

**SELTZER MANAGEMENT GROUP, INC.**

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August 17, 2004

VIA E-Mail and U.S. MAIL

Mr. Robert Dearduff  
Special Programs Administrator  
Florida Housing Finance Corporation  
City Centre Building  
227 N. Bronough Street, Suite 5000  
Tallahassee, Florida 32301-1329

Re: UDC AHRP 03-PLP-048

Dear Mr. Dearduff:

The subject is a proposed Acquisition and Homeownership Program ("AHRP") development to be located within United States Department of Housing and Urban Development ("HUD") designated revitalization areas of Northwest Miami-Dade County, FL (Zip Codes 33054, 33127, 33142, 33147 and 33150). The Applicant, United Development Communities, Inc. ("UDC"), Fort Lauderdale, FL, proposes to acquire, rehabilitate and sell eight single-family homes to Low Income Families (i.e., families up to 80% or less of the Area Median Income).

UDC proposes to utilize funds from the Florida Housing Finance Corporation's ("Florida Housing" or "FHFC") Pre-Development Loan ("PLP") Program to finance the acquisition of the existing single-family homes. A Preliminary Underwriting Assessment and additional site specific due diligence must be completed prior to the disbursement of PLP funds that will be utilized for site acquisition. The Applicant proposes to participate in the HUD lottery of home re-sales. No sites have been selected at this time. Seltzer Management Group, Inc. ("Seltzer" or "SMG") has therefore not been able to perform any site-specific due diligence. SMG has reviewed the Project Development Plan and the recommendation of Ms. Wight Greger, Senior Technical Advisor of the Florida Housing Coalition, Tallahassee, FL, which is the Technical Assistance Provider ("TAP") for the development. SMG has performed an analytical review of Project Costs, Sources of Funds, Home Sell-Out Pro-Forma, and Affordability. In addition, SMG has performed due diligence relating to UDC.

**Applicant Information:**

UDC is a documented Internal Revenue Service 501 (c)(3), Not-For-Profit Community Housing Development Organization. In addition, UDC is an approved purchaser of HUD owned real estate under its Single Family Property Disposition Revitalization Sales Initiative (HUD/REO) Program. This program allows UDC to purchase HUD owned homes at a 30% discount in designated revitalization areas.

UDC was formed in 1995 and is governed by a seven-member Board of Directors. UDC has one employee, its Executive Director, Priscilla H. Barker. This is the third development of this type undertaken by UDC. To assist in its developments, UDC utilizes the services of an

Affordable Housing Consultant, Curtis Mimna of CJM Financing, Inc. ("CJM"), Fort Lauderdale, FL. SMG has reviewed the resume and experience of Mr. Mimna and CJM. Mr. Mimna has over thirty years of real estate development and financing experience. He provides UDC with pro bono consultant services and has been involved with developments similar to the subject, including the acquisition, rehabilitation and sale to low-income families of single-family homes located in Miami-Dade County. The majority of the homes were purchased through HUD acquisition programs.

**Development Cost:**

A summary of Project Costs is presented in Exhibit A. UDC's Project Budget totals \$864,000 (\$108,000 per unit). UDC has budgeted \$500,000 for Acquisition Costs. No sites have yet been selected. Recent checks of the HUD website for HUD/REO listings reflected no properties available in Miami-Dade County. Based upon previous experience with seven Miami-Dade County properties acquired with FHFC assistance (UDC Dade 00-PLP-004), UDC estimates the average Acquisition Cost per unit will be \$62,500 (HUD/REO selling price of \$78,850 less 30% discount = \$55,195, plus Closing Costs of \$7,305). SMG considers UDC's estimate to be reasonable.

UDC estimated other (per-unit) costs. By category, they are:

Rehabilitation/Construction	\$24,477
Financial	\$ 7,323
Marketing/Selling	\$13,700

Home-specific Rehabilitation/Construction Costs cannot be determined until the homes are identified, an inspection is completed and rehabilitation needs are determined. UDC's estimate of average, per-unit Rehabilitation/Construction Cost is approximately 40% of the estimated average, per-unit Acquisition Cost, which estimate appears reasonable.

The Financial and Marketing/Selling costs also appear reasonable at this time.

**Proposed Acquisition and Rehabilitation Financing Sources:**

The acquisition and rehabilitation source of funds schedule is attached as Exhibit B. Sources of funds during the construction period are anticipated to include PLP and Private Loan(s) in the amounts of \$500,000 and \$364,000, respectively. All Developer Profit will be deferred during the acquisition and rehabilitation period.

