
2. Seltzer notes that the Borrower's HC Application does not reflect a request for any acquisition HC.
3. Applicant committed to a set aside of 100%. SMG therefore utilizes an Applicable Fraction of 100.00%.
4. The subject development is located in a Qualified Census Tract (120099002200). A 130.00% Basis Credit has therefore been utilized.
5. Per Florida Housing Rule, 15 basis points are added to the HC percentage of 3.25% reported as of the August 2014 date of invitation to credit underwriting. For purposes of this report, a HC Credit Percentage of 3.40% is applied.

Section II: Gap Calculation	
Total Development Cost (Including Land and Ineligible Costs)	\$28,554,318
Less Mortgages	(\$16,460,000)
Less Grants	\$0
Equity Gap	\$12,094,318
Percentage to Investment Partnership	99.990%
HC Syndication Pricing	\$1.1200
HC Required to Meet Gap	\$10,799,578
Annual HC Required	\$1,079,958

Notes to the Gap Calculation:

1. Mortgages are the \$6,500,000 Housing Finance Authority of Broward County permanent MMRB first mortgage loan, the \$4,960,000 FHFC SAIL second mortgage loan, the \$1,500,000 FHFC SAIL/ELI third mortgage loan and the HACFL fourth mortgage in the amount of \$3,500,000.
2. HC Syndication Pricing and Percentage to Investment Partnership are based upon an April 29, 2015 Letter of Interest ("LOI") from BOAML.

Section III: Tax-Exempt Bond 50% Test	
Total Depreciable Cost	\$24,159,520
Plus Land Cost	\$2,200,000
Aggregate Basis	\$26,359,520
Tax-Exempt Bond Amount	\$14,000,000
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	\$14,000,000
Proceeds Divided by Aggregate Basis	53.11%

Notes to 50% Test:

SMG estimates the Housing Finance Authority of Palm Beach County MMRB loan amount to be 53.11% of depreciable development costs plus land acquisition costs. If, at the time of Final Cost Certification, the Tax Exempt MMRB loan 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.

Section IV: Summary	
HC per Qualified Basis	\$1,067,851
HC per Gap Calculation	\$1,079,958
Annual HC Recommended	\$1,067,851

Notes to the Summary:

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