Florida Housing Finance Corporation

Credit Underwriting Report

Pinnacle Pointe

SAIL Program

2004-047S

Section A   Report Summary

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Prepared by

Seltzer Management Group, Inc.

Final Report

February 17, 2005

PINNACLE POINTE

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Section A

Section A

Report Summary

Recommendation:

Seltzer Management Group, Inc. (“SMG”) recommends a SAIL Loan of $2,000,000 be awarded to this development for the permanent financing of the subject development.

DEVELOPMENT & SET-ASIDES	
Location	Located at 13301 Amber Lake Boulevard, Orlando, Orange County, Florida 32824.
Number of Units/Unit Mix	(see unit mix table below)

Bed-rooms	Baths	No. of Units	Unit Size (SF)
1	1	60	680
2	2	88	928
3	2	80	1,134
4	3	40	1,317
Totals		**268**	**265,864**

Demographic Commitment	Family
Set Asides	100% (268 units) @ 60% or less of the AMI – (SAIL)
Set Aside Term	50 years
County Size	Large
Development Type	New Construction
Occupancy Rate	100%
Parking	530 parking spaces, including 17 handicap parking spaces
Improvements	Twelve (12) three story, garden style, walk-up residential buildings, and one accessory building (clubhouse). The structures are wood frame construction on slab-on-grade foundations and wood truss raised floors.
Site Acre	18.54 Gross Acres per survey
Density	14.46 units per acre
Zoning	PD (Planned Development) allowing 268 units by Orange County, Florida.
Flood Zone Designation	Flood Zone “X”, flood insurance is not required.

DEVELOPMENT TEAM	
Applicant/Borrower	Pinnacle Pointe, Ltd. formed on 11/30/99.
General Partner	PHG-Pointe, LLC -.01% interest – the sole manager and

	sole member is PHG GP Holdings, LLC with the principals including Louis Wolfson III, Michael D. Wohl, David O. Deutch, and Mitchell M. Friedman.
Limited Partner/Syndicator	Alliant Tax Credit XVIII, Inc. (Administrative Limited Partner) .01% ownership, Alliant Tax Credit Fund XVIII, Ltd. (Investor Limited Partner) an affiliate of Alliant Capital, Ltd. – 99.98% interest
Guarantors	Pinnacle Pointe, Ltd.; PHG-Pointe, LLC; Louis Wolfson III; Michael D. Wohl; David O. Deutch; Mitchell Friedman
Developer	Pinnacle Housing Group, LLC
General Contractor	RKC Construction, Inc.
Management Company	Professional Management, Inc.
Credit Enhancer or 1st Mortgage – Const.	Citibank Federal Savings Bank ("Citibank") issued a direct-pay Letter of Credit from Citibank, N.A. as credit enhancement for Tax-Exempt Bonds, to provide construction and permanent financing with FHFC MMRB for the subject development.
Credit Enhancer or 1st Mortgage – Perm.	Citibank Federal Savings Bank ("Citibank") issued a direct-pay Letter of Credit from Citibank, N.A. as credit enhancement for Tax-Exempt Bonds, to provide construction and permanent financing with FHFC MMRB for the subject development.
FINANCING INFORMATION	
FHFC Programs	MMRB, SAIL, and 4% HCs
Total Bond Amount	$14,815,000 (net amount following redemption from SAIL proceeds)
"All in" Underwritten Interest Rate	6.270%
Term/Amortization	32/30
2nd Loan Amount (SAIL)	$2,000,000
Underwritten Interest Rate	3.363%
Term/Amortization	30/n/a
Favorable Rent-Restricted Stabilized Value	$17,500,000
Market Rent Value	$22,550,000
Restricted Loan To Value - First Mortgage plus SAIL	96.09%
Market Loan To Value - First Mortgage plus SAIL	74.57%
Projected Net Operating Income	$1,284,801
Debt Service Coverage – 1st Mort. Only	1.171
Debt Service Coverage - All debt	1.104 (Includes proposed SAIL loan)
SAIL Loan to Cost	8.717%
FHFC Assistance Per Unit	$62,743
HC Allocation Per Unit	$2,709

Syndication Price	$0.844 per dollar of HC
Bond Structure	Fixed Rate

Construction/Permanent Sources:

Source	Lender	Construction	Permanent	Perm Loan/Unit
MMRB Program Loan	FHFC	$15,815,000	$14,815,000	$55,280
SAIL Loan	FHFC	$0	$2,000,000	$7,463
Housing Credit Equity	Alliant	$4,818,240	$5,663,242	$21,132
Deferred Developer Fee	Pinnacle	$2,310,932	$465,930	$1,739
TOTAL		**$22,944,172**	**$22,944,172**	$85,613

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?	X	
Do the site plans/architectural drawings account for all amenities/features listed in the Application?		2
Does the Applicant have site control at or above the level indicated in the Application?	X	
Does the Applicant have adequate zoning as indicated in the Application?	X	
Has the Development been evaluated for feasibility using the total length of set-aside committed to in the Application?	X	
Have the Development costs remained equal to or less than those listed in the Application?	X	
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	N/A	

the Application?		
Is the Development in all other material respects the same as presented in the Application?		3

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

1. According to the Developer, SAIL loan funds will be utilized to pay down tax-exempt bonds by a minimum of $1,000,000, as permitted by the Trust Indenture, with the remaining amount applied towards developer fees.
2. During the MMRB underwriting for FHFC the Developer requested a substitution of amenities from an electric water heater with an energy factor of .91 or better to air conditioning with a SEER rating of 12 versus a SEER 11, as committed to in the MMRB Application. The request was due to the limited space in the closet for the air handler. The .91 energy factor units would not physically fit. This request was approved by FHFC in June 2003. Subsequently, the Developer submitted its 2004 Application for SAIL funding and by mistake committed to a SEER 12 air conditioning system for each unit and a .91 energy factor electric water heater. To meet the .91 energy factor committed to in the Application, the Developer has agreed to install R-11 fiberglass tank-wrap insulation on the sides and tops of the water heaters and to add foam pipe insulation on the hot and cold water lines. According to an October 3, 2003 In-Field Energy Efficiency Improvements analysis performed by Dr. Carl C. Hiller, P.E. of Applied Energy Technology, installation of the insulation wrap to the hot water heaters and adding the foam over the pipes will actually increase the energy factor beyond the .91 requirement to .93. Consultech & Associates, Inc. (“Consultech”) has investigated the various methods available for increasing the energy efficiency of the water heaters and concurs with the analysis performed by Dr. Hiller.
3. The Developer has changed management companies from Reliance Management Services, Inc. to Professional Management, Inc. Both management companies have sufficient experience to manage the subject development and are FHFC approved management companies. This change does not negatively affect the subject development.

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

According to the FHFC Past Due report dated February 1, 2005 and the Non-Compliance Report dated January 28, 2005, Pinnacle Housing Group, LLC is not showing any past due or non-compliance items.

<u>Strengths:</u>

1. The market study concluded that the subject site is physically well suited for multifamily development. Neighborhood occupancy rates are strong. This study indicates that the most recently built affordable housing apartment developments in the subject’s sub-market experienced a rapid lease-up, and are now 99% to 100% occupied. Overall, the market indicates an average “stabilized” occupancy of 96%, which is lower than the

actual occupancy rate of 99% for the subject development. The current overall occupancy average for the Orlando MSA is 94.8%, which is up from 91.6% six months ago and up from 90.7% 24 months ago. The Appraiser estimated a vacancy of 4%, and collection loss of 1%, for the subject property, which is well supported in this market.

2. The principals and development team, as well as the general contractor, and management group are highly experienced in this field.

3. The Applicant and its Principals, as well as the Limited Partner/Syndicator have sufficient experience and substantial financial resources to develop, construct and operate the proposed development.

Other Considerations:

1. The significant level of contingent liabilities are mitigated by the following factors:

Mitigating Factors:

1. The principals and related entities have a substantial portfolio, and to date, have not reported any deficit funding issues.
2. Properties that are subject to construction completion guarantees are covered with 100% payment and performance bonds.
3. The principals and related entities currently report a substantial level of liquid assets.

Waiver Requests/Special Conditions: None

Additional Information: None

Issues and Concerns: None

Recommendation:

SMG recommends a $2,000,000 SAIL loan for the permanent financing of this development.

This recommendation is based upon the assumptions detailed in the Report Summary (Section A), and Supporting Information and Schedules (Section C). In addition, this recommendation is subject to the SAIL Loan Recommendations (Section B).

The reader is cautioned to refer to these sections for complete information. This recommendation is only valid for six months from the date of the report.

Prepared by:

Keith E. Whitaker
Senior Underwriter

Reviewed by:

Benjamin S. Johnson
President

Overview

Construction Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
Tax-Exempt Bonds	FHFC	$15,815,000	$15,815,000	$15,815,000	2.860%	$515,632
SAIL Loan	FHFC	$2,000,000	$0	$0	0.000%	$0
Housing Credit Equity	Alliant	$4,818,341	$4,818,240	$4,818,240		
Deferred Developer Fees	Pinnacle	$931,676	$2,039,066	$2,310,932		
Total		**$23,565,017**	**$22,672,306**	**$22,944,172**		**$515,632**

The FHFC MMRB financed loan required payments of interest only during the construction period. The construction period debt service is calculated based upon a blended, weighted “all in” mortgage interest rate (2.860%). The calculation is also based on an up to 24-month construction period and an average outstanding loan balance of 57% of the total loan amount during construction.

