

October 5, 2020

Mr. Tim Kennedy
Assistant Director of Multifamily Programs
Florida Housing Finance Corporation
227 North Bronough Street
Tallahassee, Florida 32301

RE: Swan Lake Village f/k/a Granada Cove – SAIL, ELI, & HC RFA 2019-107 (2019-419CS)
Additional Subordinate Debt (City of Lakeland) / Subordination of City of Lakeland to the SAIL
and ELI Loan

Dear Mr. Kennedy:

AmeriNat® (“AmeriNat”) is in receipt of correspondence dated August 17, 2020, from Blue Griffin, LLC (“Borrower”) requesting Florida Housing Finance Corporation’s (“FHFC” or “Florida Housing”) consent to add an additional funding in the amount of \$400,000 from the City of Lakeland (“City Loan”). The City Loan shall be subordinate to the State Apartment Incentive Loan (“SAIL”) and Extremely Low Income (“ELI”) loan described in the Credit Underwriting Report (“CUR”) dated July 9, 2020, which was approved at Florida Housing’s July 17, 2020 Board meeting.

Overview

On May 21, 2019, the Borrower accepted the preliminary commitment for a \$3,800,000 SAIL loan and a \$198,600 ELI loan. Per Chapter 67-48.010(15) (“Rule”), after accepting a preliminary commitment, the Borrower shall not refinance, increase the principal amount, or alter any terms or conditions of any mortgage superior or inferior to the SAIL mortgage without prior approval of Florida Housing’s Board of Directors. At your direction, AmeriNat has reviewed the request and formulated a recommendation. AmeriNat’s findings are presented below.

Additionally, the CUR contemplates an annual allocation of 9% Housing Credits (“HC”) that will be purchased by Raymond James Tax Credit Funds (“RJTCF”), or an affiliated entity, who will provide a net equity investment of \$16,558,345 in exchange for a 99.99% limited partnership ownership interest and a proportionate share of the total HC allocation estimated by RJTCF to be \$18,000,000.

The proposed construction and permanent financing sources are anticipated to be as follows:

CONSTRUCTION/PERMANENT SOURCES:				
Source	Lender	Construction	Permanent	Perm Loan/Unit
Construction Loan	TD Bank	\$12,000,000	\$0	\$0
First Mortgage	FHFC - SAIL	\$3,800,000	\$3,800,000	\$45,238
Second Mortgage	FHFC - ELI	\$198,600	\$198,600	\$2,364
Third Mortgage	Lakeland	\$400,000	\$400,000	\$4,762
HC Equity	RJTCF	\$2,483,752	\$16,558,345	\$197,123
Deferred Developer Fee	Developer	\$2,114,265	\$39,672	\$472
TOTAL		\$20,996,617	\$20,996,617	\$249,960

October 5, 2020
Mr. Tim Kennedy
Swan Lake Village f/k/a Granada Cove
Page 2 of 6

The City Loan shall be comprised of \$288,000 from the City of Lakeland’s HOME funds and \$112,000 in General Funds. The loan shall mature twenty years following the closing and shall bear interest at a rate of zero percent (0%) per annum. All payments shall be deferred until maturity, at which time all outstanding principal shall be due and payable in full. In exchange for the loan, the Borrower will set aside 10 units for tenants earning 50% or less of the Area Median Income (“AMI”). Two of the total units will be considered HOME Assisted Units and will be set aside for tenants earning 80% or less of AMI.

