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September 2, 2015

VIA EMAIL

Mr. Todd Fowler
Florida Housing Finance Corporation
227 North Bronough Street
Tallahassee, Florida 32301

Re: Metro Place (HC #1997L-049/Demo Loan) – First Mortgage Restructuring/Subordination of HC ELIHA, Demo Loan LURA and Demo Loan Documents/Renegotiation of Demo Loan Terms/Release of Guarantor

Re: Metro Place II (HC #1998-505C/SAIL #1998-051S) - First Mortgage Restructuring/ Subordination of HC ELIHA, SAIL LURA and SAIL Documents/ Renegotiation of SAIL Terms/Release of Guarantor

Dear Mr. Fowler:

On your behalf, Seltzer Management Group, Inc. (“SMG”, “Seltzer” or “Servicer”) has reviewed two individual requests, both dated June 30, 2015, from a representative of Metro Place, Ltd. and Metro Place II, Ltd. (“Borrowers” or “MP” and “MPII”) for Florida Housing Finance Corporation (“FHFC” or “Florida Housing”) to approve the restructuring of the existing first mortgage(s); consent to the subordination and modification of the State Apartment Incentive Loan (“SAIL”) Documents, SAIL Land Use Restriction Agreement (“LURA”) for MPII; consent to the subordination and modification of the DEMO Loan LURA and Demo Loan documents for MP; consent to the subordination of the Extended Low Income Housing Agreement (“ELIHA”) for both properties; and renegotiate the SAIL and Demo Loans’ interest rate to one percent (1.0%) with mandatory (not subject to available cash flow) annual hard payments based on a 15-year amortization period for MP Demo Loan and a 25-year amortization period for MPII SAIL. In addition, the Borrowers have requested Eileen L. Vogt be released as a guarantor on all Guarantees for MP and MPII.

The Borrower proposes to replace the existing, variable rate, short term first mortgages with one fixed rate, long term first mortgage encumbering both MP and MPII. The restructuring will require execution of Subordination Agreements by MP and MPII and renegotiation of MP Demo Loan and MPII SAIL terms to reflect repayment terms consistent with the terms outlined above, all of which require FHFC Board approval.

For the purposes of this analysis, SMG has reviewed the following:

1. MP Housing Credit (“HC”) Underwriting Report (“CUR”), dated September 30, 1997, and Demo Loan CUR, dated November 24, 1998.
2. MP Transfer of Partnership Interests Recommendation Letter, dated July 6, 2006.
3. MP Refinancing Recommendation Letter, dated August 21, 2014
4. MP Demo Loan Promissory Note, Mortgage Security Agreement, LURA, and Disbursement Agreement, all dated May 21, 1999, First Global Modification and Amendment, dated May 21, 1999, and Assignment, Assumption and Affirmation Agreement, dated December 31, 2006
5. MP ELIHA, dated April 19, 1999, and First Amendment, dated May 19, 2009

6. MP Annual Management Review and Physical Inspection, dated March 11, 2015
7. MPII CUR, dated November 24, 1998
8. MPII Transfer of Partnership Interests Recommendation Letter, dated July 6, 2006.
9. MPII Refinancing Recommendation Letter, dated August 27, 2014
10. MPII SAIL Promissory Note, Mortgage Security Agreement, LURA, and Construction Loan Agreement, all dated March 22, 1999, First Amended and Restated Promissory Note, dated March 10, 2003, Second Amended and Restated Promissory Note, dated November 25, 2014, and Assignment, Assumption and Affirmation Agreement, dated December 31, 2006
11. MPII ELIHA, dated April 19, 1999
12. MPII Annual Management Review and Physical Inspection, dated December 16, 2014
13. Borrowers' Audited Financial Statements for years ended December 31, 2013 and 2014
14. FHFC Occupancy Reports
15. FHFC Past Due Report, dated June 30, 2015
16. FHFC Noncompliance Report, dated June 30, 2015
17. Borrower's Source and Use of Funds Schedule
18. An Application for Financing and associated term sheet to Centerline Mortgage Capital, Inc. ("Centerline") a wholly owned subsidiary of Hunt Mortgage Group, LLC ("Hunt"), dated April 20, 2015
19. Appraisal Report, dated May 15, 2015, prepared by CBRE, Inc. ("CBRE"), of Orlando, Florida.
20. Personal Financial Statements, dated June 30, 2015, and credit reports, dated May 26, 2015, for Louis E. Vogt and Scott Zimmerman.

