Florida Housing Finance Corporation

Credit Underwriting Report

Valencia Park Apartments

MMRB, 4% Non-Competitive Housing Credits and Existing 9% Housing Credits

2019-103B / 1993L-035

Section A Report Summary

Section B Loan Conditions and HC Allocation Recommendation and Contingencies

Section C Supporting Information and Schedules

Prepared by

Seltzer Management Group, Inc.

Final Report

August 25, 2020

VALENCIA PARK APARTMENTS

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Section A

Report Summary

Recommendation

Seltzer Management Group, Inc. ("SMG", "Seltzer", or "Servicer") recommends Florida Housing Finance Corporation ("FHFC" or "Florida Housing") fund Multifamily Mortgage Revenue Bonds ("MMRB") in the amount of $24,000,000, and an Annual Housing Credit ("HC") allocation of $1,505,281 for the acquisition and rehabilitation financing of Valencia Park Apartments ("Development" or "Valencia Park"). SMG also recommends the approval of the assumption and subordination of the existing Extended Low Income Housing Agreement ("ELIHA") (9% HC 1993L-035).

DEVELOPMENT & SET-ASIDES

Development Name: Valencia Park Apartments

RFA/Program Numbers: 2019 MMRB / 2019-103B 9% HC 1993L-035

Address: 532 Park Tree Terrace

City: Orlando Zip Code: 32825 County: Orange County Size: Large

Development Category: Acquisition/Rehab Development Type: Garden Apts (1-3 Stories)

Construction Type: Wood Frame

Demographic Commitment:
Primary: Family for 100% of the Units
Secondary: for of the Units

Unit Composition:
# of ELI Units: 0 ELI Units Are Restricted to AMI, or less. Total # of units with PBRA? 0
# of Link Units: 0 Are the Link Units Demographically Restricted? # of NHTF Units: 0

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
2	2.0	20	924	60%			$982	$95	$887		$887	$887	$887	$212,880
2	2.0	20	945	60%			$982	$95	$887		$887	$887	$887	$212,880
3	2.0	84	1,086	60%			$1,134	$105	$1,029		$1,029	$1,029	$1,029	$1,037,232
3	2.0	84	1,105	60%			$1,134	$105	$1,029		$1,029	$1,029	$1,029	$1,037,232
		208	221,424											$2,500,224

As restricted by the MMRB program, 40% of the units (84 units) will be set aside for households earning 60% or less of the Area Median Income ("AMI") and under the HC program, 100% of the units (208 units) will also be set aside for households earning 60% or less of the AMI.

Buildings: Residential - 26 Non-Residential - 1
Parking: Parking Spaces - 416 Accessible Spaces - 27

Set Asides:

Program	% of Units	# of Units	% AMI	Term (Years)
MMRB	40%	84	60%	30
HC / Existing HC	100%	208	60%	30

Absorption Rate 208 units per month for 1.0 months.

Occupancy Rate at Stabilization: Physical Occupancy 98.00% Economic Occupancy 97.00%
Occupancy Comments

DDA: Yes QCT: No Multi-Phase Boost: No QAP Boost: No
Site Acreage: 14.95 Density: 13.9130 Flood Zone Designation: X
Zoning: PD, Planned Development Flood Insurance Required?: No

DEVELOPMENT TEAM		
Applicant/Borrower:	Valencia Park Preservation, Ltd.	% Ownership
General Partner	Valencia Park GP LLC	0.01%
Limited Partner	National Equity Fund, Inc. ("NEF")	99.99%
Special LP		
Construction Completion Guarantor(s):		
CC Guarantor 1:	Valencia Park Preservation, Ltd.	
CC Guarantor 2:	Valencia Park GP LLC	
CC Guarantor 3:	Lincoln Avenue Capital, LLC ("LAC")	
CC Guarantor 4:	Lincoln Avenue Capital Management, LLC ("LACM")	
CC Guarantor 5:	Jeremy S. Bronfman	
Operating Deficit Guarantor(s):		
OD Guarantor 1:	Valencia Park Preservation, Ltd.	
OD Guarantor 2:	Valencia Park GP LLC	
OD Guarantor 3:	LAC	
OD Guarantor 4:	LACM	
OD Guarantor 5:	Jeremy S. Bronfman	
Bond Purchaser	Public Offering	
Developer:	Valencia Park Developer LLC	
Principal 1	LACM Advisors LLC	
Principal 2	SJB Management LLC	