Based upon demographic and market analysis, including existing and proposed developments, SMG anticipates Pinnacle Pointe to be absorbed at a rate of 30 units per month beginning in the month the first Certificate of Occupancy (“C/O”) is received (generally the seventh month of construction). The construction phase will last twelve months. Stabilization is anticipated to occur within three months of construction completion. According to the latest Site Observation report and December 2004 Occupancy Report, the subject is 100% complete and 100% occupied.

Additional sources of funds for this development during construction includes housing credit equity of $4,818,240, or 85.08% of total housing credit equity. The Developer must also defer 70.27% or $2,310,932 of available developer fees in order to balance the Sources and Uses of Funds after receipt of all available MMRB and SAIL loan proceeds and HC Equity contributions.

Permanent Financing Sources

Source	Lender	Application	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt Service
Tax-Exempt Bonds	FHFC	$15,815,000	$14,815,000	$14,815,000	6.270%	30	32	$1,096,936
SAIL Loan	FHFC	$2,000,000	$2,000,000	$2,000,000	3.363%	n/a	30	$67,264
Housing Credit Equity	Alliant	$5,663,342	$5,663,242	$5,663,242				
Deferred Dev. Fee	Pinnacle	$86,675	$194,064	$465,930				
Total		**$23,565,017**	**$22,672,306**	**$22,944,172**				**$1,164,200**

First Mortgage:

The Applicant received a $15,815,000 FHFC MMRB financed first mortgage construction/permanent loan in tax-exempt bonds that are credit enhanced by Citibank Federal Savings Bank ("Citibank"), Miami, FL. Citibank will provide credit enhancement in the form of a direct-pay Letter of Credit to accommodate sale of the bonds on the public capital markets. Citibank also provided the construction funding. The tax-exempt bonds were issued in the amount of $15,815,000. Terms include a 32-year term (a 30–year permanent period following up to a 24–month construction/stabilization period), and a fixed interest rate. For underwriting purposes, SMG has assumed a current "all-in" interest rate for the tax-exempt bonds of 6.270%. Citibank's interest rate assumption includes a Swap Fixed Payer Rate of 4.80%, plus Florida Housing's ongoing fees of 0.350%, Rating Agency Fee of 0.02%, Citibank's Letter of Credit fee of 1.00% and Remarketing Fee of 0.10%, and yields a current "all in" interest rate of 6.270%. However, the interest rate will not be fixed until the bonds are priced with execution of a Swap Agreement prior to or concurrent with bond closing. SMG understands that the Swap Agreement will be between the Applicant and Citibank, N.A. During construction, the interest rate will be adjustable and currently estimated by Citibank at approximately 2.860%. The minimum debt service coverage requirement upon conversion to permanent is 1.10 to 1.00. The Applicant has chosen to pay-down the tax-exempt bonds with the subject SAIL proceeds by a minimum of $1,000,000 (or from $15,815,000 to $14,815,000).

SAIL Loan:

The Applicant has applied for a $2,000,000 SAIL loan to be issued by FHFC to finance this development.

The SAIL loan will be in a second lien position as it will be subordinate to the first mortgage of the Bond Issuer.

The SAIL loan will have a term co-terminus with the maturity date of the first mortgage (30-year permanent period), as requested by the Credit Enhancer and permitted by the SAIL Rule. The 30-year permanent loan period follows a maximum 24-month construction /stabilization period.

It will be non-amortizing and will bear 3% simple interest per annum. Annual payments of all applicable fees will be required. In addition and to the extent that development cash flow is available; interest payments at the 3% rate will be required. Any unpaid interest will be deferred until cash flow is available. However, at the maturity of the SAIL loan, all principal and unpaid interest will be due. This credit underwriting assumes interest payments at 3.363% (simple interest rate plus applicable fees). Proceeds from the SAIL loan will be used to fund allowable costs pursuant to Rule 67-48.013(1), F.A.C.

According to the Developer, SAIL loan funds will be utilized to pay down tax-exempt bonds by $1,000,000 and $1,000,000 will be applied towards developer fees.

HC Equity:

The Applicant applied to Florida Housing to receive 4% Housing Credits (“HC”) directly from the Federal Treasury in conjunction with the tax-exempt MMRB first mortgage financing received from FHFC to finance this development. SMG recommended a $712,168 annual HC allocation be awarded to Pinnacle Pointe based upon Applicant’s request.

Based on an Amended and Restated Agreement of Limited Partnership dated July 23, 2003, Alliant purchased a 99.99% limited partner interest in the partnership and will provide for net capital contributions of $5,663,242 to be paid as follows:

Capital Contributions	Amount	% of Total	When Due
1st Installment	$2,057,903	36.34%	Construction Loan Closing
2nd Installment	$2,028,003	35.81%	75% Completion
3rd Installment	$732,334	12.93%	95% Completion
4th Installment	$845,002	14.92%	100% Completion, C/O's, Form(s) 8609
Total	$5,663,242	100.00%	

Annual Credit Per Syndication Agreement:	$670,703
Total HC Available to Syndicator (10 years)	$6,706,359
Calculated HC Exchange Rate:	$0.8445
Syndication Percentage:	99.99%
Amount Available During Construction:	$4,818,240

Note: The Developer anticipates a negative adjuster in the amount of approximately $63,512 to the last equity installment, based upon final cost certification at conversion.

Other Permanent Sources of Funds:

After the developer receives all of the remaining capital contributions payable under the syndication agreement, SMG estimates that the developer will have to defer $465,930 of the developer fee for payment from development operations.

Uses of Funds

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
Actual Construction Costs				
Construction Contract		$0	$0	
Site Work	$0	$0	$0	$0
Off-Site	$0	$0	$0	$0
New Rental Units	$13,001,650	$13,043,695	$13,043,695	$0
Rehabilitation of Existing Units	$0	$0	$0	$0
Accessory Buildings	$370,000	$0	$0	$0
Recreational Amenities	$0	$0	$0	$0
Rehabilitation of Common Areas	$0	$0	$0	$0
Contractor's Fee (Not to Exceed 14%)	$311,350	$548,455	$548,455	$0
Subtotal	$13,683,000	$13,592,150	$13,592,150	$0
Other: Hard Cost Contingency, FF&E	$778,900	$374,652	$108,397	$0
Total Construction Contract	**$14,461,900**	**$13,966,802**	**$13,700,547**	**$0**

Notes to the Actual Construction Costs:

1. Applicant has provided a copy of the March 17, 2003 AIA Construction Contract with RKC Construction, Inc. (“RKC”) in the amount of $13,078,000. Per this contract, the date of commencement is to be fixed in a notice to proceed, and substantial completion is to be achieved no later than 360 calendar days after the date of commencement. The Owner will make monthly progress payments to the Contractor, based upon Applications for Payment approved by the Architect, and the Owner will withhold 10% retainage of the application for payments up to 50% completion of the Contract Amount and 0% for the remaining 50%. This agreement conforms to the general requirements of Florida Housing Finance Corporation. To date, change orders have totaled $514,150 and have been added to the construction costs. Change orders have been funded by the Hard Cost Contingency.
2. General contractor fees are within underwriting guidelines.
3. A 5.00% Hard Cost Contingency ($653,900) was originally included in the Development Budget. All of the Hard Cost Contingency has been used to fund the change orders, a Tax and Insurance Escrow, and Developer Fees. The additional $108,397 is for furniture, fixtures, and equipment.
5. Consultech reviewed the plans and specifications, the construction contract and the development budget. Consultech found the hard cost budget reasonable. The cost per square foot of $46.39 is within the average cost range for similar developments. The 12-month construction schedule is achievable. The plans and specifications provided to Consultech are suitable for review, bidding and permitting.

   SMG has received copies of Site Observation Reports 1-15 from Consultech, the latter being dated October 26, 2004 and reflecting the development as substantially complete.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
General Development Costs				
Accounting Fees	$84,288	$58,705	$38,788	$0
Appraisal	$5,000	$11,000	$5,000	$0
Architect's Fee - Design	$176,000	$197,166	$177,936	$0
Architect's Fee - Supervision	$24,000	$0	$18,715	$0
Builder's Risk Insurance	$0	$0	$0	$0
Building Permit	$10,000	$8,171	$8,171	$0
Brokerage Fees - Land	$67,000	$67,000	$67,000	$67,000
Closing Costs - Construction Loan	$57,424	$57,424	$0	$0
Closing Costs - Permanent Loan	$571,558	$518,939	$0	$0
Engineering Fee	$150,000	$138,691	$138,778	$0
Environmental Report	$25,000	$14,808	$14,808	$0
Financial Advisor Fee	$0	$0	$0	$0
FHFC Administrative Fee	$53,656	$56,974	$57,856	$0
FHFC Application Fee	$15,014	$17,878	$17,878	$0
FHFC Compliance Fee	$0	$0	$0	$0
FHFC Credit Underwriting Fee	$15,014	$22,533	$20,663	$0
Impact Fees	$737,971	$744,835	$744,835	$0
Inspection Fees	$12,000	$30,200	$30,200	$0
Insurance	$120,600	$90,583	$90,583	$56,280
Legal Fees	$69,628	$145,615	$141,868	$70,934
Market Study	$14,781	$14,781	$0	$0
Marketing and Advertising	$150,000	$34,442	$34,442	$34,442
Pre-Construction Analysis (PCA)	$0	$0	$1,800	$0
Property Taxes	$60,000	$47,402	$23,922	$0
Soil Test	$12,500	$14,808	$14,808	$0
Survey	$12,500	$14,808	$15,005	$0
Title Insurance	$76,350	$72,922	$66,367	$57,500
Utility Connection Fees	$613,285	$613,285	$613,285	$0
Other	$128,640	$127,956	$174,068	$174,068
Soft Cost Contingency	$154,781	$154,139	$414,771	$0
Total General Development Costs	**$3,416,990**	**$3,275,065**	**$2,931,547**	**$460,224**

Notes to the General Development Costs:

1. Builder’s Risk Insurance is included in the construction contract.
2. Closing Costs-Construction and Closing Costs-Permanent are included in Financial Costs noted below.
3. The cost of the Market Study must be paid from Developer Fee and has been moved to Other Development Costs as a sub-set of Developer Fee.
4. Other consists of the purchase of washers and dryers.