An updated rent roll for the Development is illustrated in the following table:

MSA (County): Lakeland – Winter Haven MSA (Polk County)

Bed Rooms	Bath Rooms	Units	Square Feet	AMI%	Low HOME Rents	High HOME Rents	Gross HC Rent	Utility Allow.	Net Restricted Rents	PBRA Contr Rents	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
1	1.0	7	725	40%			\$441	\$80	\$361		\$362	\$361	\$361	\$30,324
1	1.0	8	725	50%			\$551	\$80	\$471		\$471	\$471	\$471	\$45,216
1	1.0	9	725	60%			\$662	\$80	\$582		\$471	\$486	\$486	\$52,488
1	1.0	24	725	60%			\$662	\$80	\$582		\$580	\$582	\$582	\$167,616
2	2.0	6	1,055	40%			\$530	\$104	\$426		\$427	\$426	\$426	\$30,672
2	2.0	2	1,055	50%		\$838	\$662	\$104	\$558		\$689	\$462	\$462	\$11,088
2	2.0	10	1,055	60%			\$795	\$104	\$691		\$558	\$462	\$462	\$55,440
2	2.0	18	1,055	60%			\$795	\$104	\$691		\$689	\$691	\$691	\$149,256
		84	72,780											\$542,100

AmeriNat received an updated appraisal prepared by Meridian Appraisal Group, Inc. (“Meridian”) dated September 3, 2020. Meridian concluded the Development is projected to achieve the 2020 maximum allowable HC Rents as published by Florida Housing on all units.

October 5, 2020
Mr. Tim Kennedy
Swan Lake Village f/k/a Granada Cove
Page 3 of 6

An updated operating pro forma is as follows:

FINANCIAL COSTS:		Year 1	Year 1 Per Unit
OPERATING PRO FORMA			
INCOME:	Gross Potential Rental Income	\$542,100	\$6,454
	Other Income		\$0
	Ancillary Income	\$15,120	\$180
	Washer/Dryer Rentals	\$17,237	\$205
	Gross Potential Income	\$574,457	\$6,839
	Less:		
	Physical Vac. Loss Percentage: 4.00%	\$22,978	\$274
	Collection Loss Percentage: 1.00%	\$5,745	\$68
Total Effective Gross Income		\$545,734	\$6,497
EXPENSES:	Fixed:		
	Real Estate Taxes	\$31,755	\$378
	Insurance	\$42,000	\$500
	Variable:		
	Management Fee Percentage: 7.00%	\$38,201	\$455
	General and Administrative	\$25,200	\$300
	Payroll Expenses	\$117,600	\$1,400
	Utilities	\$60,060	\$715
	Marketing and Advertising	\$6,300	\$75
	Maintenance and Repairs/Pest Control	\$33,600	\$400
	Grounds Maintenance and Landscaping	\$21,000	\$250
	Contract Services	\$16,800	\$200
	Security	\$7,560	\$90
	Reserve for Replacements	\$25,200	\$300
	Total Expenses		\$425,276
Net Operating Income		\$120,458	\$1,434
Debt Service Payments			
	First Mortgage - SAIL	\$19,000	\$226
	Second Mortgage - ELI	\$0	\$0
	Third Mortgage - Lakeland	\$0	\$0
	First Mortgage Fees - SAIL	\$10,453	\$124
	Second Mortgage Fees - ELI	\$3,581	\$43
	Third Mortgage Fees - Lakeland	\$0	\$0
Total Debt Service Payments		\$33,034	\$393
Cash Flow after Debt Service		\$87,424	\$1,041
Debt Service Coverage Ratios			
	DSC - First Mortgage plus Fees	4.09x	
	DSC - Second Mortgage plus Fees	3.65x	
	DSC - Third Mortgage plus Fees	3.65x	
	DSC - All Mortgages and Fees	3.65x	
Financial Ratios			
	Operating Expense Ratio	77.93%	
	Break-even Economic Occupancy Ratio (all debt)	80.13%	

Notes to the Operating Pro Forma and Ratios:

1. The utility allowances are based on the residents paying for their electricity, according to a Utility Allowance Schedule for Polk County approved by the U.S. Department of Housing and Urban Development effective June 1, 2020.
2. Ancillary income includes items such as application fees, pet deposits, and other miscellaneous fees.
3. The Development will offer full-size washer/dryer appliances to rent to tenants. The developer will charge \$30 to the general population tenants and \$15 to the Disabling Condition tenants. Meridian projects a participation rate of 38% for all tenants.
4. The Appraiser estimates a physical vacancy of 4% for a stabilized physical occupancy of 96% and a 1% collection loss for a stabilized economic occupancy of 95%.
5. Real Estate Tax and Insurance expenses reflect the Appraiser's estimates.
6. The Applicant submitted an executed Property Management Agreement dated as of August 22, 2019 wherein Carteret Management Corporation ("Carteret" or "Manager") will manage the Development. The Agreement states the initial term shall be for three years and will be automatically renewed annually unless terminated by either party in writing in accordance with the Agreement. The Agreement provides for compensation to Carteret in the amount greater of 5.0% of the total gross rental collections received during the preceding month or \$2,000. The appraisal concluded a management fee of 7% based upon a survey of comparable properties identified in the appraisal, which was utilized for this evaluation.
7. Other operating expense estimates are based on market comparables and are supported by the appraisal.
8. Replacement Reserves were estimated at \$300 per unit per year (\$25,200 per annum). AmeriNat utilized that amount in the operating pro forma, maintaining the reserve amount for 10 years, then escalating 3% per year thereafter, which meets the minimum required by Rule.
9. The SAIL Loan has an annual Permanent Loan Servicing Fee (\$9,500) to be paid annually based on 25 basis points of each outstanding loan amount, with a minimum monthly fee of \$219 per month and an annual Compliance Monitoring Multiple Program Fee of \$953.
10. The ELI Loan has an annual Permanent Loan Servicing Fee (\$2,628) to be paid annually based on 25 basis points of each outstanding loan amount, with a minimum monthly fee of \$219 per month and an annual Compliance Monitoring Multiple Program Fee of \$953.
11. Based upon an estimated Net Operating Income ("NOI") of \$120,458 for the proposed Development's initial year of stabilized operations; the First Mortgage loan can be supported by operations at a 4.09 to 1.00 DSC. For the first and second mortgages, the DSC is 3.65 to 1.00. All mortgage loans and fees can be supported by operations at a 3.65 to 1.00 DSC. Florida Housing's SAIL Program per Rule 67-48.0072(11), F.A.C. has a maximum Debt Service Coverage of 1.50x for the SAIL and all superior mortgages. However, the Development has deep subsidy in the form of 13 ELI units which serve tenants whose income is 40% or less of AMI. As such, exceeding the maximum threshold of 1.50x to 1.00 is permitted.
12. A 15-year Operating Pro forma attached hereto as Exhibit 1 reflects rental income increasing at an annual rate of 2% and expenses increasing at an annual rate of 3%.

October 5, 2020
Mr. Tim Kennedy
Swan Lake Village f/k/a Granada Cove
Page 5 of 6

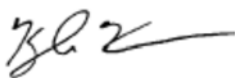
Recommendation

AmeriNat concludes that the addition of the City Loan in an amount up to \$400,000 will not adversely impact the transaction and/or Florida Housing's security position as the City Loan will be subordinate to the SAIL and ELI loans. Accordingly, AmeriNat recommends that Florida Housing approve the Borrower's request, subject to the following:

1. Review and approval of all loan documents consistent with the terms outlined above by Florida Housing, its Legal Counsel, and Servicer.
2. All closing conditions, as stated in the CUR, must be satisfied.
3. Any other reasonable requirements of the Servicer, Florida Housing or its Legal Counsel.

Please feel free to contact me with any questions or comments.