DEVELOPMENT TEAM (cont)	
General Contractor 1:	Legacy Construction Services, LLC
Management Company:	McCormack Baron Management, Inc. ("MBM")
Const. Credit Enhancer:	Jones Lang LaSalle Multifamily, LLC ("JLL")
Perm. Credit Enhancer:	JLL
Syndicator:	NEF
Bond Issuer:	Florida Housing Finance Corporation
Architect:	Ebersoldt + Associates, Limited Liability Company
Market Study Provider:	Integra Realty Resources
Appraiser:	Integra Realty Resources

PERMANENT FINANCING INFORMATION

	1st Source	2nd Source	3rd Source	4th Source	5th Source	Other
Lien Position	First Mortgage					
Lender/Grantor	JLL					
Amount	$30,340,000					
Underwritten Interest Rate	3.05%					
All In Interest Rate						
Loan Term	35.0					
Amortization	35.0					
Market Rate/Market Financing LTV	75.1%					
Restricted Market Financing LTV	101.5%					
Restricted Favorable Financing LTV	N/A					
Loan to Cost - Cumulative	65.3%					
Loan to Cost - SAIL Only	N/A					
Debt Service Coverage	1.140					
Operating Deficit & Debt Service Reserves	$0					
# of Months covered by the Reserves	7.2					

Deferred Developer Fee	$3,921,357
As-Is Land Value	$2,800,000
As-Is Value (Land & Building)	$28,100,000
Market Rent/Market Financing Stabilized Value	$40,400,000
Rent Restricted Market Financing Stabilized Value	$29,900,000
Rent Restricted Favorable Financing Stabilized Value	$0
Projected Net Operating Income (NOI) - Year 1	$1,609,632
Projected Net Operating Income (NOI) - 15 Year	$1,968,999
Year 15 Pro Forma Income Escalation Rate	2.00%
Year 15 Pro Forma Expense Escalation Rate	3.00%
Bond Structure	Short Term Cash Collateralized, Public Offering
Housing Credit (HC) Syndication Price	$0.89
HC Annual Allocation - Initial Award	$1,319,555
HC Annual Allocation - Qualified in CUR	$1,505,281
HC Annual Allocation - Equity Letter of Interest	$1,373,477

CONSTRUCTION/PERMANENT SOURCES:

Source	Lender	Construction	Permanent	Perm Loan/Unit
FHFC - MMRB	FHFC/JLL	$24,000,000	$30,340,000	$145,865.38
Regulated Mortgage	JLL	$6,340,000		$0.00
HC Equity	NEF	$9,778,178	$12,222,723	$58,763.09
Applicant	General Partner	$100	$100	$0.48
Deferred Developer Fee	Developer	$6,365,901	$3,921,357	$18,852.68
TOTAL		$46,484,180	$46,484,180	$223,481.63

Financing Structure:

Jones Lang LaSalle Multifamily, LLC ("JLL"), an approved HUD Multifamily Accelerated Processing ("MAP") lender, will fund a FHA insured permanent first mortgage ("First Mortgage") loan under the U.S. Department of Housing and Urban Development ("HUD") Section 223(f) Tax Credit Program.

Applicant submitted to FHFC an application under MMRB with 4% Housing Credits. JLL will pay off the $24,000,000 of FHFC short-term bonds with a FHA Section 223(f) Rehabilitation Loan in the amount of $30,340,000. The financing structure will be "immediate funding" so the amount of the first mortgage will be the same for both the construction and permanent period.