Florida Housing PLP funds will be utilized for site acquisition only. The PLP Loan will bear interest at 3% per a FHFC Commitment dated June 22, 2004. It will be non-amortizing with Principal and Interest deferred until the earlier of closing on the Permanent Financing or three years. Payment in full is due upon the sale of rehabilitated homes to the purchasers. Minimum Set-Aside requirements are 100% of the units to be sold to homebuyers earning 80% or less of the Area Median Income.

**Proposed Permanent Financing Sources:**

UDC intends to sell the rehabilitated homes for \$120,000 each, which is approximately \$145,000 below the June 2004 average price of a single-family home in Miami-Dade County. The Permanent Period Sources of Funds schedule is attached as Exhibit C. Permanent

Sources of Funds are anticipated to include the homebuyer's down payment plus Conventional First Mortgage Loans.

Additional financing up to \$364,000 will come from Mrs. Wendy Walters, Fort Lauderdale, FL. Ms. Walters will individually finance each rehabilitation at terms of 12.00%, payable monthly, with a 1.00% Origination Fee plus 2.00% Discount. A signed Commitment from Ms. Walters for each Rehabilitation Loan will be submitted to SMG for review prior to closing each HUD/REO acquisition. The Applicant states Ms. Walters has previously funded more than \$202,000 in similar rehabilitation financing

The low-income homebuyers will be expected to finance their purchases through institutional home mortgage lenders. Grants or low-cost Second Mortgage financing may be available through such public agencies as the Housing Finance Authority of Miami-Dade County or Miami-Dade Neighborhood Housing Services, however UDC is unable to identify a source of financial assistance through any Federal, State, County or Municipal agency.

#### **Affordability Analysis:**

An Affordability Analysis is attached as Exhibit D.

Assuming an Average Selling Price of \$120,000 and homebuyer financing with 5.00% Down Payment and a Permanent Home Mortgage Rate of 7.50% on a 30-year amortization (plus PMI at 0.50%), the Monthly Housing Payment to Income Ratio (including Principal, Interest, PMI, and Tax/Insurance Escrow) is 31.16% for a family of four persons at 80% or less of the Area Median Income. For the most expensive home of \$145,000, the Monthly Housing Payment to Income Ratio would be 36.12%.

The Affordability Analysis represents a typical First Mortgage financing scenario. Actual terms will be based upon the source of the First Mortgage financing and the individual credit characteristics of the homebuyer.

#### **Final Credit Underwriting Recommendations**

Prior to the disbursement of any PLP funds, SMG recommends the following be submitted by UDC for review and approval by the Credit Underwriter prior to disbursing funds for each of the eight proposed site acquisitions:

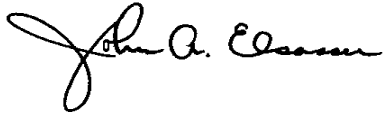
1. Purchase and Sale Contract – initial purchase
2. Appraisal – as purchased
3. Property Condition Report
4. Rehabilitation/Construction Contract
5. Evidence of Rehabilitation Funding – Written Commitment
6. Homebuyer Purchase and Sale Contract
7. Appraisal – as rehabilitated
8. Permanent First Mortgage Financing Commitment
9. Permanent Subordinate Mortgage Financing Commitment, if any
10. Homebuyer Income Qualification Certification

**Conclusion and Recommendation**

Seltzer has reviewed UDC AHRP 03-PLP-048 Project Costs, Sources of Funds and Affordability Analysis schedules and finds them to be reasonable and internally consistent. SMG is unaware of other tasks that must be accomplished prior to obtaining Construction and Permanent Financing other than the identification of individual sites and qualified homebuyers.

SMG recommends that the FHFC proceed with closing the PLP loan, with disbursement of funds on a home-by-home basis subject to the conditions outlined above.

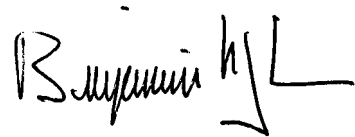
Prepared by:



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John A. Elsasser  
Credit Underwriter

Reviewed by:



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Benjamin S. Johnson  
President

