

SELTZER MANAGEMENT GROUP, INC.

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October 1, 2009

Ms. Candice Allbaugh
Florida Housing Finance Corporation
227 North Bronough Street, Suite 5000
Tallahassee, FL 32301-1329

Re: Poinciana Royale, #2009-052X

Dear Ms. Allbaugh:

Poinciana Royale Associates, Inc. ("Applicant" or "Poinciana") has applied for RFP 2009-04 Tax Credit Exchange Program funds ("Exchange") from Florida Housing Finance Corporation ("FHFC" or "Florida Housing") to finance the construction of Poinciana Royale. The proposed development will be located on the north side of Duck Avenue, West of Dunlap Drive in Key West, Monroe County, Florida 33040. Poinciana will be a three story elevator assisted garden style apartment building, with a community center. The subject development's set-asides are 10% of the units (5 units) at 28% or less of the area median income ("AMI"), and 90% of the units (45 units) at 60% or less of AMI, to total a 100% set-aside (50 residential units), for an affordability period of 50 years. The Applicant has selected a family demographic commitment; however, the subject development will target individuals who have contracted the AIDS virus. It is possible that the development will not be able to identify income qualified individuals who have contracted the AIDS virus; in this event the subject will rent to income qualified families per the subject's family demographic commitment. The family demographic comparables in the subject's CMA had a weighted average occupancy of 98.16%. The applicant has also committed to set-aside 5% of its units for special needs housing and is located within a 2009 Difficult Development Area.

Poinciana Royale Associates, Ltd. is a Florida Limited Partnership formed February 18, 2008. The co-developers of the subject are Reliance Housing Services, L.L.C. ("Reliance") and AH Housing Services, L.L.C. ("AH Housing"). The general partner of the applicant is Poinciana Royale, L.L.C. with a .10% ownership interest in the applicant. The limited partner is AIDS Help, Inc. ("AHI") with a limited partner ownership interest of 99.90%. AHI is a fully recognized 501(c)(3) tax exempt organization and is the sole member of Poinciana Royale, L.L.C. and AH Housing. The general partner, limited partner, and co-developers of the development are also the proposed guarantors of the first mortgage SAIL loan to be provided by Florida Housing. The principals and guarantors of the applicant have sufficient experience and financial resources to complete a development of this type.

Initial consideration for funding is conditioned that the sub-market for the development has an average occupancy of 92% or greater for the same demographic population. Florida Housing has requested that Seltzer Management Group, Inc. ("SMG" or "Seltzer") confirm the average occupancy rate for the sub-market.

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In accordance with guidelines issued by FHFC, a Market Study (the "Study") was prepared for the subject property by Meridian Appraisal Group, Inc. ("Meridian" or the "Appraiser"), dated September 24, 2009. The Study was engaged by SMG.

The Study identified four stabilized income-restricted family demographic developments in the subject's Primary Market Area ("PMA"), defined by the Appraiser as properties located within a ten-mile ring of the subject. The Small Area Data (SAD) case study that can be found on the FHFC web site indicates that most properties typically generate two-thirds to three-fourths of its residents from within a ten-mile ring of the subject. Properties located within the PMA establish a base line for determining the subject's Competitive Market Area ("CMA"). The terms CMA and sub-market are synonymous. The study identified one additional property in the subject's CMA, Key Plaza, which is a 28-unit development for the elderly. Key Plaza is 93% occupied and is not expected to complete with or to be negatively impacted by the subject.

The Study identified four developments within the subject's CMA, defined by the Appraiser to be any property in an area radiating out from the subject property capturing all relevant like-kind units anticipated to compete with the subject. The properties identified are the Mariner's Cove, Meridian West, Douglas Square, and Stock Island Apartments ranging in occupancy from 95% to 100%. The developments in the subject's CMA total 327 units.

The family demographic comparables in the subject's CMA had a weighted average occupancy of 98.16%. Weighted average occupancy is based on the total number of units occupied, divided by the total number of units for the developments included in the CMA. The properties identified within the subject's CMA are not expected to be negatively impacted by the construction of the subject development. The subject's low number of units mitigates any potential impact on existing developments.

The Study confirms that there are no Guarantee Fund properties within the subject's PMA or CMA and that the subject is located in a 2009 Difficult Development Area - Monroe County.

SMG has reviewed the Study and performed independent due diligence related to the underlying data utilized by the appraiser. Seltzer's due diligence included a comparison of the Study's property description to those in the application, identification of affordable housing properties located in the vicinity of the Subject and comparison to those properties included in the PMA and CMA, a review of FHFC occupancy information (including SMG internal monitoring sources) and comparison of that data to occupancy data utilized by the Appraiser, and the testing of various occupancy calculations included in the Study. Seltzer's review and due diligence reports findings consistent with those presented in the Study indicating that the underlying data relied upon by the Appraiser and that conclusions rendered by the Appraiser are reasonable and logical. Accordingly, SMG finds the Study to be satisfactory for purposes of establishing the average occupancy of the Subject's sub-market.

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Based on the information presented in the Study and its own due diligence, SMG concludes that the sub-market average occupancy rate for the Subject meets the minimum requirement of 92%.

Based on current market conditions, the Study estimates absorption rate of 30 units per month considering the subject's size, unit mix, and income restrictions. At an absorption rate of 30 units per month, the subject will reach a stabilized occupancy in the mid-90s upon completion of construction.