FHFC will issue up to $24,000,000 of tax-exempt MMRB, which will be underwritten and marketed by RBC Capital Markets LLC ("RBC") through a Public Offering. Proceeds from the sale of the MMRB will be held by a trustee and released to the Applicant for the acquisition and rehabilitation of the Subject Development. The release of the MMRB proceeds to fund the acquisition and rehabilitation of the Development will be restricted, contingent upon a like sum of First Mortgage loan funds being sent to the Trustee and placed in a Collateral Fund. Therefore, the principal and interest of the MMRB will be secured by a cash source at all times until they are fully repaid. The Applicant will pay a fixed rate of interest on the MMRB, which is estimated to be 0.30% to 0.35% based on current market conditions. The Bonds will require monthly interest only payments until the earlier of the maturity date, which is up to 36 months from the date of closing, or the date of redemption. The Applicant anticipates only an 18 month construction period. Investment income derived from the collateral fund is expected to offset the MMRB interest.

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?	X	
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?		2
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 the Application?		3
Is the Development in all other material respects the same as presented in the Application?		4

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

1. MMRB/First Mortgage:

   The Applicant requested $25,500,000 in FHFC tax-exempt bonds in the Application but was reduced to $24,000,000 by the Applicant during underwriting.

   The first mortgage amount increased from $25,500,000 in the Application to $30,340,000 by JLL.

Syndication:

Syndicator changed from Boston Financial Investment Management, L.P. to National Equity Fund, Inc. ("NEF"). The annual housing credits increased from $1,319,555 to $1,373,477; however, the equity per credit dollar decreased from $0.95 to $0.89. The first installment at closing increased from $2,535,304 to $4,155,726. Total equity capital contributions decreased from $12,676,520 to $12,222,723.

2. Total Development Costs have increased $3,372,415, from $43,111,765 to $46,484,180, due mainly to increases from estimated to actual construction costs, hard cost contingency, FHFC Administrative Fees, FHFC Compliance Fees, lender inspection fees, financing fees, developer fee and reserves. This represents a total development budget increase of approximately 7.82%.
3. See comment in Item 1 above.
4. Applicant requested on August 7, 2020 for FHFC Board approval for a change in Principals of the Developer entity Valencia Park Developer, LLC. Its Members changed from SJB Management LLC (36%), ENB Family LLC (24%), Red Rocks 90 LLC (16%), Matthew Bronfman Family EMBT (19%) and 13 Hazeltine LLC (5%) to a pass through entity LACM Advisors LLC (99.99%) and SJB Management LLC (0.01%). LACM Advisors LLC Members are SJB Management LLC (37.90%), ENB Family LLC (25.26%), Matthew Bronfman Family EMBT (20%) and Red Rocks 90 LLC (16.84%).

   The Applicant is submitting a Rule Waiver to change the Principals of the Applicant prior to loan closing to remove 13 Hazeltine LLC with 5% ownership from the ownership structure. With this removal, the 5% ownership will be dispersed among the remaining four members.

   Applicant requested on August 17, 2020 for FHFC approval to increase the 4% Housing Credits set-aside commitment from 40% at 60% AMI to 100% at 60% AMI, which was approved by Florida Housing staff on August 19, 2020.

These changes have no substantial material impact to the MMRB or HC recommendations for this development.

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

Florida Housing's Past Due Report dated June 9, 2020 reflects the following past due item(s): Two past due items were reported for Brownsville Transit Village II and Everett Stewart, Sr. Village.

The Asset Management Noncompliance Report dated June 9, 2020 reflects the following noncompliance item(s). Lakeside Commons, Logan Heights and Riverwalk II.

This recommendation is subject to satisfactory resolution of any outstanding past due and/or noncompliance items prior to loan closing and the issuance of the annual HC Allocation Recommendation herein.

<u>Strengths:</u>

1. The appraiser, Integra Realty Resources – Tampa Bay ("Integra"), notes the average occupancy rate for like-kind properties within the Primary Market Area ("PMA") is 99.8%. Occupancy is high and

demand for units appears prevalent. Therefore, Integra concluded that there is more than adequate demand for the subject in the current market environment. The Capture Rate is low at 3.6%. A Capture Rate of 10% or less is a typical developer's benchmark that a development is appropriately sized for the market.