5. Soft Cost Contingency has increased due to differences between pro-forma figures and actual costs reflected in Seltzer's current Construction Draw Schedule. There remains $81,391 in Soft Cost Contingency to be disbursed.

6. The remaining General Development Costs are taken from the actual construction costs reflected in Seltzer's current Draw Schedule.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
Financial Costs				
Bond Loan Credit Enhancement Fees	$0	$0	$0	$0
Bond Loan Construction Interest	$914,948	$890,293	$914,948	$399,367
Bond Loan Issuance Costs	$0	$0	$609,410	$0
Tax and Insurance Escrow	$0	$0	$90,659	$0
Bond Loan Lease-Up Interest	$0	$0	$0	$0
Bridge Loan Origination Fee	$0	$0	$0	$0
Bridge Loan Interest	$0	$0	$0	$0
Other - SAIL Commitment Fee	$0	$0	$20,000	$0
Reserves Required By Lender	$0	$0	$0	$0
Surety Bond Premium	$0	$0	$0	$0
Total Financial Costs	**$914,948**	**$890,293**	**$1,635,017**	**$399,367**

Notes to the Financial Costs:

1. Financial Costs are taken from the actual Construction Draw Schedule.
2. SMG added the 1% SAIL Commitment Fee to the budget.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
Non-Land Acquisition Costs				
Building Acquisition Costs	$0	$0	$0	$0
Other	$0	$0	$0	$0
Total Non-Land Acquisition Costs	**$0**	**$0**	**$0**	**$0**

Notes to the Non-Land Acquisition Costs:

1. Since this is a new construction development, there are no non-land acquisition costs.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
Development Cost Before Land and Developer Fee	$18,793,838	$18,132,160	$18,267,111	$859,591
Other Development Costs				
Developer Fee on Acquisition of Buildings	$0	$0	$0	$0
Developer Fee	$3,382,890	$3,166,947	$3,273,991	$0
Other - Market Study	$0	$0	$14,781	$14,781
Total Other Development Costs	**$3,382,890**	**$3,166,947**	**$3,288,772**	**$14,781**

Notes to the Other Development Costs:

1. The cost of the separate Market Study required by the Housing Credit Program is to be paid by the Developer and shown as a sub-set of Developer Fee.
2. The Developer Fee, which includes the cost of the Market Study, is within the underwriting guideline of 18% of development costs exclusive of land acquisition and developer fees for tax-exempt bond transactions.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
Development Cost Before Land	$22,176,728	$21,299,107	$21,555,883	$874,372
Land Acquisition Costs				
Land	$1,388,289	$1,373,199	$1,340,000	$1,340,000
Other - Carrying Cost	$0		$48,289	$48,289
Total Land Acquisition Costs	**$1,388,289**	**$1,373,199**	**$1,388,289**	**$1,388,289**

Notes to the Land Acquisition Costs:

1. The Applicant submitted a Contract For Purchase and Sale dated April 9, 2002 between Landstar Development Corporation and Pinnacle Pointe, Ltd. and a December 31, 2002 Buyer/Seller Closing Statement reflecting a sales price of $1,340,000. The Construction Draw Schedule also included Land Carrying Cost of $48,289.

   The appraisal estimated a land value of $1,880,000, which supports the purchase price.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
Total Development Cost	**$23,565,017**	**$22,672,306**	**$22,944,172**	**$2,262,661**

Notes to Total Development Cost:

1. Total Development Costs have decreased as a result of pro-forma versus actual expenses.

Operating Pro forma

DESCRIPTION	ANNUAL	PER UNIT
Revenue		
Gross Potential Rental Revenue	$2,120,016	$7,911
Other Income:		
Washer/Dryer Rentals	$101,304	$378
Cable Television Income	$43,416	$162
Miscellaneous Income	$48,240	$180
Interest Income	$0	$0
Gross Potential Income	$2,312,976	$8,631
Less:		
Vacancy Loss - 4%	($92,519)	($345)
Collection Loss - 1%	($23,130)	($86)
Total Effective Gross Revenue	**$2,197,327**	**$8,199**
Expenses		
Fixed:		
Taxes	$162,140	$605
Insurance	$77,720	$290
Variable:		
Management Fees - 5%	$109,866	$410
General and Administrative	$53,600	$200
Payroll Expenses	$227,800	$850
Utilities	$60,300	$225
Marketing and Advertising	$20,100	$75
Maintenance and Repairs	$100,500	$375
Grounds Maintenance and Landscaping	$40,200	$150
Contract Services incl. Trash Removal and Security	$0	$0
Replacement Reserve	$53,600	$200
Other: Pest Control	$6,700	$25
Other:	$0	$0
Total Expenses	**$912,526**	**$3,405**
Net Operating Income	**$1,284,801**	**$4,794**
Debt Service Payments		
MMRB First Mortgage Loan	$1,096,936	$4,093
Second Mortgage - SAIL	$67,264	$251
Other: Negative Arbitrage on Debt Service Reserve	$0	$0
Other Fees: Letter of Credit/Guarantee	$0	$0
Other Fees: Agency/Trustee/Service/etc.	$0	$0
Total Debt Service Payments	**$1,164,200**	**$4,344**
Operating Income After Debt Service - Before Tax Cash Flow	**$120,601**	**$450**

Debt Service Coverage Ratios	
Debt Service Coverage - First Only (incl. Negative Arbitrage)	1.171
Debt Service Coverage - First and Second	1.104
Debt Service Coverage - All Mortgages	1.104
Debt Service Coverage - All Mortgages and Fees	1.104

Financial Ratios	
Operating Expense Ratio	41.5%
Break-Even Ratio	89.8%

Notes to the Operating Pro forma and Ratios:

1. The SAIL program does not impose any rent restrictions. However, this development also requested Housing Credits ("HC"), which do impose rent restrictions. Therefore, rents are based upon the 2004 restricted rents published by Florida Housing, less utility allowances as required by the HC Program. Utility allowances are based on a January 7, 2005 Progress Energy utility cost estimate for the electricity and a January 1, 2004 HUD Chart for the sub-metered water and sewer. Note, this is a change from the MMRB underwriting. The Developer decided to sub-meter water and sewer costs. Below is the rent roll for the subject property:

MSA (County): Orlando MSA (Orange County)

Bed-rooms	Baths	No. of Units	Unit Size (SF)	Median Income %	Max Gross HC Rents	Utility Allow-ance	Max Net HC Rents	Applicant Rents	Underwriter Rents	Annual Rents
1	1	60	680	60%	$615	$84	$531	$531	$531	$382,320
2	2	88	928	60%	$738	$107	$631	$631	$631	$666,336
3	2	80	1,134	60%	$853	$134	$719	$719	$719	$690,240
4	3	40	1,317	60%	$952	$158	$794	$794	$794	$381,120
Totals		**268**	**265,864**							$2,120,016

2. Washer/Dryer Rentals is based upon the actual capture rate of 90% of the units renting washers and dryers at $35 per month, which is supported by market comparables and the assumption utilized in the Appraisal.

3. Cable income is based on 90% of the units subscribing, resulting in net income to the property at $15 per unit per month, which is supported by market comparables and the assumption utilized in the Appraisal.

4. Miscellaneous Income includes Late Fees, Cancellation Fees, Forfeited Deposits, Vending Income and Income from Other Miscellaneous Sources to total $15 per unit per month. This assumption is supported by market comparables and the assumptions utilized in the Appraisal.

Total other income equals approximately 9.1% of gross potential rental income. This amount appears reasonable based on a review of comparable properties and the assumptions utilized by the appraiser.

5. Vacancy and Collection Losses at 4% and 1%, respectively, are based on market comparables and are supported by the updated appraisal.
6. Applicant's March 11, 2003 Management Agreement with Reliance Management Services, Inc., calls for a monthly fee of the greater of $1,500 per month or 4% based upon Gross Collections. SMG utilizes a more conservative and more typical 5% Management Fee.
7. Replacement Reserves of $200 per unit per year are required by FHFC guidelines.
8. Other Operating Expenses are estimates based upon market comparables, which are supported by market comparables and the assumption utilized in the Appraisal.
9. A 15-year Income and Expense projection that reflects increasing Debt Service Coverage is attached to this report as Exhibit 1.

Section B

SAIL Program Loan Conditions

Special Conditions

This recommendation is contingent upon the review and approval of the following items by SMG and Florida Housing at least two weeks before closing. Failure to receive approval of these items within this time frame may result in postponement of the closing date.

None

General Conditions

This recommendation is contingent upon the review and approval of the following items by SMG and Florida Housing at least two weeks before 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 pre-construction analysis, which has been prepared by Consultech.

1. 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.

2. 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.). An acceptable alternative to this requirement is receipt and satisfactory review of a letter from the local permitting and approval authority stating 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.

3. The final "as permitted" (signed and sealed) site plans, building plans, and specifications showing all features and amenities committed to in the application. The Geotechnical Report must be bound within the final plans and specifications.

4. Final sources and uses of funds itemized by source and line item, in a format and in amounts approved by the Servicer. A detailed calculation of the construction interest based on the final draw schedule (see below), documentation of the closing costs, and draft loan closing statement must also be provided. The sources and uses of funds schedule will be attached to the Loan Agreement as the approved development budget.

