



Mr. Todd Fowler
Special Assets Director
Florida Housing Finance Corporation
City Center Building
227 N. Bronough Street
Suite 5000
Tallahassee, Florida 32301

November 24, 2015

Re: Banyan Pointe (F/K/A The Pointe at Banyan Trails Apartments)
SAIL #2000-044S / HC #2000-540C Supplemental Mortgage, State Apartment
Incentive Loan ("SAIL") Restructure and Subordination of SAIL Loan,
SAIL Land Use Restriction Agreement ("SAIL LURA"), and Housing
Credit Extended Low Income Housing Agreement ("HC ELIHA")

Dear Todd:

The Cornerstone Group, on behalf of Banyan Pointe Associates, Ltd. ("Borrower"), sent correspondence dated November 1, 2015 requesting consent from Florida Housing Finance Corporation ("FHFC") to add supplemental financing to the existing financing structure for the aforementioned development and subordination of the current second lien SAIL Loan to the new supplemental loan.

Per the request letter and assuming approval and closing of the supplemental loan, the Borrower has agreed to pay any outstanding deferred interest (related to the 9% to 3% conversion), additional accrued interest and make a 50% principal reduction payment on the SAIL.

FHFC staff has requested that First Housing Development Corporation of Florida ("First Housing") review the historical operations and proposed financing structure for purposes of determining that the Subject will meet minimum debt service coverage ("DSC") requirements of the SAIL program.

On behalf of FHFC, First Housing reviewed the request, performed certain due diligence, and formulated a recommendation. For purposes of this analysis, FHDC reviewed the following:

- Borrower Correspondence
- BPC Commitment, dated October 29, 2015

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- Development's Audited Operating Statements for fiscal years 2013 and 2014
- Development's unaudited 12 month trailing Operating Statements
- Borrowers Sources and Uses of funds
- Development's Occupancy Reports
- FHFC Past Due Report, dated October 2, 2015
- FHFC Noncompliance report, dated October 2, 2015
- Annual Compliance Review and Physical Inspection, dated May 21, 2015
- First Mortgage Refinance Credit Underwriting Report, dated May 10, 2015
- First Mortgage, Note, SAIL Subordination Agreement, Amended and Restated SAIL Promissory Note, LURA, ELIHA, and Loan Settlement Statement all dated September 8, 2011
- First Global Modification and Amendment to Florida Housing Finance Corporation SAIL Mortgage and Loan Documents dated September 8, 2011
- Second Global Modification and Amendment to Florida Housing Finance Corporation SAIL Mortgage and Loan Documents dated July 31, 2013
- Credit Underwriting Report presented by Seltzer Management Group, Inc. recommending FHFC consent to a Transfer of ownership from Stuart Meyers in all of the Cornerstone Developments to his existing partners dated July 23, 2015
- FHFC Board Minutes consenting to the Transfer of Ownership interest from Stuart Meyers to his remaining partners
- Appraisal completed for BCP by Southeast Realty Consultants dated July 29, 2015

In addition, FHDC had conversations with FHFC Staff and Borrower's representative regarding the proposed additional financing.

Background:

Banyan Pointe ("Development") is a 300 unit, garden style, multi-family development located at 3597 Wiles Road, Coconut Creek, Broward County, Florida 33073. In September 2011, the Borrower closed on a \$16,100,000 Berkeley Point Capital ("BPC") refinance of Broward County HFA issued first mortgage bonds. FHFC approved the refinance and subordinated the SAIL loan to the new BPC mortgage. The SAIL Loan was

restated with a \$2,500,000 principal balance, an interest rate of 3%, annual interest only payments, and a maturity date of July 1, 2040.

The SAIL LURA and HC ELIHA state that 100% of the units must be set aside for tenants earning 60% or less of area median income (“AMI”) for 50 years.

First Housing reviewed occupancy reports from January 2013 through October 2015 and found that the Development has maintained an average occupancy rate of 97.7%. As of October 31, 2015, the Development was 100% occupied.

Based on an Annual Management Review completed by First Housing on May 21, 2015 the Development was determined to be in compliance and no follow up review was required.

According to the FHFC Non-Compliance Report dated October 2, 2015, the Borrower and/or its affiliates are showing the following non-compliance items:

- River Oaks, Florida City - Failure to meet Uniform Physical Condition Standards. Voluntary rehabilitation of entire development is underway using local bond financing and a housing credits allocation. Vacated units remain unsuitable for occupancy while rehabilitation of development is underway.

According to the FHFC Past Due Report dated October 2, 2015, the Borrower and/or its affiliates are showing no past due items.