2. Although the Borrower, general partner and developer are newly formed, the principals of the Developer, General Partner, Management Company, and General Contractor have sufficient experience and financial resources to develop, construct, and operate the proposed Development.

Other Considerations: None

Waiver Requests/Special Conditions:

1. See Changes from the Application on page A-6 at number 4 for a Rule Waiver for Applicant principal change.

Additional Information:

1. The Subject Development is subject to an existing Extended Low-Income Housing Agreement recorded September 11, 1995. Set-asides are 40% of the units will be set aside for households earning 60% or less of the AMI for 30 years.
2. Applicant provided a January 2020 Tenant Relocation Manual for Valencia Park Apartments. Tenants are anticipated to be displaced at any given time for a period no longer than one day. At the conclusion of each day, the unit will be returned to the tenant in fully functional condition. The clubhouse will be furnished for the use of the tenants that are temporarily displaced during the unit renovation that will provide tenants access to a bathroom, full kitchen and television. Tenants will also be provided a daily allowance of $15 per tenant. The GC Contractor will provide an independent moving company to move tenant belongings, if necessary, from their apartments into secure storage pods located in the parking lot.

Issues and Concerns:

1. None

Mitigating Factors:

1. None

Recommendation:

SMG recommends FHFC issue $24,000,000 in MMRB and a 4% Non-Competitive Housing Credit (“HC”) allocation in the annual amount of $1,505,281 to Valencia Park Apartments for Construction/Permanent Financing. SMG also recommends the approval of the assumption and subordination of the existing ELIHA.

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 MMRB Loan Conditions and HC Allocation Recommendation and Contingencies (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:	Reviewed by:
Keith Whitaker	Cindy Highsmith
Credit Underwriter	Credit Underwriting Manager

Overview

Construction Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
First Mortgage	FHFC/JLL	$25,500,000	$24,000,000	$24,000,000	3.05%	$1,116,421
First Mortgage	JLL	$1,400,000	$6,340,000	$6,340,000	3.05%	$294,921
HC Equity	NEF	$10,271,759	$9,778,178	$9,778,178		
Additional Equity	General Partner	$100	$100	$100		
Solar Tax Credit Equity	Federal Program	$122,988	$0	$0		
Deferred Developer Fee	Developer	$5,816,919	$6,309,981	$6,365,901		
Total		**$43,111,765**	**$46,428,259**	**$46,484,180**		**$1,411,342**

Tax Exempt Bonds/First Mortgage Financing:

FHFC will issue up to $24,000,000 of tax-exempt MMRB, which will be underwritten and marketed by RBC Capital Markets LLC (“RBC”) through a Public Offering according to a summary of financing assumptions dated August 17, 2020. Proceeds from the sale of the MMRB will be held by a trustee and released to the Applicant for the acquisition and rehabilitation of the Subject Development. The release of the MMRB proceeds to fund the acquisition and rehabilitation of the Development will be restricted, contingent upon a like sum of First Mortgage loan funds being sent to the Trustee and placed in a Collateral Fund. Therefore, the principal and interest of the MMRB will be secured by a cash source at all times until they are fully repaid. The Applicant will pay a fixed rate of interest on the MMRB, which is estimated to be 0.30% to 0.35% based on current market conditions. The Bonds will require monthly interest only payments until the earlier of the maturity date, which is up to 36 months from the date of closing, or the date of redemption. The Applicant anticipates only an 18 month construction period. Investment income derived from the collateral fund is expected to offset the MMRB interest.