5. A final construction draw schedule showing itemized sources and uses of funds for each monthly draw. SAIL Program loan proceeds shall be disbursed during the construction phase in an amount per Draw, which does not exceed the ratio of the SAIL loan to the Total Development Cost, net of deferred developer fees, unless approved by the Credit Underwriter. The closing draw must include appropriate backup and ACH wiring instructions.

6. Evidence of General liability, flood (if applicable), builder's risk, and replacement cost hazard insurance (as certificates of occupancy are received) reflecting Florida Housing as Loss Payee / Mortgagee, with coverages, deductibles and amounts satisfactory to Florida Housing.

7. If the development is not 100% lien-free completed, a 100% Payment and Performance Bond ("P&P") 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. FHFC, and/or legal counsel must approve the source, amount(s) and all terms of the P&P bonds, or LOC.

8. 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, ADA and Federal Fair Housing requirements if applicable.

9. Satisfactory completion of a pre-loan closing compliance audit conducted by Florida Housing or its Servicer, if applicable.

10. Florida Housing approval of any outstanding past due or non-compliance notices applicable to the subject development team by closing of the loan(s).

This recommendation is contingent upon the review and approval of the following items by Florida Housing and its legal counsel <u>at least two weeks before closing</u>. Failure to receive approval of these items within this time frame may result in postponement of the closing date.

1. Documentation of the legal formation and current authority to transact business in Florida for the Applicant, the general partner/principal(s)/manager(s) of the Applicant, the guarantors, and any limited partners of the Applicant.

2. Signed and sealed survey, dated within 90 days of closing, unless otherwise approved by Florida Housing and its legal counsel, based upon the particular circumstances of the transaction. The survey shall be certified to Florida Housing and its legal counsel, as well as the title insurance company, and shall indicate the legal description, exact boundaries of the Development, easements, utilities, roads and means of access to public streets, total acreage and flood hazard area, and any other requirements of Florida Housing.

3. An acceptable updated Environmental Audit Report, together with a reliance letter to Florida Housing, prepared within 90 days of closing, unless otherwise approved by Florida Housing, and legal counsel, based upon the particular circumstances of the transaction. Borrower to comply with any and all recommendations noted in the Environmental Assessment(s) and Update and the Environmental Review, if applicable.

4. Title insurance pro-forma or commitment for title insurance with copies of all Schedule B exceptions in the amount of the SAIL Loan naming FHFC as the insured. All endorsements required by FHFC shall be provided.

5. Florida Housing and its legal counsel shall review and approve all other lenders closing documents and the limited partnership or other applicable agreement. Florida Housing shall be satisfied in its sole discretion that all legal and program requirements for the SAIL Loan have been satisfied.

6. Evidence of General liability, flood (if applicable), builder's risk, and replacement cost hazard insurance (as certificates of occupancy are received) reflecting Florida Housing as Loss Payee / Mortgagee, in coverages, deductibles and amounts satisfactory to Florida Housing.
7. Receipt of a legal opinion from the Borrower's legal counsel acceptable to Florida Housing addressing the following matters:
   a. The legal existence and good standing of the Borrower and of any partnership or limited liability company that is the general partner of the Borrower (the "GP") and of any corporation or partnership that is the managing general partner of the GP of any corporate guarantor and any manager;
   b. Authorization, execution, and delivery by the Borrower and the guarantors, of all SAIL Loan documents;
   c. The SAIL Loan documents being in full force and effect and enforceable in accordance with their terms, subject to bankruptcy and equitable principles only;
   d. The Borrower's and the guarantor's execution, delivery and performance of the loan documents shall not result in a violation of, or conflict with, any judgments, orders, contracts, mortgages, security agreements or leases to which the Borrower is a party or to which the Development is subject to the Borrower's Partnership Agreement, and;
   e. Such other matters as Florida Housing or its legal counsel may require.
8. Evidence of compliance with local concurrency laws.
9. Such other assignments, affidavits, certificates, financial statements, closing statements and other documents as may be reasonably requested by Florida Housing or its legal counsel in form and substance acceptable to Florida Housing or its legal counsel, in connection with the SAIL Loan.
10. UCC Searches for the Borrower, its partnerships, as requested by counsel.
11. Any other reasonable conditions established by Florida Housing and its legal counsel.

Additional Conditions

This recommendation is also contingent upon the following additional conditions:

1. Compliance with all provisions of Sections 420.507(22) and 420.5087, Florida Statutes and Rule Chapter 67-48, F.A.C.
2. Acceptance by the Borrower and execution of all documents evidencing and securing the SAIL Loan in form and substance satisfactory to Florida Housing, including, but not limited to, the Promissory Note, the Loan Agreement, the Mortgage and Security Agreement, and the Land Use Restriction Agreement.
3. At all times there will be un-disbursed loan funds (collectively held by Florida Housing, First Lender and any other sources) sufficient to complete the development. If at any time there are not sufficient funds (held by Florida Housing, First Lender and any other sources) to complete the Development, the Borrower will be required to expend additional equity on development costs or to deposit additional equity with Florida Housing which is sufficient (in Florida Housing's judgment) to

complete the development before additional SAIL Loan funds are disbursed. This condition specifically includes escrowing at closing all syndication and other equity necessary to complete construction or another alternative acceptable to Florida Housing in its sole discretion.

4. If applicable, Guarantors to provide the standard FHFC Construction Completion Guarantee; to be released upon lien-free completion as approved by the Servicer.
5. Guarantors to provide the standard FHFC Operating Deficit Guarantee to be released upon achievement of 1.10 combined debt service coverage for the first mortgage and the SAIL Loan for six consecutive months.
6. Guarantors to provide the standard FHFC Environmental Indemnity.
7. Guarantors to provide the standard FHFC Guaranty of Recourse Obligations.
8. Closing of the first mortgage loan simultaneous with or prior to closing of the SAIL loan.
9. A mortgagee title insurance policy naming Florida Housing as the insured in the amount of the SAIL Loan is to be issued immediately after closing. Any exceptions to the title insurance policy must be acceptable to Florida Housing or its legal counsel.
10. Property tax and hazard insurance escrow are to be established and maintained by the First Lender or the Servicer. In the event the reserve account is held by Florida Housing's loan servicing agent, the release of funds shall be at Florida Housing's sole discretion.
11. Replacement Reserves in the amount of $200 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, Applicant has the option to prepay Replacement Reserves, as allowed per Rule 67-048.12, F.A.C., in the amount of $53,600 (one-half the required Replacement Reserves for Years 1 and 2), in order to meet the SAIL Program 1.10:1 DSC requirement. Applicant can waive this election, if at closing of the SAIL Loan the required DSC is met without the need to exercise the option. It is currently estimated that Replacement Reserves will be funded from Operations in the amount of $200 per unit per year for Years 1 and 2, followed by $200 per unit per year thereafter. An inflation factor based upon the Consumer Price Index will be applied to the Replacement Reserve deposit beginning in Year 7, unless waived or reduced in the event Obligor provides a Physical Needs Study prepared by an independent third party acceptable to FHFC that evidences an increase in the deposit is excessive or unnecessary.
12. Consultech is to act as Florida Housing's inspector during the construction period.
13. 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.
14. To meet the .91 energy factor requirement for the electric water heaters (as committed to in the Application), the Developer has agreed to install R-11 fiberglass tank-wrap insulation on the sides and tops of the water heaters and to add foam pipe insulation on the hot and cold water lines. This procedure will increase the energy factor beyond the .91 requirement to .93 and is to be inspected by Consultech for

proper installation (prior to final SAIL funding) and checked during the Compliance Audits by the Servicer.

15. Any other reasonable requirements of SMG, Florida Housing or its legal counsel.

Section C

Supporting Information and Schedules

Additional Development & Third Party Supplemental Information

Appraised Value:

The appraised value is $22,550,000 as if completed and stabilized, based on market rents and market financing, as reported in the Full Narrative Appraisal dated January 27, 2005, by Robert Von, State-Certified General Appraiser RZ0001604.

Based on the market value of the property, the combined loan-to-value ratio for the SAIL loan and the first mortgage is 74.57%, which meets the SAIL program requirements.

The appraised value as if completed and stabilized and based on restricted rents and favorable financing terms is estimated at $17,500,000. The loan-to-value ratio for the requested SAIL loan and first mortgage based on this value is 96.09%.

The previous appraisal estimated an “as is” value for the land of $1,880,000, which supported the reported purchase price.

Market Study:

Realvest performed a separate Market Study dated December 26, 2002. Subsequently, SMG required and received an updated full narrative appraisal, which contains updated market data, dated January 27, 2005.

The subject development is located at the southwest quadrant of Landstar Boulevard and the Central Florida Greeneway Service Road in unincorporated Orange County, Florida. The subject is 100% complete and currently 99% occupied.

The subject is located in the Orlando Metropolitan Statistical Area (“MSA”), which is comprised of Orange, Seminole Osceola, and Lake Counties. Orange County represents the largest percentage of population, construction, and business out of the Orlando MSA. The Orlando MSA is one of the fastest growing metropolitan areas in the entire United States and the fastest growing MSA in Florida. Population and income are up considerably and residential building permits are at an all time high. The steady in-migration of new residents and high percentage of service sector employment in Orlando provide strong market support for rental apartments. As of September 2004, the overall occupancy average for the Orlando MSA is 94.8%, which is up from 91.6% six months ago and up from 90.7% 24 months ago. The subject’s sub-market is South Orange County, which has an average occupancy of 96%. The Orlando MSA average Unemployment Rate for 2003 was estimated at 4.9%, which was lower than the National Level of 6.5% and the state level of 5.6%. Walt Disney World is by far the largest employer in the region with 53,000 jobs. The majority of major employers in the region are in the service sector, including healthcare, retail trade, and business services. Aerospace and defense contractors as well as telecommunications firms are included among the largest manufacturers in the Orlando MSA. A central location within the state provides an excellent location for manufacturing and distribution. Population within Orange County is projected to grow over the next five years by nearly 132,794 people to 1,109,632 (or 2.72% per year) and household growth by approximately 2.57% per year.