**UNITED DEVELOPMENT COMMUNITIES, INC.**  
**UDC AHRP 03-PLP-048**  
**Project Costs**  
**Exhibit A**

	Cost Per Home	Number of Homes	Project Total Cost
<b>Acquisition (existing homes)</b>			
HUD REO Acquisition	\$55,195	8	\$441,560
Acquisition/Closing Costs	7,305		58,440
<b>Total Acquisition Cost</b>	<b>\$62,500</b>		<b>\$500,000</b>
<b>Rehab Construction</b>			
Contractors/Sub-Constructors	\$19,000		\$152,000
Property Management/Security	3977		31,816
Utility Services/Deposits	1500		12,000
<b>Total Rehab Construction Cost</b>	<b>\$24,477</b>		<b>\$195,816</b>
<b>Financial</b>			
Private Lender Rehab Interest	\$5,448		\$43,584
PLP Rehab Interest	1875		15,000
<b>Total Financial Costs</b>	<b>\$7,323</b>		<b>\$58,584</b>
<b>Marketing/Selling</b>			
Signage/Marketing	\$1,500		\$12,000
Real Estate Commission @ 6.00%	7200		57,600
Resale Closing Costs	5000		40,000
<b>Total Marketing/Selling Costs</b>	<b>\$13,700</b>		<b>\$109,600</b>
<b>TOTAL PROJECT COSTS</b>	<b>\$108,000</b>		<b>\$864,000</b>

**UNITED DEVELOPMENT COMMUNITIES, INC.**  
**UDC AHRP 03-PLP-048**  
**Sources of Funds**  
**Exhibit B**

	Per Unit	TOTAL
<b>TOTAL PROJECT COSTS</b>	<b><u>\$108,000</u></b>	<b><u>\$864,000</u></b>
<b><u>SOURCES</u></b>		
1st Mtg. Private Lender: Wendy Walters, Fort Lauderdale, FL	\$45,500	\$364,000
2nd Mtg. FHFC PLP Loan	62,500	500,000
<b>TOTAL SOURCES of FUNDS</b>	<b><u>\$108,000</u></b>	<b><u>\$864,000</u></b>

**UNITED DEVELOPMENT COMMUNITIES, INC.**  
**UDC AHRP 03-PLP-048**  
**PERMANENT PERIOD SOURCES OF FUNDS**  
**Exhibit C**

	Selling Price Per Home	Total Project Proceeds
<b>PROCEEDS</b>	<u><u>\$120,000</u></u>	<u><u>\$960,000</u></u>
<b>SOURCES</b>		
Homeowners' First Mortgage @ 95%	\$114,000	\$912,000
Homeowners' Down Payment @ 5%	6,000	48,000
<b>TOTAL SOURCES</b>	<u><u>\$120,000</u></u>	<u><u>\$960,000</u></u>

**UNITED DEVELOPMENT COMMUNITIES, INC.**  
**UDC AHRP 03-PLP-048**  
**AFFORDABILITY ANALYSIS**  
**Exhibit D**

	Maximum Selling Price	Average	Comments
Sales Price	\$145,000.00	\$120,000.00	Homes will be priced based upon the HUD Purchase Price and the amount of rehab work performed
Estimated Closing Cost	4,500.00	4,500.00	
<b>Total Cost to Buyer</b>	<b>\$149,500.00</b>	<b>\$124,500.00</b>	
Less: Home Buyer's Down Payment	7,250.00	6,000.00	5.00% Down
<b>First Mortgage Amount</b>	<b>\$142,250.00</b>	<b>\$118,500.00</b>	
Interest Rate	8%	8%	Permanent Home Mortgage rate assumed to be 7.50% with a 30-year amortization plus PMI at 0.50%
Term	30 years	30 years	
Monthly Payment	\$1,043.78	\$869.51	
Taxes and Insurance	225.00	225.00	Taxes Est. \$1,500/year; Insurance Est. \$1,200/year
Other (explain)	0.00	0.00	
<b>Total Monthly Housing Payment</b>	<b>\$1,268.78</b>	<b>\$1,094.51</b>	

**Most Expensive Home at \$145,000**

	Household size			
<b>Miami Dade County:</b>	<b>2</b>	<b>4</b>	<b>6</b>	
Annual Income (80% AMI)	\$33,750.00	\$42,150.00	\$48,900.00	Average family size will most likely be 4-6 persons
Monthly Income	2,812.50	3,512.50	4,075.00	
<b>Total Monthly Housing Payment as a percentage of Monthly Income</b>	<b>45.11%</b>	<b>36.12%</b>	<b>31.14%</b>	

**Average Selling Price at \$120,000**

	Household size			
<b>Miami Dade County:</b>	<b>2</b>	<b>4</b>	<b>6</b>	
Annual Income (80% AMI)	\$33,750.00	\$42,150.00	\$48,900.00	Average family size will most likely be 4-6 persons
Monthly Income	2,812.50	3,512.50	4,075.00	
<b>Total Monthly Housing Payment as a percentage of Monthly Income</b>	<b>38.92%</b>	<b>31.16%</b>	<b>26.86%</b>	