Seltzer reviewed an August 3, 2020 Engagement Letter from JLL to provide a FHA Section 223(f) – Rehabilitation Loan in an estimated loan amount of $30,340,000. JLL will utilize a portion of the 223(f) financing to cash collateralize the MMRB during construction in the amount of $24,000,000. After the Subject Development places in service, the proceeds of the JLL loan, held by the Trustee in the Collateral Fund, will be used to redeem the MMRB. The loan will be an immediate funding in the amount of $30,340,000 to finance the construction/permanent loan for the Subject Development. Proposed terms include monthly principal and interest payments based on a 35 year term with a 35 year amortization, with an anticipated fixed interest rate of 2.30%, exclusive of a Mortgage Insurance Premium (“MIP”) of 0.25%, plus a 0.50% interest rate cushion, for an “all-in” interest rate of 3.05%. It is anticipated that the property will maintain stabilized operations throughout the rehabilitation period, as the Subject Development is currently 100% occupied. First Mortgage principal and interest payments will be paid from rental income derived from the operations of the Development.

As discussed earlier, the JLL HUD insured loan will act as cash collateral for the $24,000,000 FHFC Tax-Exempt MMRB. The incremental amount above the MMRB will be funded as a source for construction costs during the construction period.

The annual FHFC Issuer Fee of 24 basis points, an annual Compliance Monitoring Fee for occupied rehabilitation based on a monthly fee of $171, in addition to $10.46 per set-aside unit and the annual Trustee Fee of $4,500 have been included in the uses section of this report.

Other Construction Sources of Funds:

Additional sources of funds for this development include Housing Credit ("HC") equity in the amount of $9,778,178 and additional equity provided by the General Partner of $100. To balance the Sources and Uses of Funds during the Construction Phase, the Developer must defer Developer Fee in the amount of $6,365,901. See the Permanent Financing section below for Sources of Funds details.

Construction/Stabilization Period:

A May 29, 2020, AIA Standard Abbreviated Form of Agreement between Owner and Contractor with a Guaranteed Maximum Price reflects Valencia Park Apartments achieving substantial completion of the development no later than 365 calendar days from the date of commencement. The Appraiser estimates a stabilized physical occupancy of 97%. If hypothetically, 100% of the units were vacant and had to be re-leased, the Appraiser estimates an absorption rate of approximately 20 units per month, which results in an approximate 10 month lease-up. However, the Subject is currently stabilized and all of the existing residents will remain income qualified post renovation. The first mortgage loan is fully funded at closing.

Permanent Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt
First Mortgage	JLL	$25,500,000	$30,340,000	$30,340,000	3.05%	35	35	$1,411,342
HC Equity	NEF	$12,526,535	$12,222,723	$12,222,723				
Additional Equity	General Partner	$100	$100	$100				
Solar Tax Credit Equity	Federal Program	$149,985	$0					
Def. Developer Fee	Developer	$3,535,145	$3,865,436	$3,921,357				
Additional Equity		$1,400,000	$0	$0				
Total		**$43,111,765**	**$46,428,259**	**$46,484,180**				**$1,411,342**

First Mortgage Financing:

Seltzer reviewed an Engagement Letter, dated August 3, 2020, provided by JLL. JLL will provide a First Lien Mortgage FHA Section 223(f) Rehabilitation Loan in the amount of $30,340,000 to the Applicant. JLL will payoff the short term FHFC MMRB with immediate funding of the 223(f) loan to finance the construction/permanent loan for the Subject Development.

Proposed terms include monthly principal and interest payments based on a 35 year term with a 35 year amortization, with an anticipated fixed interest rate of 2.30%, exclusive of a Mortgage Insurance Premium ("MIP") of 0.25%, plus a 0.50% interest rate cushion, for an "all-in" interest rate of 3.05%. It is anticipated that the property will maintain stabilized operations throughout the rehabilitation period, as the Subject Development is currently 100% occupied. First Mortgage principal and interest payments will be paid from rental income derived from the operations of the Development.

Housing Credits Equity Investment:

The Applicant has applied to Florida Housing to receive 4% Housing Credits directly from the United States Treasury in conjunction with tax-exempt financing. A HC calculation is contained in Exhibit 4 of this credit underwriting report.