The subject property is located just south of Orlando in unincorporated Orange County and just north of Kissimmee, Florida. The subject's approximate neighborhood is considered to be State Road 528 (the Bee Line Expressway) to the north, John Young Parkway to the west, the Orange County Line to the south, and an imaginary line extending south from the Orlando International Airport as the eastern boundary. The subject neighborhood is primarily a suburban residential area with commercial development along the major traffic arteries and some pockets of industrial development. The neighborhood is serviced by several major roadways that provide good access to other parts of the Orlando MSA. Orange Blossom Trail (State Road 441) is a north-south, four-lane highway. John Young Parkway is a north/south arterial that provides access to Interstate 4 (north of the subject). State Road 528 (Bee Line Expressway) is a limited access east/west toll road that services the southern area of Orange County and extends from the Sea World attraction to Orlando International Airport. Orange Avenue is a two to four-lane north/south roadway that provides access to the downtown business district. Landstar Boulevard is a four-lane north/south road that extends through the subject neighborhood and Meadow Woods Planned Development, which is where the subject is located. The subject site contains 18.54 acres and is L-shaped with about 225 feet of frontage along the west side of Landstar Boulevard. The subject improvements will be visible from the Central Florida Greeneway. The site is central to neighborhood shopping, employment, public transportation, health care facilities, and educational facilities. The subject is in close proximity to the Orlando International Airport and Regency Industrial Park. In addition, Osceola Regional Hospital is just outside the five-mile ring of the subject and public transportation is available along Landstar Boulevard.

As of September 2004, there are 626 apartment complexes in the Orlando MSA representing 151,037 units and 6,196 units under construction.

There are six market-rate properties (representing 2,046 units) in the subject area as follows: The Parks at Hunter's Creek (560 units built in 1999), Audubon Villas at Hunter's Creek (352 units built in 1996), Mission Club (350 units built in 1995), Courtney Chase (288 units built in 2002), Windsor Walk (192 units built in 2003), and Alexan at World Gateway (408 units built in 2000). The average stabilized occupancy for these developments is 94.5%.

Affordable housing development includes: Pinnacle Cove (420 units built in 2001), Falcon Trace (252 units built in 1999), Waterbridge (280 units built in 1999), Berkshire Club (288 units built in 2002), Grande Court at Boggy Creek (394 units built in 2003), and Regatta Bay (344 units built in 2003). The six developments contain 1,978 total units with an average occupancy of 98%. Pinnacle Cove, Falcon Trace, Waterbridge, and Berkshire Club are within three miles of the subject in Orange County, achieve maximum rents, and have an average occupancy of 99%. The remaining two developments are located south of the subject in Osceola County.

The subject development has a different unit mix than the competing properties. The subject offers more one and four bedroom units than average. The one and four bedroom units were the most popular at Pinnacle Cove, which is located just north of the subject on the other side of the Central Florida Greeneway. The Levels of Effort (calculated by dividing the number of existing or funded affordable housing supply within a market area by the number of income-qualified renter households) reflect 56.5%, 72.7%, and 77% within the three, five, and ten-mile radii, indicating sufficient residential demand for the subject. This is more reflective of a strong market than weak, according to the appraiser. The 75% Level of Effort within the 10-mile ring is influenced by the saturated Kissimmee market to the south of the subject.

The unit sizes are at the low end of the range in the one and two bedroom units, typical in size for the three bedroom units and smallest among the comparables in the four bedroom units. Overall, the units are competitive in size.

Planned developments within the subject's sub-market area include Northbridge at Millenia (583 units) and Registry at Michigan Park. Both of these developments are Class "A" luxury developments that will not directly compete with the subject.

The six affordable properties surveyed by the Appraiser reflect an average absorption from 25 to 45 units per month. The four affordable developments located within three miles of the subject, reflected absorption of 42, 28, 35, and 32 per month. Household growth within a 10-mile ring of the subject indicates demand for

889 affordable units annually in the subject's proposed rent range. The Orlando MSA has experienced monthly absorption of about 506 units per month over the past 24 months as of September 2004. According to Charles Wayne Consulting, Inc., the subject's sub-market experienced an absorption of 853 units over the period from September 2003 to September 2004. Overall, the Orlando apartment market is solid and has been gaining strength over the past two years after experiencing a slight overbuilding in early 2000 and 2001. The subject will also draw from residents of substandard housing. The first certificate of occupancy was received in April 2004, the development was completed in September 2004, and reached 100% occupancy in December 2004, indicating an absorption of approximately 34 units per month.

The subject property is already obtaining maximum 2004 HUD Rents with an occupancy of 99%. For purposes of this analysis, SMG has utilized vacancy and collection loss assumptions made by the Appraiser of 4% and 1%, respectively.

Environmental Report: Universal Engineering Sciences, Inc. ("Universal"), an environmental consulting firm from Orlando, Florida, performed a Phase I Environmental Site Assessment ("ESA") Update Report dated May 15, 2003. The ESA was performed in accordance with ASTM Standard E-1527-00.

The development site is an undeveloped parcel comprising approximately 18.54 acres. The adjoining property to the north was developed as the Central Florida Greeneway. The east adjoining property, across Landstar Boulevard, was partially wooded and undeveloped land. The northeast adjoining property is a retention area. The southwest adjoining property was developed with a residential development and the southeastern adjoining property appeared as undeveloped land. A CSX rail line adjoins to the west of the subject property. Undeveloped land was observed west of the CSX rail line. None of the adjoining properties appear likely to indicate the presence of recognized environmental conditions in connection with the subject property.

Based on the conclusions of the Phase I ESA Update conducted at the referenced property, Universal finds no evidence of unresolved recognized environmental conditions which would warrant further investigation at this time.

Soil Test Report: Universal also performed a Final Geotechnical Exploration Report dated December 10, 2002. The report consisted of 28 Standard Penetration Test ("SPT") borings in the proposed construction area, which included one per structure. The SPT borings were completed in accordance with procedures described in ASTM D-

1586, ASTM D-1557, and ASTM D-3385. The surficial soils encountered at the proposed retention areas exhibited poor to moderate permeability characteristics. Based on the subsurface conditions and stormwater volumes, a wet retention pond will be necessary for this development. Universal recommends using a three-layer pavement section consisting of stabilized subgrade, base course, and a surface course. All pavement designs should incorporate the effects of groundwater, irrigated landscape areas, and construction traffic. Universal recommends normal, good practice site preparation procedures to prepare the subgrade to support the structures and pavements. With proper site preparation, Universal recommends the proposed structure be supported on conventional, shallow spread foundations with allowable soil bearing pressures of 2,500 psf.

Pre-Construction Analysis: SMG engaged Consultech & Associates, Inc. ("Consultech"), Tampa, Florida, to perform the Pre-Construction Analysis ("PCA"). Consultech's report is dated May 13, 2003 and was revised on May 19, 2003 and May 28, 2003. SMG has also reviewed Site Observation Report Number 15 dated October 28, 2004, which noted the subject development was substantially complete. Net change orders totaled $514,150.

Consultech reviewed the plans and specifications, the construction contract and the development budget. Consultech found the hard cost budget reasonable. The cost per square foot of $46.39 is within the average cost range for similar developments. Net change orders represented 3.9% of the original contract amount. The 12-month construction schedule is achievable. Pursuant to change orders, Consultech notes in the latest Site Observation Report that 33 days have been added to the contract. The plans and specifications provided to Consultech are suitable for review, bidding and permitting.

Consultech reviewed the Features and Amenities committed to in the application and noted the Building Plans and Specifications do not include all Features and Amenities committed to in the Application. During the MMRB underwriting for FHFC the Developer requested a substitution of amenities from an electric water heater with an energy factor of .91 or better to air conditioning with a SEER rating of 12 versus a SEER 11, as committed to in the MMRB Application. The request was due to the limited space in the closet for the air handler. The .91 energy factor units would not physically fit. This request was approved by FHFC in June 2003. Subsequently, the Developer submitted its 2004 Application for SAIL funding and by mistake committed to a SEER 12 air conditioning system for each unit and a .91 energy factor electric water heater. To meet the .91 energy factor committed to in the Application, the Developer has agreed to install R-11 fiberglass tank-wrap insulation on the sides and tops of the water heaters and to add foam pipe insulation on the hot and cold water lines. According to an October 3, 2003 In-Field Energy Efficiency Improvements analysis performed by Dr. Carl C. Hiller, P.E. of Applied Energy Technology, installation of the insulation wrap to the hot water heaters and adding the foam over the pipes will actually increase the energy factor beyond the .91 requirement to .93. Consultech & Associates, Inc. has investigated the various methods available for increasing the energy efficiency of the water heaters and concurs with the analysis performed by Dr. Hiller.

Site Inspection:

Sylvia Chappell of SMG completed a site inspection on March 12, 2003. The site is located on the southwest corner of the intersection of Landstar Boulevard and the Central Florida Greeneway (417) in the city of Orlando, Orange County, Florida. Grocery stores and gas stations are located within one mile of the property and several new housing developments are in close proximity. Schools are also located nearby. The subject property is bordered by vacant land and the Central Florida Greeneway. There is a plaza with a Kash ‘n Karry grocery store down the street.