In addition, SMG has had various conversations with FHFC staff and the Borrowers' representatives concerning the requests described above.

Our findings are as follows:

Background

MP and MPII, both single asset entities, represent Phases I and II, respectively, of the Metro Place Apartment community located at 907 South Kirkman Road, Orlando, Orange County, Florida. Both phases are operated as one property.

MP

MP is a 288-unit family development with 14 garden-style residential buildings and an office/clubhouse. The subject development was originally financed with a conventional first mortgage loan and HC Equity proceeds. Construction commenced in late 1997 and was completed in early 1999. In addition, the development received a $3,000,000 FHFC Demo Loan that closed May 21, 1999, for the construction of a 10,000 square foot community center located on the subject site and adjacent to MPII. MP and MPII operate as one community under various reciprocal use agreements. Tenants from both phases have access to the community center.

HC set-asides are 15% of the units (44 units) at 35% or less of Area Median Income ("AMI") and 85% of the units (remaining units) at 60% or less of AMI for 50 years.

The Demo Loan LURA requires that the Community Center (a) be held in title by a Non Profit Corporation, (b) be operated by a community board of advisors with strong representation from minority community leaders, and (c) not be used for any commercial purpose other than day care for approximately 140 children and tutorial for math and reading (not to exceed 5,000 square feet), business incubator space and headquarters for the Non Profit Corporation (not to exceed 2,000 square feet), and offices for general practice physicians (not to exceed 3,000 square feet), for a period of 50 years.

The subject development was acquired by Principal Owners, Lou Vogt and Scott Zimmerman, on December 31, 2006.

The existing first mortgage loan in the original amount of $8,600,000 is held by Wells Fargo Bank, N.A. (“Wells”). Per the December 31, 2014 Audit Report, the balance of the Wells loan was $8,570,000 as of that date. The loan bears interest at a variable rate equal to the One-Month LIBOR plus 2.10% per annum and requires monthly interest payments of $15,000 until maturity on October 7, 2017, at which time all outstanding principal and interest are due.

The FHFC Demo Loan is subordinated to the Wells loan. The Demo Loan has a balance of $1,500,000 as of December 31, 2014, per the Audit Report. Interest accrues at 3.00% and is payable annually, with accrued interest and principal due at maturity, May 31, 2019.

The Principals and related party entities are not reported on Florida Housing’s Past Due Report, dated June 30, 2015, or Asset Management Noncompliance Report, dated June 30, 2015.

As of May 31, 2015, occupancy was reported at 100%. Seltzer’s Annual Management Review and Physical Inspection dated March 11, 2015, was deemed satisfactory requiring no written response.

<u>MPII</u>

Metro Place II is a 248-unit family development with 12 garden-style residential buildings. The subject development was originally financed with an Orange County Housing Finance Authority Multifamily Mortgage Revenue Bond (“MMRB” or “Bonds”) first mortgage loan, SAIL and HC Equity proceeds. The SAIL, in the amount of $2,500,000, closed on March 22, 1999. Construction commenced in mid-1998 and was completed in late 1999. HC and SAIL set-asides are 90% of the units (224 units) at 60% or less of AMI for 50 years. SAIL set-asides also include a Special Target Group requiring that 10% of the units be set-aside for homeless tenants.

The subject development was acquired by Principal Owners, Lou Vogt and Scott Zimmerman, on December 31, 2006.

The existing first mortgage loan in the original amount of $7,650,000 is also held by Wells. Per the December 31, 2014 Audit Report, the balance of the Wells loan was $7,637,000 as of that date. The loan bears interest at a variable rate equal to the One-Month LIBOR plus 2.10% per annum and requires monthly interest payments of $13,000 until maturity on November 24, 2017, at which time all outstanding principal and interest are due.