Based upon a July 30, 2020 Letter of Intent ("LOI"), NEF will provide HC equity as follows:

Capital Contributions	Amount	Percent of Total	When Due
1st Installment	$4,155,726	34.00%	At Closing
2nd Installment	$3,666,817	30.00%	At Month 3
3rd Installment	$1,955,636	16.00%	At Month 5
4th Installment	$1,833,408	15.00%	At Construction Completion
5th Installment	$611,136	5.00%	At Stabilization & 8609
Total	$12,222,723	100.00%	

Annual Tax Credits per Syndication Agreement: $1,373,477

Total HC Syndication: $13,733,397

Syndication Percentage (limited partner interest): 99.99%

Calculated HC Exchange Rate (per dollar): $0.89

Proceeds Available During Construction: $9,778,178

Sufficient equity proceeds will be disbursed at closing to meet regulatory requirements.

Other Permanent Sources of Funds:

In order to balance the sources and uses of funds after all loan proceeds and capital contributions payable under the NEF commitment have been received, the General Partner will contribute $100 and the Developer will have to defer $3,921,357, or 59.38% of Developer Fee.

Uses of Funds

CONSTRUCTION COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Accessory Buildings				$0	
Demolition				$0	$0
Installation of Pre Fab Units				$0	
New Rental Units				$0	
Off-Site Work				$0	$0
Recreational Amenities				$0	
Rehab of Existing Common Areas				$0	
Rehab of Existing Rental Units	$5,500,000	$6,888,504	$6,888,504	$33,118	
Site Work				$0	
Swimming Pool				$0	
Furniture, Fixture, & Equipment				$0	
Hard Cost Contingency - in Constr. Cont.				$0	
Constr. Contr. Costs subject to GC Fee	$5,500,000	$6,888,504	$6,888,504	$33,118	$0
General Conditions		$413,310	$413,310	$1,987	
Overhead		$137,770	$137,770	$662	
Profit	$700,000	$344,425	$344,425	$1,656	
Builder's Risk Insurance				$0	
General Liability Insurance				$0	
Payment and Performance Bonds				$0	
Contract Costs not subject to GC Fee				$0	
Total Construction Contract/Costs	$6,200,000	$7,784,009	$7,784,009	$37,423	$0
Hard Cost Contingency	$570,000	$778,401	$778,401	$3,742	
PnP Bond paid outside Constr. Contr.		$77,840	$77,840	$374	
Fees for LOC used as Constr. Surety				$0	
Demolition paid outside Constr. Contr.				$0	
FF&E paid outside Constr. Contr.				$0	
Other:				$0	
Total Construction Costs:	**$6,770,000**	**$8,640,250**	**$8,640,250**	**$41,540**	**$0**

Notes to the Construction Costs:

1. The Borrower has provided an executed AIA Standard Abbreviated Form of Agreement between Owner and Legacy Construction Services, LLC where the basis of payment is the Cost of the Work Plus a Fee with a Guaranteed Maximum Price ("GMP") of $7,784,009. The Agreement is dated May 29, 2020. The General Contractor shall achieve substantial completion of the entire work not later than 365 calendar days from the date of commencement. The date of commencement shall be a date set forth in a Notice to Proceed issued by the Owner. Retainage shall be limited to 10% of the contract until the work is 75% complete, at which time it will drop to 5% withheld thereafter.

   Final payment shall be made by the Owner to the General Contractor when (1) the General Contractor has fully performed the contract, (2) the General Contractor has submitted a final accounting for the cost of the work and a final application for payment, and (3) a final certificate for payment has been issued by the Architect. The Owner's final payment to the General Contractor shall be made no later than 30 days after the Architect's final certificate for payment.

2. General Contractor fees as stated are within the 14% maximum per Rule 67-21 ("Rule").

3. The Hard Cost Contingency is within the 15% allowed per Rule.
4. The General Contractor provided an executed General Contractor Certification of Requirements, whereby the General Contractor acknowledges and commits to adhere to all requirements related to a General Contractor as published within Florida Administrative Code 67-21.
5. Seltzer received a Plan and Cost Analysis (“PCA”) from Partner Engineering and Science, Inc. (“Partner”). Complete results are set forth in Section C of this credit underwriting report.
6. No Allowances were identified in the General Contract or the Schedule of Values.