Approval of this request is conditioned upon verification that any outstanding past due items, and/or non-compliance items noted have been resolved to the satisfaction of Florida Housing and its Servicer.

On August 7, 2015, the FHFC Board of Directors approved the Transfer of Ownership interest from Stuart Meyers to his existing partners in all of the Cornerstone Developments.

Restructuring Overview:

BPC has approved the Borrower for a \$5.5 million loan. The supplemental proceeds are to be used for the settlement of litigation and to acquire all the LP interest from one of the former Cornerstone partners. The Borrower proposes to pay off 50% of the outstanding SAIL Loan principal, pay off the two remaining \$47,000 per year payments committed at the time of conversion of the existing SAIL Loan to the 3% rate, and pay off approximately \$62,500 in outstanding SAIL Loan interest due at closing of this request.

First Housing has reviewed a commitment letter, dated October 29, 2015, from BPC to provide up to \$5,500,000 in second mortgage financing. The anticipated interest rate will be based on the current yield of the most recently issued interpolated six (6) year US Treasury Securities Rate plus 520 basis points. The indicative rate today would be 6.90%. The rate will be locked at a fixed rate prior to closing. The supplemental loan will be co-terminous with the first mortgage loan with payments calculated based on a thirty (30)

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year amortization and will be cross defaulted with all pre-existing mortgage loans. The first mortgage and proposed second mortgage would mature on October 1, 2021 (approximately 6 years).

The BPC loan will be originated under and will be subject to the requirements, terms and conditions of the Fannie Mae Multifamily Delegated Underwriting and Servicing Product Line and the Fannie Mae Delegated Underwriting and Servicing Guide as the same may be amended from time to time (collectively, the “Fannie Mae DUS Requirements”). Fannie Mae conditions will require that FHFC execute Subordination Agreements of various SAIL documents, SAIL LURA and ELIHA. Fannie Mae also requires certain subordinate loan document amendments to conform to Fannie Mae standards.

The Borrower has submitted an appraisal from Southeast Realty Consultants prepared for BPC and dated July 29, 2015. The appraisal indicates an “as is” restricted rent market value conclusion of \$28,700,000. The appraised “as is” value provides for a combined LTV on the first mortgage, supplemental mortgage, and SAIL Loan of 80%. This LTV is well below the original first mortgage and SAIL Loan combined restricted rent LTV of 95.8%.

Recommendation

First Housing notes that the request to add supplemental debt includes the payment of deferred SAIL interest of approximately \$62,500, acceleration of remaining payments committed at time of a previous SAIL rate restructure and a \$1,250,000 SAIL principal prepayment.

First Housing recommends the supplemental second mortgage financing in an amount not to exceed \$5,500,000 and subordination of the existing SAIL Loan, the SAIL LURA, and the HC ELIHA, as applicable, to the new supplemental loan and modification of any other loan documents as required to effectuate the supplemental loan closing.

These recommendations are subject to the following conditions:

Conditions

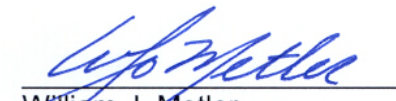
1. Receipt and review of the final closing statement to confirm any excess funds available at closing and repayment of the required proportionate amount of the SAIL Loan, if any.
2. Payment of approximately \$3,992,500 to be applied to the aforementioned settlement of litigation.
3. Payment of any outstanding arrearages to the Corporation, its legal counsel, Servicer or any agent or assignee of the Corporation for past due issues applicable to the development team (Applicant or Developer or Principal, Affiliate or

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Financial Beneficiary, as described in 67-48.0075 (5) F.A.C., of an Applicant or a Developer).

4. Confirmation of final proposed second mortgage loan terms.
5. Payment of \$1,250,000 SAIL Loan principal reduction and SAIL deferred and accrued interest as determined by FHFC and its Servicer.
6. Receipt of a non-refundable renegotiation fee equal to one-half of one percent of the SAIL principal amount on the date of the closing.
7. Satisfactory resolution of any outstanding FHFC non-compliance or past due items.
8. Review and approval of all loan documents consistent with the terms outlined above by FHFC and its legal counsel.
9. Consent of the HC Equity provider or confirmation that the HC equity investor limited partner has exited the partnership.
10. Prepayment of any required compliance monitoring fees and servicing fees, as applicable.
11. Confirmation of refinancing fees and closing costs prior to closing.
12. All other due diligence required by FHFC and its legal counsel.

