

FHFC II, INC

Action

I. FHFC II

A. Ratification of the Execution of the Purchase and Sale Agreement for Sarah's Place Apartments (aka: Luna Dulce Apartments)

1. Background

- a) Worthwhile Development II, Ltd. d/b/a Sarah's Place apartments ("Sarah's Place") is a 330-unit multifamily development located in southern Lake County, in the town of Clermont, off Highway 27, approximately two (2) miles north of the Orange County line. The property was financed with FHFC bonds, 1997 Series I1 & I2, and an allocation of 4% housing credits. The Guarantee Program and HUD (through a Risk-Sharing agreement) guaranteed the first mortgage.
- b) On September 11, 2009, the Guarantee Program filed an Application for Initial Claim Payment with HUD on Sarah's Place, and on October 16, 2009, filed for foreclosure in the 5th Circuit Court in Lake County, case number 2009-CA-6106.
- c) Final summary judgment was granted on April 15, 2010. A foreclosure sale date was set for June 10, 2010. FHFC was the winning bidder at the foreclosure sale and a certificate of title was issued to FHFC II, Inc. on June 23, 2010.
- d) Following established protocol, Sarah's Place was listed for sale via competitive bid process with Marcus & Millichap. A total of 18 bids were received. On September 16, 2010, after Marcus & Millichap vetted the offerors, Marcus & Millichap submitted the best and final offers from the following offerors:
 - (1) Aspen Square Management
 - (2) Bascom Group
 - (3) Convergent Capital Partners
 - (4) Coronado Realty Advisors
 - (5) ECI Group
 - (6) HKSK Corporation
 - (7) McArthur Properties
 - (8) Progressive Capital
 - (9) Strategic Realty Capital
- e) Staff met September 16, 2010 to select top bidders and formulate a Board recommendation for approval of the sale. The following two entities were selected (a primary and, should negotiations fail with the primary, a secondary offeror):

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(1) Primary:

Coronado Realty Advisors - Based upon their \$10,000,000 offer, including a \$1,000,000 upfront earnest money deposit, seven (7) day deadline for due diligence and projected closing seven (7) days thereafter, with no extensions, cash on hand to close the transaction without financing, as well as Marcus & Millichap's and Florida Housing's financial advisor's favorable recommendation.

(2) Secondary:

HKSK Corporation – Based on their \$10,100,000 offer, including \$1,200,000 upfront earnest money deposit, 30 days due diligence and projected closing on or before October 26, 2010, with no extensions, and proof of cash on hand to close the transaction without financing, as well as Marcus & Millichap's and Florida Housing's financial advisor's favorable recommendation.

- f) Pursuant to Board Resolution 2010-002 dated January 22, 2010, the Board delegated authority to the Chair or Vice Chair, with the advice of Florida Housing's financial advisor, to select and approve an offeror for the sale of any property held by FHFC II.
- g) Staff requested approval to negotiate a purchase and sale agreement for the sale of Sarah's Place to Coronado Realty, and should negotiations fail in that regard, initiate negotiations with HKSK Corporation as a secondary offeror.
- h) On September 17, 2010, the Board Chair authorized staff to proceed with the purchase and sale agreement for the sale of Sarah's Place as requested.

2. Present Situation

- a) On September 21, 2010, despite staff and Marcus & Millichap's efforts to further the proposed sale, Coronado Realty Advisors (Coronado) chose not to pursue the acquisition of Sarah's Place. Accordingly, the offer from Coronado was set-aside and efforts were commenced to negotiate a purchase and sale agreement for the sale of Sarah's Place to HKSK Corporation.
- b) The net claim incurred on Sarah's Place is approximately \$12.4 million. Adding accrued HUD debenture interest projected through closing and final settlement (approximately \$680,310) as well as legal costs, collateral projection expenses, broker fees and disposition-related costs (together totaling approximately \$300,000), the aggregate monetary exposure will be approximately \$13.4 million.

3. Recommendation

Ratify the purchase and sale agreement for the sale of Sarah's Place to HKSK Corporation and direct staff to proceed with the closing on the sale.