GENERAL DEVELOPMENT COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Accounting Fees	$15,000	$15,000	$15,000	$72	$7,500
Appraisal	$10,000	$10,000	$10,000	$48	
Architect's and Planning Fees				$0	
Architect's Fee - Green Initiative				$0	
Architect's Fee - Landscape				$0	
Architect's Fee - Site/Building Design	$120,000	$114,400	$114,400	$550	
Architect's Fee - Supervision				$0	
Building Permits	$50,000	$50,000	$50,000	$240	
Builder's Risk Insurance	$97,000	$35,000	$35,000	$168	
Capital Needs Assessment/Rehab	$15,000	$15,000	$15,000	$72	
Engineering Fees				$0	
Environmental Report	$20,000	$20,000	$20,000	$96	
Federal Labor Standards Monitoring				$0	
FHFC Administrative Fees	$50,000	$135,407	$135,476	$651	$135,476
FHFC Application Fee	$3,000	$3,000	$3,000	$14	$3,000
FHFC Credit Underwriting Fee	$18,000	$19,834	$19,834	$95	$19,834
FHFC Compliance Fee	$100,000	$153,534	$159,876	$769	$159,876
FHFC Other Processing Fee(s)				$0	
Impact Fee				$0	
Lender Inspection Fees / Const Admin		$85,624	$85,624	$412	
Green Building Cert. (LEED, FGBC, NGBS)				$0	
Home Energy Rating System (HERS)				$0	
Insurance				$0	
Legal Fees - Organizational Costs	$140,154	$100,000	$100,000	$481	$50,000
Local Subsidy Underwriting Fee				$0	
Market Study		$5,000	$5,000	$24	$5,000
Marketing and Advertising				$0	$0
Plan and Cost Review Analysis				$0	
Property Taxes				$0	
Soil Test				$0	
Survey	$15,000	$15,000	$15,000	$72	
Tenant Relocation Costs	$65,000	$65,000	$65,000	$313	
Title Insurance and Recording Fees	$65,000	$65,000	$65,000	$313	$0
Traffic Study				$0	
Utility Connection Fees				$0	
Soft Cost Contingency	$50,000	$42,500	$42,500	$204	
Other:				$0	
Total General Development Costs:	**$833,154**	**$949,299**	**$955,710**	**$4,595**	**$380,686**

Notes to the General Development Costs:

1. Architect's Fees for Site/Building Design and Supervision are stipulated in the Architect Contract dated June 15, 2020.
2. There is not a separate budget for Engineering Fees and are included within the Architect Agreement.
3. Appraisal and Market Study figures are based on the Applicant's estimate.
4. The FHFC Administrative Fee is based on 9% of the recommended annual allocation of HC. The FHFC Application Fee is reflective of the application fee stated in the 2019 MMRB and 4% HC Application.

The total FHFC Credit Underwriting Fee is $19,834. The FHFC Compliance Fee is the future compliance fees to be paid at bond redemption. It is estimated based on the compliance fee model provided by FHFC for 208 units for 30 years. In addition, $6,342 is included for Compliance Monitoring Fees paid during construction for occupied units, based on an estimated construction period of 18 months.

5. Soft cost contingency has been limited to 5%, as allowed per Rule.
6. Other General Development Costs are based on the Applicant's estimates, which appear reasonable.