A projected rent roll follows:

Monroe County

Bed-rooms	Baths	No. of Units	Unit Size (SF)	Median Income %	Max Gross HC Rents	Utility Allowance	Max Net HC	Applicant Rents	Underwriter Rents	Annual Rents
1	1	5	528	28%	\$394	\$91	\$303	\$303	\$303	\$18,180
1	1	45	528	60%	\$846	\$91	\$755	\$755	\$755	\$407,700
Totals		50	26,400							\$425,880

Rents are based upon the Florida Housing Finance Corporation ("Florida Housing") Year 2009 Rent Chart applicable to Monroe County, Florida. The above rent schedule outlines the applicable utility allowances for The City of Key West, Monroe County, Florida based on the Applicant paying for water, sewer, trash disposal and pest control and the resident paying for electricity. Based on interest rate assumptions stated for the first mortgage permanent SAIL loan through Florida Housing Finance Corporation ("Florida Housing" or "FHFC") and average "other income" combined with expenses conservatively stated at \$5,500 per unit per year, the subject should achieve a debt service coverage ratio of 4.605 to 1.00 on the first mortgage SAIL loan. DSC on all mortgages and related fees is 4.605 to 1.00.

SMG has performed the required tests to determine the amount of Exchange funds allowed. The amount of the HC Allocation returned in 2009 of \$1,250,000 was the amount requested by the Applicant in the RFP Response and is less than the maximum HC Allocation award for the county in which the proposed development is located as provided by the 2009 Universal Application. Utilizing an exchange rate of \$0.850 per dollar, the development would realize an Exchange contribution of \$10,625,000. This recommendation is contingent upon closing of the Exchange funding consistent with the terms of this preliminary report.

Additional sources of funds for the Poinciana Royale development include a FHFC SAIL loan, Affordable Housing Trust Grant, and deferred developer fees.

The applicant has requested a \$3,500,000 SAIL Loan to be issued by Florida Housing. Based on the preliminary review of the developments funding plan, SMG has reduced the requested SAIL loan to \$2,538,491. The loan will be non-amortizing and will bear 1.00% simple interest per annum. Annual payments of all applicable fees will be

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required. In addition and to the extent that development cash flow is available, interest payments 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 1.399% (simple interest rate plus applicable fees) for 15 years.

The applicant has provided Resolution #08-057 of the City Commission of the City of Key West, Florida supporting the availability of a \$40,000 grant from the Affordable Housing Trust Fund, City of Key West to assist in the financing of the proposed development. No repayment of principal and/or interest is expected.

The applicant must defer a minimum of 25% of developer fees or \$460,463 according to the RFP 2009-04. During the construction, stabilization, and permanent phase, SMG estimates the applicant must defer the required minimum developer fee of \$460,463 to balance the sources and uses of funds after all available loan proceeds and HC exchange contributions have been disbursed.

Following is a summary of the HC Exchange Allocation Calculation and the sizing calculation. Please note these calculations are based upon information provided in the RFP response. Updated information submitted during credit underwriting may result in changes to these preliminary estimates.

If you have any questions regarding this preliminary credit underwriting letter, please do not hesitate to call me at (850) 233-3616, ext. 244.

Sincerely,

SELTZER MANAGEMENT GROUP, INC.

A handwritten signature in black ink, appearing to read "Richard Crogan". The signature is fluid and cursive, with a large initial "R" and "C".

Richard Crogan
Credit Underwriter

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HC EXCHANGE ALLOCATION CALCULATION

Section I: Qualified Basis Calculation	
Development Cost	\$13,663,954
Less Land Cost	\$0
Less Federal Funds	\$0
Less Other Ineligible Cost	(\$824,163)
Less Disproportionate Standard	\$0
Total Eligible Basis	\$12,839,791
Applicable Fraction	100.00%
DDA/QCT Basis Credit	130.00%
Qualified Basis	\$16,691,728
HC Exchange Percentage	9.00%
Annual HC Exchange Allocation	\$1,502,256

Notes to the Qualified Basis Calculation:

1. Land for the subject development is being leased from the Housing Authority of the City of Key West, Florida. Annual lease payments are \$1 with no up-front payments, the term of the lease is 60 years.
2. Other Ineligible Costs primarily include commitment fees related to the SAIL loan, FHFC administration fees, compliance fees, and application fees, legal fees, marketing and advertising fees, and reserves.
3. The development has a 100% set aside. Therefore, the Applicable Fraction is 100%.
4. The development is located in Difficult Development Area ("DDA"). Therefore, a 130% qualified basis credit has been applied.
5. The Housing Credit percentage is 9.00% based on the Housing and Economic Recovery Act of 2008 for developments placed in service after July 30, 2008 and before December 31, 2013.

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Section II: Gap Calculation	
Total Development Cost (Including Land and Ineligible Costs)	\$13,663,954
Less Mortgages	(\$2,538,491)
Less Grants	(\$40,000)
Equity Gap	\$11,085,463
Percentage to Investment Partnership	100.00%
HC Syndication Pricing	\$0.8500
HC Required to Meet Gap	\$13,041,721
Annual HC Required	\$1,304,172

Notes to the Gap Calculation:

1. The less mortgages line item reflects a \$2,538,491 first mortgage SAIL loan from Florida Housing.
2. The Less Grants line item represents a grant from the Affordable Housing Trust Fund of the City of Key West, Florida.

Section III: Summary	
HC per Applicant Request	\$1,250,000
HC per Qualified Basis	\$1,502,256
HC per Gap Calculation	\$1,304,172
Annual HC Recommended	\$1,250,000

Notes to the Summary:

1. The annual HC Exchange amount recommended is limited by the Applicant's request for the HC Exchange funds.
2. The annual HC Exchange amount recommended is contingent upon final credit underwriting.