The SAIL is subordinated to the Wells first mortgage loan. The SAIL has a balance of $2,500,000 as of December 31, 2014 per the Audit Report. Terms of the SAIL include an April 30, 2031, maturity and a base interest rate of 3% which is payable annually, based on available cash flow. There is no principal amortization. All accrued interest and principal are due at maturity. Annual payment of all applicable fees is required.

Per the First Global Modification and Amendment to the underlying SAIL documents which primarily effectuated the SAIL terms from a 9% cash flow note to a 3% cash flow note, the Borrower agreed to pay accrued 3% base interest in the amount of $1,000,988 in five annual installments of $200,198. The initial installment has been paid and the remaining balance of $800,791 will be paid in conjunction with the proposed restructuring.

As discussed above, the Principals and related party entities are not reported on Florida Housing’s June 30, 2015, Past Due Report or its June 30, 2015, Asset Management Noncompliance Report.

As of May 31, 2015, occupancy was reported at 99%. Seltzer’s Annual Management Review and Physical Inspection dated March 12, 2015, was deemed satisfactory requiring no written response.

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Restructuring Overview

The Borrowers have proposed that both first mortgages be refinanced with one note and mortgage with two Borrowers of record, MP and MPII. Payments due under the note would be allocated pro rata based on the number of units for each individual property.

SMG has received and reviewed a financing term sheet from Centerline, a Fannie Mae DUS lender, for first mortgage financing in an amount up to $17,521,000. Anticipated loan terms include a principal balance of $17,120,000, monthly principal and interest payments based upon a fixed interest rate and a 30-year amortization period. The interest rate will be locked concurrent with or prior to closing based on the 10-year Treasury Bond yield plus a spread of 1.51%. Based on current interest rates, the “all in” rate would be 3.70%. To account for potential interest rate fluctuations SMG has utilized an interest rate assumption of 4.0% for purposes of making annual debt serve calculations below. The term of the loan will be 10 years.

Fannie Mae conditions will require that FHFC execute Subordination Agreements of the Demo and SAIL loans and extend the Demo loan term to be coterminous with the new first mortgage plus 90 days past the maturity of the Fannie Mae loan. Fannie Mae also requires certain subordinate loan document amendments to conform to Fannie Mae standards. The SAIL and Demo loan LURA(s) and ELIHA(s) must also be subordinated, as applicable, to certain Fannie Mae documents.

SMG has calculated that the annual debt service for the refinanced first mortgage loan will be $980,802 based upon the anticipated loan amount of $17,120,000, an interest rate of 4%, and a 30-year amortization period.

In connection with the proposed restructuring, the Borrowers have requested that the interest rate for the Demo and SAIL loans be renegotiated to 1% interest rate with mandatory (not subject to available cash flow) hard payments based on a 15-year amortization period for the Demo loan and a 25-year amortization period for the SAIL loan. In addition, the Demo Loan term maturity will be extended to 90-days past the maturity of the new first mortgage or approximately December 2025 assuming a September 2015 closing. Assuming December 31, 2014 principal balances, annual principal and interest payments for the Demo and SAIL loans will be $107,729 and $113,062, respectively, both totaling $220,791. Net Operating Income (“NOI”) for the year ended December 31, 2014, for MP and MPII was $855,096 and $775,877, respectively, and totaling $1,630,973. The resulting combined (restructured first and renegotiated Demo and SAIL loans) debt service coverage ratio is calculated at 1.36 to 1.00.

The CBRE appraisal concludes an “as is” restricted value for MP and MPII of $30,900,000 which results in a combined Loan to Value (“LTV”) of 51.60%.