Prepared by,



William J. Metler
Senior Credit Underwriter

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Banyan Pointe
Operating Proforma

DESCRIPTION	2013 Audited	2014 Audited	Last 12 Trailing Months Unaudited	Underwriter's 2016 anticipated	Per Unit
Revenue					
Gross Potential Rental Revenue	\$3,515,103	\$3,526,131	\$3,527,556	\$3,525,264	11,751
Other Income					
Miscellaneous Income	\$276,927	\$272,496	\$287,085	\$287,085	957
Gross Potential Income	\$3,792,030	\$3,798,627	\$3,814,641	\$3,812,349	12,708
Less:					
Vacancy Loss	\$31,643	\$21,781	\$8,630	\$190,617	635
Non-Revenue Units	\$24,743	\$25,944	\$25,944	\$25,944	86
Concessions	\$8,649	\$7,599	\$6,287	\$9,309	31
Total Effective Gross Revenue	\$3,726,995	\$3,743,303	\$3,773,780	\$3,586,479	11,955
Expenses					
Fixed:					
Real Estate Taxes	\$302,238	\$301,863	\$304,746	\$525,971	1,753
Insurance	\$175,400	\$160,269	\$144,794	\$144,795	483
Variable:					
Management Fee @ 5%	\$223,296	\$224,566	\$224,250	\$179,324	598
General and Administrative	\$0	\$0	\$162,207	\$124,947	416
Payroll Expenses	\$311,090	\$305,017	\$330,335	\$330,335	1,101
Utilities	\$289,650	\$311,469	\$299,574	\$300,636	1,002
Marketing and Advertising	\$26,772	\$16,793	\$7,745	\$10,000	33
Maintenance and Repairs	\$251,875	\$276,959	\$244,887	\$244,887	816
Grounds Maintenance and Landscaping	\$62,532	\$77,830	\$0	\$0	0
Other-Security	\$15,825	\$28,651	\$0	\$0	0
Reserve for Replacements	\$90,900	\$90,900	\$90,900	\$90,900	303
Other -	\$161,336	\$151,312	\$0	\$0	0
Other- Partnership Management fees	\$0	\$0	\$228,398	\$0	0
Total Expenses	\$1,910,914	\$1,945,629	\$2,037,836	\$1,951,795	6,506
Net Operating Income	\$1,816,081	\$1,797,674	\$1,735,944	\$1,634,684	5,449
Debt Service Payments					
First Mortgage	\$954,957	\$953,903	\$952,000	\$951,357	3,171
BPC Supplemental Second Mortgage	\$0	\$0	\$0	\$434,677	1,449
Third Mortgage SAIL	\$75,000	\$75,000	\$75,000	\$37,500	125
Fees	\$15,500	\$15,500	\$15,503	\$15,500	52
Total Debt Service Payments	\$1,045,457	\$1,044,403	\$1,042,503	\$1,439,034	4,797
Operating Income After Debt Service - Before Tax Cash Flow	\$770,624	\$753,271	\$693,441	\$195,650	652
Debt Service Coverage Ratios					
Debt Service Coverage - First Mortgage	1.90	1.88	1.82	1.718	
Debt Service Coverage - First and Second Mortgage	1.76	1.75	1.69	1.179	
Debt Service Coverage - First thru Third Mortgages	1.74	1.72	1.67	1.148	
Debt Service Coverage - All Mortgages and Fees				1.136	
Financial Ratios					
Operating Expense Ratio	0.51	0.52	0.54	0.54	
Break-Even Ratio	0.78	0.79	0.81	0.89	

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Notes to Pro Forma:

1. The 12 trailing month's expense comparison includes \$228,398 in partner management fees that are paid from available cash flow.
2. The 2013 and 2014 audited financials show that \$86,939 was paid in partner management fees and over the two year period \$800,000 in funds advanced to the partnership from affiliates of the General Partner were repaid.
3. The 12 trailing month's expenses included one-time expenses such as an ADA lawsuit settlement expense of \$29,000 and related legal fees of \$17,000.

Sources & Uses

Sources		Uses	
BPC Second Mortgage	\$5,500,000	SAIL Loan Principal Reduction	\$1,250,000
		SAIL Loan Interest	\$62,500
		SAIL Loan Conversion Fee	\$94,000
		Closing Costs	\$101,000
		SAIL Renegotiation Fee	\$12,500
		Proceeds at Closing (* see note)	\$3,980,000
Total	\$5,500,000	Total	\$5,500,000

Notes:

1. The anticipated supplemental second mortgage proceeds at closing are being utilized to complete the settlement agreement in full.