There do not appear to be any adverse conditions that would negatively affect the development.

Features, Amenities & Resident Programs:

The Applicant committed to provide Features, Amenities and Resident Programs in Part III, Section B & F of the Application (see Exhibit 2).

Borrower Information

Borrower Name:	Pinnacle Pointe, Ltd.
Borrower Type:	Florida Limited Partnership
Ownership Structure:	Pinnacle Pointe, Ltd. is a Florida Limited Partnership formed on November 30, 1999, to own and operate Pinnacle Pointe. Copies of the Certificate of Limited Partnership (November 30, 1999), Assignment of General Partner Interest (October 24, 2001), Certificate of Amendment to Certificate of Limited Partnership (November 20, 2001), Amended and Restated Agreement of Limited Partnership, and a current Certificate of Status have been provided. The General Partner of Applicant (with a 0.01% ownership interest) is PHG-Pointe, LLC (“PHG”); a Florida Corporation filed October 17, 2001. The 100% stockholders of PHG and the Applicant are Louis Wolfson III, Michael D. Wohl, David O. Deutch, and Mitchell Friedman. A copy of the October 16, 2001 Articles of Organization has been provided. Alliant Tax Credit XVIII, Inc. is the Administrative Limited Partner and Alliant Tax Credit Fund XVIII, Ltd. is the Investor Limited Partner. Both are affiliates of Alliant Capital, Ltd. (“Alliant”), Palm Beach, Florida, and are the Equity Investor (Syndicator) of the HC and replaced Michael Wohl as the 99.99% Limited Partner at MMRB Loan closing.
Contact Information:	David O. Deutch c/o Pinnacle Housing Group, LLC 305-854-7100 (telephone) 305-859-9858 (facsimile)
Borrower Address:	9400 S. Dadeland Blvd., Suite 100 Miami, FL 33156
Federal Employer ID:	65-0963724
Experience:	The Applicant and the General Partner are newly formed entities, expressly formed to acquire, develop, own and operate Pinnacle Pointe. In and of themselves, they have no development experience. Therefore, SMG has reviewed the experience and financial status of Pinnacle Housing Group, LLC (“Pinnacle”), which is the developer of the subject property. Pinnacle is a Limited Liability Company. Created in November 2001, Pinnacle is successor to Pinnacle Housing Group, Inc., which was chartered in 1998. Prior to 1998, the Principals of Pinnacle operated under the name of Affordable Neighborhoods, Inc. (“ANI”). To date, Pinnacle has completed ten multifamily (family) developments representing 2,257 units, one multifamily (senior) development representing 152 units, and three home ownership

townhouses representing 108 units. Most of the developments are located in the Central to South Florida area.

Credit Evaluation:

A January 19, 2005 Experian Business Report for Pinnacle Pointe, Ltd. was deemed satisfactory by SMG.

A January 19, 2005 Experian Business Report for PHG Pointe, Inc. was deemed satisfactory by SMG.

A January 19, 2005 Comprehensive D&B Report for Pinnacle Housing Group, Inc. (Subsidiary of PHG Holdings, Inc. was deemed satisfactory by SMG.

A TransUnion/Experian/Equifax credit report for Louis Wolfson III dated January 19, 2005 was deemed satisfactory by SMG.

A TransUnion/Experian/Equifax credit report for Michael D. Wohl dated January 19, 2005 was deemed satisfactory by SMG.

A TransUnion/Experian/Equifax credit report for David O. Deutch dated January 19, 2005 was deemed satisfactory by SMG.

A TransUnion/Experian/Equifax credit report for Mitchell M. Friedman dated January 19, 2005 was deemed satisfactory by SMG.

Banking References:

Bank and business references are not available for the Applicant and PHG because they are newly formed entities and credit is limited.

SMG has received verification of deposits and other documentation for Louis Wolfson III, Michael D. Wohl, David O. Deutch, and Mitchell M. Friedman, which demonstrate sufficient liquidity to guaranty this development.

Financial Statements:

Pinnacle Pointe, Ltd.:

Cash and Equivalents:	$280,489
Total Assets:	$23,137,150
Total Liabilities:	$18,473,115
Total Equity:	$4,664,035

Financial information for Pinnacle Pointe, Ltd. is based on an internally prepared, unaudited December 31, 2004 balance sheet. The year-end tax return is not yet complete or due. The cash figure represents “unrestricted cash”.

Pinnacle Housing Group, LLC:

Cash and Equivalents:	$127,680
Total Assets:	$6,977,603
Total Liabilities:	$5,811,776
Total Equity:	$1,165,827

Financial information for Pinnacle Housing Group, LLC is based on an internally prepared, unaudited December 31, 2004 balance sheet and income statement. SMG also reviewed the 2002 and 2003 tax returns.

Louis Wolfson III:

Total Assets:	$12,901,000
Total Liabilities:	$910,000
Net Worth:	$11,991,000

Financial information for Louis Wolfson III is based on an unaudited personal financial statement (prepared by the individual) dated December 31, 2004. Total Assets include stocks and bonds, and personal residence. Mr. Wolfson reports liquidity totaling in the mid-seven figures. SMG has also reviewed the 2002 and 2003 tax returns.

Mr. Wolfson's contingent liabilities relating to operating deficit and construction completion guarantees for multifamily apartment communities (currently five in process) total approximately $56,269,183. There is $4,329,903 in contingent liabilities relating to two lines of credit.

Michael D. Wohl:

Cash and Equivalents:	$840,892
Total Assets:	$10,716,092
Total Liabilities:	$588,720
Net Worth:	$10,127,372

Financial information for Michael Wohl is based on an unaudited personal financial statement (prepared by the individual) dated December 31, 2004. Other assets include approximately $9,875,200 in closely held businesses, personal property, and retirement accounts. SMG has also reviewed the 2002 and 2003 tax returns.

Mr. Wohl's contingent liabilities relating to operating deficit and construction completion guarantees for multifamily apartment communities (currently five in process) total approximately $56,269,183. There is $4,329,903 in contingent liabilities relating to two lines of credit.

David Deutch:

Cash and Equivalents:	$1,138,070
Total Assets:	$2,904,268
Total Liabilities:	$171,900
Net Worth:	$2,732,368

Financial information for David Deutch is based on an unaudited (jointly owned) personal financial statement (prepared by the individual) dated December 31, 2004. Other assets include retirement accounts, personal property, and other securities. SMG has also reviewed the 2002 and 2003 tax returns.

Mr. Deutch's contingent liabilities relating to operating deficit and construction completion guarantees for multifamily apartment communities (currently five in process) total approximately $56,269,183. There is $4,329,903 in contingent liabilities relating to two lines of credit.

Mitchell Friedman:

Cash and Equivalents:	$439,000
Total Assets:	$2,727,506
Total Liabilities:	$100,000
Net Worth:	$2,627,506

Financial information for Mitchell Friedman is based on an unaudited (jointly owned) personal financial statement (prepared by the individual) dated December 31, 2004. Other assets include real estate investments, stocks/bonds, and personal property. SMG has also reviewed the 2002 and 2003 tax returns.

Mr. Friedman's contingent liabilities relating to operating deficit and construction completion guarantees for multifamily apartment communities (currently five in process) total approximately $56,269,183. There is $4,329,903 in contingent liabilities relating to two lines of credit.

Summary: With excess of $15,000,000 in liquidity reported, the principals appear to have adequate financial resources to construct and operate Pinnacle Pointe and to act as Guarantors through standard FHFC Construction Completion, Operating Deficit, Guaranty of Recourse Obligations, and Environmental Indemnity guarantees. SMG has only received verification of deposits on approximately $2,300,000.

Guarantor Information

Guarantor Name:	Pinnacle Pointe, Ltd.; PHG-Pointe, LLC; Pinnacle Housing Group, LLC; Louis Wolfson III; Michael D. Wohl; David O. Deutch; Mitchell Friedman
Guarantor Address:	c/o Pinnacle Housing Group, LLC 9400 S. Dadeland Blvd., Suite 100 Miami, FL 33156
Contact Information:	David O. Deutch 305-854-7100 (telephone) 305-859-9858 (facsimile)
Guarantor Description:	The Guarantors have the financial resources available and have provided guarantees for other developments.
Nature of the Guarantee:	The Guarantor's will provide standard FHFC guarantees including an environmental indemnity, a guarantee of recourse obligations, and an unlimited operating deficit guarantee. The operating deficit guarantee will be released when the property meets 1.10 to 1.00 debt service coverage, 90% occupancy, and 90% of gross effective income for six consecutive months on the first mortgage and SAIL loan, all certified by a Certified Public Accountant. Due to the Subject achieving 100% lien free completion, the standard unconditional construction completion guarantee will not be required.
Financial Statements:	Please refer to the Borrower Information section of this report.
Contingent Liabilities:	Please refer to the Borrower Information section of this report.
Summary:	Based upon the financial information provided by the above developers and their principals, they appear to have substantial net worth. SMG has verified sufficient liquidity to secure this obligation as guarantors for the standard operating deficit, recourse obligation, and environmental indemnity guarantees.