Overall Sources and Uses of Funds

The Borrower has provided SMG with an estimate of the overall sources and uses of funds:

New 1st Mortgage Loan	$17,120,000
Borrower Equity	$ 92,049
Total Sources	$17,212,049
Existing 1st Mortgage payoff	$16,067,000
Deferred SAIL Interest	$ 800,791
Accrued SAIL Interest	$ 56,096
Accrued Demo Interest	$ 11,362
SAIL Renegotiation Fee	$ 12,500
Demo Renegotiation Fee	$ 7,500
Financing and Closing Costs	$ 256,800
Total Uses	$17,212,049

Accrued SAIL and Demo loan interest has been estimated as of September 30, 2015. First mortgage loan payoff, financing and closing costs are based on estimates provided by the Borrowers which appear reasonable at this time.

Guarantor Removal

The Borrowers have requested that Eileen L. Vogt be removed as Guarantor under the Operating Deficit Guarantee, Guarantee of Non-Recourse Obligations and Environmental Indemnity (collectively, the "Guarantees") for MP and MPII, as applicable. Assuming approval, the remaining individual Guarantors for the Guarantees will be Louis E. Vogt and Scott Zimmerman.

SMG has reviewed personal financial statements and credit reports for Mr. Vogt and Mr. Zimmerman. SMG reviewed Mr. Vogt's and Mr. Zimmerman's personal financial statements and found them to be satisfactory. Their credit reports contain no adverse information and reflect satisfactory credit history. SMG concludes that the remaining individual Guarantors, Mr. Vogt and Mr. Zimmerman, have the prerequisite financial strength to provide meaningful Guarantees. Accordingly, SMG recommends that FHFC approve the removal of Eileen Vogt as a Guarantor under the various Guarantee agreements.

Summary and Recommendation

Seltzer concludes the restructuring of the first mortgage loan meets FHFC underwriting standards and notes that the payment of deferred SAIL interest totaling $800,000 will be accelerated.

Therefore, SMG recommends that FHFC consent to and approve the restructuring of the existing first mortgage loans (in an amount up to $17,120,000), subordination of the MP Demo Documents, Demo LURA, MPII SAIL Documents, SAIL LURA and the ELIHA(s), as applicable, to the new first mortgage loan, and extension of the MP Demo term to be coterminous with the new first mortgage plus 90-days past the maturity of the new first mortgage, all of which meet the requirements of the new first mortgage lender, and renegotiation of the Demo and SAIL Loans interest rate to 1% with mandatory (not subject to available cash flow) annual hard payments based on a 15-year amortization period for the MP Demo loan and 25-year amortization period for the MP II SAIL and extension of the MP Demo LURA affordability period by a length of time equal to the extension of the Demo loan term and modification of any other loan documents as required to effectuate the refinancing. In addition, SMG recommends that FHFC approve the release of Eileen Vogt as Guarantor under the various Guarantor agreements.

These recommendations are subject to the following:

- Review of final first mortgage loan terms and confirmation that FHFC underwriting standards have been met
- Payment of outstanding Demo loan accrued interest for MP, as determined by Servicer and FHFC
- Payment of outstanding SAIL accrued interest for MPII, as determined by Servicer and FHFC
- Payment of outstanding deferred SAIL interest for MPII
- 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 67-48.0075 (5) F.A.C., of an Applicant or a Developer)
- Receipt of a non-refundable renegotiation fee for MP equal to one-half of one percent of the Demo Loan principal amount on the date of the closing
- Receipt of a non-refundable renegotiation fee for MPII equal to one-half of one percent of the SAIL principal amount on the date of the closing
- Consent of each HC equity provider, as applicable
- Review and approval of all loan documents consistent with the terms outlined above by Florida Housing and it's legal counsel

- Prepayment of any required compliance monitoring fees and servicing fees, as applicable
- Confirmation of refinancing fees and closing costs prior to closing
- Satisfactory resolution of any noncompliance or past due items
- New permanent loan servicing and compliance fees on extended Demo LURA for MP
- Extension of the MP Demo LURA affordability period by a length of time equal to the extension of the Demo loan term
- Any other requirement of FHFC, its legal counsel and servicer

I hope this correspondence has been helpful and please do not hesitate to contact me if I can be of further assistance.

Sincerely,

SELTZER MANAGEMENT GROUP, INC.

Benjamin S. Johnson
President