Sincerely,



Kyle Kuenn
Sr. Credit Underwriter

Exhibit 1
Swan Lake Village f/k/a Granada Cove
15 Year Income and Expense Projection

FINANCIAL COSTS:		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
OPERATING PRO FORMA																
INCOME:	Gross Potential Rental Income	\$542,100	\$552,942	\$564,001	\$575,281	\$586,786	\$598,522	\$610,493	\$622,703	\$635,157	\$647,860	\$660,817	\$674,033	\$687,514	\$701,264	\$715,289
	Other Income															
	Ancillary Income	\$15,120	\$15,422	\$15,731	\$16,045	\$16,366	\$16,694	\$17,028	\$17,368	\$17,715	\$18,070	\$18,431	\$18,800	\$19,176	\$19,559	\$19,951
	Washer/Dryer Rentals	\$17,237	\$17,582	\$17,933	\$18,292	\$18,658	\$19,031	\$19,412	\$19,800	\$20,196	\$20,600	\$21,012	\$21,432	\$21,861	\$22,298	\$22,744
	Gross Potential Income	\$574,457	\$585,946	\$597,665	\$609,618	\$621,811	\$634,247	\$646,932	\$659,871	\$673,068	\$686,529	\$700,260	\$714,265	\$728,550	\$743,121	\$757,984
	Less:															
	Physical Vac. Loss Percentage: 4.00%	\$22,978	\$23,438	\$23,906	\$24,384	\$24,872	\$25,370	\$25,877	\$26,395	\$26,922	\$27,461	\$28,010	\$28,570	\$29,142	\$29,724	\$30,319
	Collection Loss Percentage: 1.00%	\$5,745	\$5,860	\$5,977	\$6,097	\$6,219	\$6,343	\$6,470	\$6,599	\$6,731	\$6,866	\$7,003	\$7,143	\$7,286	\$7,432	\$7,580
Total Effective Gross Income	\$545,734	\$556,649	\$567,782	\$579,137	\$590,720	\$602,534	\$614,585	\$626,877	\$639,414	\$652,203	\$665,247	\$678,552	\$692,123	\$705,965	\$720,084	
EXPENSES:	Fixed:															
	Real Estate Taxes	\$31,755	\$32,708	\$33,689	\$34,700	\$35,741	\$36,813	\$37,917	\$39,055	\$40,226	\$41,433	\$42,676	\$43,956	\$45,275	\$46,633	\$48,032
	Insurance	\$42,000	\$43,260	\$44,558	\$45,895	\$47,271	\$48,690	\$50,150	\$51,655	\$53,204	\$54,800	\$56,444	\$58,138	\$59,882	\$61,678	\$63,529
	Variable:															
	Management Fee Percentage: 7.00%	\$38,201	\$38,965	\$39,744	\$40,539	\$41,350	\$42,177	\$43,021	\$43,881	\$44,759	\$45,654	\$46,567	\$47,498	\$48,448	\$49,417	\$50,405
	General and Administrative	\$25,200	\$25,956	\$26,735	\$27,537	\$28,363	\$29,214	\$30,090	\$30,993	\$31,923	\$32,880	\$33,867	\$34,883	\$35,929	\$37,007	\$38,117
	Payroll Expenses	\$117,600	\$121,128	\$124,762	\$128,505	\$132,360	\$136,331	\$140,421	\$144,633	\$148,972	\$153,441	\$158,045	\$162,786	\$167,669	\$172,700	\$177,881
	Utilities	\$60,060	\$61,862	\$63,718	\$65,629	\$67,598	\$69,626	\$71,715	\$73,866	\$76,082	\$78,365	\$80,716	\$83,137	\$85,631	\$88,200	\$90,846
	Marketing and Advertising	\$6,300	\$6,489	\$6,684	\$6,884	\$7,091	\$7,303	\$7,523	\$7,748	\$7,981	\$8,220	\$8,467	\$8,721	\$8,982	\$9,250	\$9,529