Syndicator Information

Syndicator Name:	Alliant Capital, Ltd. (“Alliant”) or an affiliate.
Type:	The Syndicator is a Limited Partnership controlled by Alliant.
Contact Information:	Scott L. Kotick Executive Vice President 614-473-8682 telephone 614-473-8947 facsimile
Address:	340 Royal Poinciana Way, Suite 305 Palm Beach, FL 33480
Experience:	Alliant is collectively owned by three principals (Sidney Kohl, Shawn Horwitz, and Scott Kotick) who have been integrally involved in raising in excess of $750 million of equity for Section 42 housing and have acquired approximately 250 qualified apartment properties over the last five years. In addition, Mr. Kohl has developed and managed in excess of 2,000 apartment units and approximately four million square feet of commercial space. The Alliant principals and their advisors are experts in acquiring, structuring, financing, developing and syndicating affordable housing. Collectively, they have participated in the acquisition of over $2 billion of real estate. Alliant has three offices located in Woodland Hills, Columbus, and Palm Beach.
Financial Statements:	Alliant Capital, Ltd. and Subsidiaries:

Cash and Equivalents:	$3,584,003
Total Assets:	$44,240,711
Total Liabilities:	$30,073,510
Total Equity:	$12,167,201

Financial information for Alliant is based on an Audited December 31, 2003 Financial Statement. SMG has also reviewed the December 31, 2002 and 2001 year-end Audited Financial Statements.

Summary: Alliant has adequate experience and financial strength to serve as the syndicator for this development.

General Contractor Information

General Contractor Name:	RKC Construction, Inc. (“RKC”)
Type:	A Florida corporation
Contact Person:	Michael D. Knadle, President (407) 831-1809 telephone (407) 831-8764 facsimile
Address:	270 South North Lake Blvd., Suite 1008 Altamonte Springs, FL 32701
Experience:	RKC is actively managed by its four principals and corporate officers Michael D. Knadle (President), Phillip G. Baron (Executive Vice President), Deborah A. Theroux (Vice President and Chief Financial Officer), and Joe F. Reeves (Vice President). The RKC team has been in the business of commercial general contracting for over 15 years. RKC performs earthwork, concrete, masonry, miscellaneous steel, rough and finish carpentry, millwork, doors and hardware, roofing, painting, drywall, plumbing, HVAC and other specialty items. The RKC team previously worked under the leadership of Michael D. Knadle, President of Roger Kennedy Construction, Inc. In January of 2002 Mr. Knadle formed the new entity RKC and joined his operations team as principals in that corporation. Roger Kennedy Construction, Inc. ceased taking on new contracts in February 2002. The corporate officers of RKC are as follows: Michael D. Knadle, President – 32 years of statewide Florida General Contracting and Construction Management experience as Principal, President, Chief Executive and Operating Officer, Senior Project Executive and Senior Project Manager. Phillip G. Baron, Executive Vice President – 28 years of major field construction experience as Superintendent, Assistant Superintendent, Carpenter Foreman and Carpenter Deborah A. Theroux, Vice President & Chief Financial Officer – 20 years experience in construction industry accountancy in positions of Vice President and Chief Financial Officer, Assistant Vice President, Controller, Senior Project Executive and Project Manager. Joe F. Reeves, Vice President – 26 years of statewide Florida commercial and multi-family construction experience as project manager, estimator, director and operating officer. RKC has completed over $700 Million of Florida construction, more than 12,000 living units completed statewide, and over 80% of work for repeat clients.

Credit Evaluation:	A January 19, 2005 Comprehensive D&B Report for RKC was deemed satisfactory by SMG.
Banking References:	Bank and business references for RKC reported satisfactory payment relationships.
Financial Statements:	RKC presented a June 19, 2003 Payment Bond and Performance Bond in the amount of the construction contract. The bonds were provided by Huckleberry, Sibley & Harvey through National Fire Insurance Co. of Hartford.
Construction Contract:	Applicant provided SMG with a copy of an executed March 17, 2003 AIA Construction Contract between the Applicant and RKC in the amount of $13,078,000. The construction contract represents construction hard costs, overhead and supervision. The construction contract is for 11 months (330 days) to reach substantial completion and final completion within 30 days thereafter for a construction period of 360 days (approximately 12 months). It also provides for retainage of 10% until 50% completion, then a reduction to 0% retainage, thereafter.
Summary:	The subject development has completed construction, received all of the certificate of occupancies, and is 99% occupied.

Property Manager Information

Property Manager Name:	Professional Management, Inc. ("PMI")
Type:	A Florida corporation
Contact Information:	Syrie Ortiz, Vice President
	(305) 270-0870 telephone (305) 279-5703 facsimile
Address:	9095 SW 87th Avenue, Suite 777 Miami, FL 33176
Experience:	Formed in 1969, PMI provides real estate management services to institutional and private investors throughout Florida. Since its founding, PMI has managed more than 10,000 apartment units. PMI also manages commercial office buildings, condominiums, warehouses and shopping centers. With regional offices in Orlando, Clearwater and Miami, its staff of 350 employees currently manages 24 properties.
Management Agreement:	Applicant submitted copies of a Management Agreement and Addendum with PMI that collectively have an effective date of September 1, 2004. The Management Agreement reflects a monthly Management Fee of 3.5% of Monthly Gross Receipts or $2,500; whichever is greater.
Management Plan:	Applicant submitted PMI's Management Plan, which appears satisfactory.
Summary:	PMI is currently an FHFC-approved management company. Continued approval is contingent upon ongoing satisfactory performance.

Exhibit 1

Pinnacle Pointe
15 Year Income and Expense Projection

DESCRIPTION	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
Revenue															
Gross Potential Rental Revenue	$2,120,016	$2,183,616	$2,249,125	$2,316,599	$2,386,097	$2,457,680	$2,531,410	$2,607,352	$2,685,573	$2,766,140	$2,849,124	$2,934,598	$3,022,636	$3,113,315	$3,206,714
Other Income:															
Washer/Dryer Rentals	$101,304	$104,343	$107,473	$110,698	$114,019	$117,439	$120,962	$124,591	$128,329	$132,179	$136,144	$140,228	$144,435	$148,768	$153,231
Cable Television Income	$43,416	$44,718	$46,060	$47,442	$48,865	$50,331	$51,841	$53,396	$54,998	$56,648	$58,347	$60,098	$61,901	$63,758	$65,671
Miscellaneous Income	$48,240	$49,687	$51,178	$52,713	$54,295	$55,923	$57,601	$59,329	$61,109	$62,942	$64,831	$66,775	$68,779	$70,842	$72,967
Interest Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Potential Income	$2,312,976	$2,382,365	$2,453,836	$2,527,451	$2,603,275	$2,681,373	$2,761,814	$2,844,669	$2,930,009	$3,017,909	$3,108,446	$3,201,700	$3,297,751	$3,396,683	$3,498,584
Less:															
Vacancy Loss - 4%	($92,519)	($95,295)	($98,153)	($101,098)	($104,131)	($107,255)	($110,473)	($113,787)	($117,200)	($120,716)	($124,338)	($128,068)	($131,910)	($135,867)	($139,943)
Collection Loss - 1%	($23,130)	($23,824)	($24,538)	($25,275)	($26,033)	($26,814)	($27,618)	($28,447)	($29,300)	($30,179)	($31,084)	($32,017)	($32,978)	($33,967)	($34,986)
Total Effective Gross Revenue	$2,197,327	$2,263,247	$2,331,144	$2,401,079	$2,473,111	$2,547,304	$2,623,724	$2,702,435	$2,783,508	$2,867,014	$2,953,024	$3,041,615	$3,132,863	$3,226,849	$3,323,655
Expenses															
Fixed:															
Taxes	$162,140	$168,626	$175,371	$182,385	$189,681	$197,268	$205,159	$213,365	$221,900	$230,776	$240,007	$249,607	$259,591	$269,975	$280,774
Insurance	$77,720	$80,829	$84,062	$87,424	$90,921	$94,558	$98,341	$102,274	$106,365	$110,620	$115,045	$119,646	$124,432	$129,410	$134,586
Variable:															
Management Fees - 5%	$109,866	$113,162	$116,557	$120,054	$123,656	$127,365	$131,186	$135,122	$139,175	$143,351	$147,651	$152,081	$156,643	$161,342	$166,183
General and Administrative	$53,600	$55,744	$57,974	$60,293	$62,704	$65,213	$67,821	$70,534	$73,355	$76,290	$79,341	$82,515	$85,815	$89,248	$92,818
Payroll Expenses	$227,800	$236,912	$246,388	$256,244	$266,494	$277,154	$288,240	$299,769	$311,760	$324,230	$337,200	$350,688	$364,715	$379,304	$394,476
Utilities	$60,300	$62,712	$65,220	$67,829	$70,542	$73,364	$76,299	$79,351	$82,525	$85,826	$89,259	$92,829	$96,542	$100,404	$104,420
Marketing and Advertising	$20,100	$20,904	$21,740	$22,610	$23,514	$24,455	$25,433	$26,450	$27,508	$28,609	$29,753	$30,943	$32,181	$33,468	$34,807
Maintenance and Repairs	$100,500	$104,520	$108,701	$113,049	$117,571	$122,274	$127,165	$132,251	$137,541	$143,043	$148,765	$154,715	$160,904	$167,340	$174,033
Grounds Maintenance and Landscaping	$40,200	$41,808	$43,480	$45,220	$47,028	$48,909	$50,866	$52,900	$55,016	$57,217	$59,506	$61,886	$64,361	$66,936	$69,613
Security	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Replacement Reserve	$53,600	$53,600	$53,600	$53,600	$53,600	$53,600	$55,744	$57,974	$60,293	$62,704	$65,213	$67,821	$70,534	$73,355	$76,290
Other:	$6,700	$6,968	$7,247	$7,537	$7,838	$8,152	$8,478	$8,817	$9,169	$9,536	$9,918	$10,314	$10,727	$11,156	$11,602
Other:	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Expenses	$912,526	$945,785	$980,341	$1,016,245	$1,053,550	$1,092,311	$1,134,730	$1,178,807	$1,224,608	$1,272,201	$1,321,656	$1,373,045	$1,426,446	$1,481,938	$1,539,602
Net Operating Income	$1,284,801	$1,317,462	$1,350,804	$1,384,834	$1,419,561	$1,454,993	$1,488,994	$1,523,628	$1,558,900	$1,594,813	$1,631,368	$1,668,569	$1,706,417	$1,744,911	$1,784,053
Debt Service Payments															
First Mortgage	$1,096,936	$1,096,936	$1,096,936	$1,096,936	$1,096,936	$1,096,936	$1,096,936	$1,096,936	$1,096,936	$1,096,936	$1,096,936	$1,096,936	$1,096,936	$1,096,936	$1,096,936
Second Mortgage	$67,264	$67,264	$67,264	$67,264	$67,264	$67,264	$67,264	$67,264	$67,264	$67,264	$67,264	$67,264	$67,264	$67,264	$67,264
Other: Negative Arbitrage on Debt Service Reserve	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Fees - Letter of Credit/Guarantee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Fees - Agency/Trustee/Servicer	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Debt Service Payments	$1,164,200	$1,164,200	$1,164,200	$1,164,200	$1,164,200	$1,164,200	$1,164,200	$1,164,200	$1,164,200	$1,164,200	$1,164,200	$1,164,200	$1,164,200	$1,164,200	$1,164,200
Operating Income After Debt Service - Before Tax Cash Flow	$120,601	$153,263	$186,604	$220,635	$255,362	$290,794	$324,794	$359,428	$394,700	$430,613	$467,169	$504,370	$542,217	$580,712	$619,853
Debt Service Coverage Ratios															
Debt Service Coverage - First Only (incl. Negative Arbitrage)	1.171	1.201	1.231	1.262	1.294	1.326	1.357	1.389	1.421	1.454	1.487	1.521	1.556	1.591	1.626
Debt Service Coverage - First and Second	1.104	1.132	1.160	1.190	1.219	1.250	1.279	1.309	1.339	1.370	1.401	1.433	1.466	1.499	1.532
Debt Service Coverage - All Mortgages	1.104	1.132	1.160	1.190	1.219	1.250	1.279	1.309	1.339	1.370	1.401	1.433	1.466	1.499	1.532
Debt Service Coverage - All Mortgages and Fees	1.104	1.132	1.160	1.190	1.219	1.250	1.279	1.309	1.339	1.370	1.401	1.433	1.466	1.499	1.532
Financial Ratios															
Operating Expense Ratio	41.5%	41.8%	42.1%	42.3%	42.6%	42.9%	43.2%	43.6%	44.0%	44.4%	44.8%	45.1%	45.5%	45.9%	46.3%
Break-Even Ratio	89.8%	88.6%	87.4%	86.3%	85.2%	84.2%	83.2%	82.4%	81.5%	80.7%	80.0%	79.2%	78.6%	77.9%	77.3%