	Maintenance and Repairs/Pest Control	\$33,600	\$34,608	\$35,646	\$36,716	\$37,817	\$38,952	\$40,120	\$41,324	\$42,563	\$43,840	\$45,156	\$46,510	\$47,906	\$49,343	\$50,823
	Grounds Maintenance and Landscaping	\$21,000	\$21,630	\$22,279	\$22,947	\$23,636	\$24,345	\$25,075	\$25,827	\$26,602	\$27,400	\$28,222	\$29,069	\$29,941	\$30,839	\$31,764
	Contract Services	\$16,800	\$17,304	\$17,823	\$18,358	\$18,909	\$19,476	\$20,060	\$20,662	\$21,282	\$21,920	\$22,578	\$23,255	\$23,953	\$24,671	\$25,412
	Security	\$7,560	\$7,787	\$8,020	\$8,261	\$8,509	\$8,764	\$9,027	\$9,298	\$9,577	\$9,864	\$10,160	\$10,465	\$10,779	\$11,102	\$11,435
Reserve for Replacements	\$25,200	\$25,200	\$25,200	\$25,200	\$25,200	\$25,200	\$25,200	\$25,200	\$25,200	\$25,200	\$25,956	\$26,735	\$27,537	\$28,363	\$29,214	
Total Expenses	\$425,276	\$436,896	\$448,858	\$461,170	\$473,843	\$486,889	\$500,318	\$514,142	\$528,371	\$543,019	\$558,853	\$575,152	\$591,932	\$609,206	\$626,988	
Net Operating Income	\$120,458	\$119,752	\$118,924	\$117,967	\$116,877	\$115,645	\$114,267	\$112,735	\$111,043	\$109,184	\$106,394	\$103,399	\$100,191	\$96,760	\$93,097	
Debt Service Payments																
First Mortgage - SAIL	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000
Second Mortgage - ELI	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
First Mortgage Fees - SAIL	\$10,453	\$10,482	\$10,511	\$10,541	\$10,573	\$10,605	\$10,638	\$10,672	\$10,707	\$10,743	\$10,781	\$10,819	\$10,859	\$10,900	\$10,941	
Second Mortgage Fees - ELI	\$3,581	\$3,610	\$3,639	\$3,669	\$3,701	\$3,733	\$3,766	\$3,800	\$3,835	\$3,871	\$3,909	\$3,947	\$3,987	\$4,028	\$4,069	
Total Debt Service Payments	\$33,034	\$33,091	\$33,150	\$33,211	\$33,273	\$33,338	\$33,404	\$33,472	\$33,542	\$33,615	\$33,690	\$33,766	\$33,846	\$33,927	\$34,011	
Cash Flow after Debt Service	\$87,424	\$86,661	\$85,774	\$84,757	\$83,603	\$82,308	\$80,863	\$79,263	\$77,501	\$75,569	\$72,705	\$69,633	\$66,345	\$62,833	\$59,086	
Debt Service Coverage Ratios																
DSC - First Mortgage plus Fees	4.09x	4.06x	4.03x	3.99x	3.95x	3.91x	3.86x	3.80x	3.74x	3.67x	3.57x	3.47x	3.36x	3.24x	3.11x	
DSC - Second Mortgage plus Fees	3.65x	3.62x	3.59x	3.55x	3.51x	3.47x	3.42x	3.37x	3.31x	3.25x	3.16x	3.06x	2.96x	2.85x	2.74x	
DSC - All Mortgages and Fees	3.65x	3.62x	3.59x	3.55x	3.51x	3.47x	3.42x	3.37x	3.31x	3.25x	3.16x	3.06x	2.96x	2.85x	2.74x	
Financial Ratios																
Operating Expense Ratio	77.93%	78.49%	79.05%	79.63%	80.21%	80.81%	81.41%	82.02%	82.63%	83.26%	84.01%	84.76%	85.52%	86.29%	87.07%	
Break-even Economic Occupancy Ratio (all debt)	80.13%	80.56%	81.00%	81.45%	81.90%	82.37%	82.85%	83.34%	83.84%	84.34%	84.97%	85.60%	86.24%	86.89%	87.55%	