Pinnacle Pointe (2004-047S)
Orange County
Description of Features and Amenities

A. The Development will consist of 268 garden apartment units located in 12 residential buildings.

Unit Mix:	60	One bedroom / one bath units containing a minimum of 680 square feet per unit of heated and cooled living area
	88	Two bedroom / two bath units containing a minimum of 928 square feet per unit of heated and cooled living area
	80	Three bedroom / two bath units containing a minimum of 1,134 square feet per unit of heated and cooled living area
	40	Four bedroom / three bath units containing a minimum of 1,317 square feet per unit of heated and cooled living area
	268	Total units

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

B. Each **UNIT** will be fully equipped with the following:

1. Air conditioning (window units are not allowed, however, through-wall units are permissible for rehabilitation)
2. Window treatments for each window
3. Termite prevention and pest control throughout the entire affordability period
4. Cable or satellite TV hook-up
5. Range, oven and refrigerator
6. At least two full bathrooms in all three 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

C. The Borrower has committed to provide the following features in each **UNIT**:

1. At least 1.5 bathrooms (one full bath and one with at least a toilet and sink) in all two bedroom new construction units
2. Marble window sills

3. Dishwasher in all new construction units

4. Steel exterior entry door frames

5. Pantry in kitchen area in all new construction units - must be no less than 20 cubic feet of storage space. Pantry cannot be just an under- or over-the-counter cabinet.

6. Laundry hook-ups and space for full-size washer and dryer

D. The Borrower has committed to the following amenities in the **DEVELOPMENT**:

1. Exercise room with appropriate equipment

2. Community center or clubhouse

3. Swimming pool

4. Playground/tot lot, accessible to children with disabilities (must be sized in proportion to Development's size and expected resident population with age-appropriate equipment)

5. Outside recreation facility (such as shuffleboard court, putting green, tennis court, full basketball court, volleyball court, etc.)

6. Library consisting of a minimum of 100 books and 5 current magazine subscriptions

7. Thirty-year expected life roofing on all buildings

8. Exterior lighting in open and common areas

E. The Borrower has committed to provide the following energy conservation features for all **BUILDINGS** in the Development:

1. Air conditioning with SEER rating of 12 or better

2. Gas water heater with energy factor of .58 or better or electric water heater with energy factor of .91 or better (To meet the .91 energy factor, the Developer will install an R-11 fiberglass tank wrap insulation on the sides and tops of the water heaters and add foam pipe insulation on the hot and cold water lines.)

3. Wall insulation of R-13 or better for frame-built construction or wall insulation of R-7 or better for masonry/concrete block construction

4. Attic insulation of R-30 or better

5. Double-pane glass on all windows

6. Ceiling fans in all bedrooms and living area in each unit

F. The Borrower has committed to provide the following Resident Programs:

1. Welfare to Work or Self-Sufficiency Programs: The Borrower commits to actively seek residents who are participating in or who have successfully completed the training provided by these types of programs.

2. Homeownership Opportunity Program – Financial Assistance with Purchase of a Home: Borrower commits to provide a financial incentive which includes the following provisions:

   a. the incentive must be applicable to the home selected by the resident and may not be restricted to or enhanced by the purchase of homes in which the Borrower, Developer, or other related party has an interest;
   b. the incentive must be not less than 5% of the rent for the resident's unit during the resident's entire occupancy (Note: Resident will receive the 5% credit for all months for which the resident is in compliance with the terms and conditions of the lease. Damages to the unit in excess of the security deposit will be deducted from the incentive.);
   c. the benefit must be in the form of a gift or grant and may not be a loan of any nature;
   d. the benefits of the incentive must accrue from the beginning of occupancy;
   e. the vesting period can be no longer than 2 years of continuous residency; and
   f. no fee, deposit or any other such charge can be levied against the resident as a condition of participation in this program

3. First Time Homebuyer Seminars: Borrower or its Management Agent must arrange for and provide, at no cost to the resident, in conjunction with local realtors or lending institutions, semiannual on-site seminars for residents interested in becoming homeowners.

4. Job Training: Borrower or its Management Agent must provide, at no cost to the resident, regularly scheduled classes in keyboarding, computer literacy, secretarial skills or other useful job skills, which will be provided at least once each quarter. If the training is not provided on-site, transportation at no cost to the resident must be provided.

5. Resident Activities: These specified activities are planned, arranged, provided and paid for by the Borrower or its Management Agent. These activities must be an integral part of the management plan. The Borrower must develop and execute a comprehensive plan of varied activities that brings the residents together and encourages community pride. The goal here is to foster a sense of community by bringing residents together on a regularly scheduled basis by providing activities such as holiday and special occasion parties, community picnics, newsletters, children's special functions, etc.

6. Financial Counseling: This service must be provided by the Borrower or its Management Agent, at no cost to the resident, and must include the following components: must be regularly scheduled at least once each quarter; must include tax preparation assistance by qualified professionals; must include educational

workshops on such topics as “Learning to Budget”, “Handling Personal Finances”, “Predatory Lending”, or “Comparison Shopping for the Consumer”.

7. Resident Assistance Referral Program: The Borrower or its Management Agent will make available to residents information about services such as crisis intervention, individual and family needs assessment, problem solving and planning, appropriate information and referral to community resources and services based on need, monitoring of ongoing ability to retain self sufficiency, and advocacy to assist clients in securing needed resources. This service must be provided at no cost the resident.

8. Life Safety Training: The Borrower or its Management Agent must provide courses such as fire safety, first aid (including CPR), etc., on-site, at least twice each year, at no cost to the resident.

COMPLETENESS AND ISSUES CHECKLIST

DEVELOPMENT
NAME: PINNACLE POINTE

DATE: February 14, 2005

In accordance with the 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 ("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 allowed time frame. Unsatisfactory items, if any, are noted below and in the "Issues and Concerns" section of the Executive Summary.

FINAL REVIEW	STATUS	NOTE
REQUIRED ITEMS:	Satis. / Unsatis.	
1. The development's final "as submitted for permitting" plans and specifications. Note: Final "signed, sealed, and approved for construction" plans and specifications will be required thirty days before closing.	Satis.	
2. Final site plan and/or status of site plan approval.	Satis.	
3. Permit Status.	Satis.	
4. Pre-construction analysis ("PCA").	Satis.	
5. Survey.	Satis.	
6. Complete, thorough soil test reports.	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 the Phase II if applicable (If Phase I and/or II disclosed environmental problems requiring remediation, a plan, including time frame and cost, for the remediation is required). If the report is not dated within one year of the application date, an update from the assessor must be provided indicating the current environmental status.	Satis.	
10. Audited financial statements for the most recent fiscal year ended or acceptable alternative as stated in 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.	Satis.	
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.	

FINAL REVIEW REQUIRED ITEMS:	STATUS Satis. / Unsatis.	NOTE
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: 35% 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.	

8/14/03

NOTES AND DEVELOPER RESPONSES: None

Applicant’s Response:

None