FINANCIAL COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Permanent Loan Application Fee				$0	$0
Permanent Loan Underwriting Fee				$0	$0
Permanent Loan Subsidy Layering Rev.				$0	$0
Permanent Loan Commitment Fee				$0	$0
Permanent Loan Origination Fee				$0	$0
Permanent Loan Closing Costs	$473,004	$303,400	$303,400	$1,459	$303,400
Permanent Loan Interest				$0	$0
Permanent Loan Servicing Fee				$0	$0
FHFC Bond Short-Term Redemption Fee		$72,000	$74,400	$358	$74,400
FHFC Bond Trustee Fee			$6,750	$32	$6,750
FHFC Bond Credit Enhancement Fee				$0	$0
FHFC Bond Cost of Issuance	$387,152	$278,089	$278,089	$1,337	$278,089
FHFC Bond Interest		$240,000	$240,000	$1,154	$240,000
FHFC Bond Servicing Fee				$0	$0
Legal Fees - Financing Costs		$37,500	$37,500	$180	$37,500
Negative Arbitrage				$0	
Forward Rate Lock Fee				$0	
Placement Agent/Underwriter Fee		$90,000	$90,000	$433	$90,000
Initial TEFRA Fee		$1,000	$1,000	$5	$1,000
FHA MIP (Prepayment)		$75,850	$75,850	$365	
FHA Exam Fee		$91,020	$91,020	$438	$91,020
NIBP Commitment Fee				$0	
Other: NEF Due Diligence Fee		$55,000	$55,000	$264	$55,000
Other: FHFC Issuer Fee		$57,600	$86,400	$415	$86,400
Other: ELIHA Subordination Fee			$1,000	$5	$1,000
Total Financial Costs:	**$860,156**	**$1,301,459**	**$1,340,409**	**$6,444**	**$1,264,559**
Dev. Costs before Acq., Dev. Fee & Reserves	**$8,463,310**	**$10,891,008**	**$10,936,369**	**$52,579**	**$1,645,245**

Notes to the Financial Costs:

1. Proceeds from the sale of the MMRB will be placed in a Collateral Fund and invested in U.S. Treasuries at a yield greater than interest on the MMRB (based on current market conditions). Accordingly, no amount for Construction Loan Interest has been included. As indicated earlier, principal and interest payments due on the JLL loan will be paid from property operations.
2. Permanent Loan Closing Costs represents the FHA Commitment Fee of 1.00% of loan amount, as required in the JLL LOI.
3. Permanent Loan Interest is paid from existing cash flow from operations.
4. FHFC Costs of Issuance is comprised of fees and expenses of the Real Estate Counsel, Bond Counsel, Disclosure Counsel, Trustee and the Fiscal Sufficiency Determination as disclosed by Florida Housing.
5. FHFC Bond Interest is an estimated amount by the Applicant until the bonds are actually priced, prior to closing.
6. The Initial TEFRA Fee is based on the non-refundable TEFRA Fee as required by 2019 MMRB.
7. The FHA MIP (Prepayment) is based on 0.25% of the loan amount.
8. The FHA Exam Fee is based on 0.30% of the loan amount.

9. ELIHA Subordination Fee of $1,000 will be required at closing.
10. The FHFC Issuer Fee is based on 18 months of the annual Issuer Fee of 24 basis points during construction.
11. The FHFC Bond Trustee Fee is equal to 18 months of fees during construction, based on an annual fee of $4,500.
12. The FHFC Short-Term Redemption Fee is based on 31 basis points for Bonds outstanding for up to 18 months.

NON-LAND ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Brokerage Fees - Building				$0	
Building Acquisition Cost	$25,200,000	$25,797,753	$25,797,753	$124,028	
Developer Fee on Non-Land Acq. Costs	$4,536,000	$4,643,596	$4,643,595	$22,325	
Other:				$0	
Total Non-Land Acquisition Costs:	**$29,736,000**	**$30,441,349**	**$30,441,348**	**$146,353**	**$0**

Notes to the Non-Land Acquisition Costs:

1. The Applicant submitted an Agreement For Purchase and Sale of Real Property ("PSA") between Valencia Park Apartments LLC ("Seller") and Valencia Park Preservation, Ltd. ("Buyer"), dated July 1, 2020 with a purchase price of $28,000,000 and to close by June 1, 2021.

   Building Acquisition Cost in the amount of $25,797,753 is the difference of the purchase price ($28,000,000) minus land value ($2,202,247 as calculated by the FHFC Land Allocation criteria).
2. The "As-Is" appraised value of the Development at restricted rents is $28,100,000, which supports the purchase price.
3. The "As-Is" appraised value of the Development at market rents is $35,600,000.
4. Maximum Developer Fee on building acquisition is the purchase price (exclusive of land acquisition costs as explained by Note #3 under Land Acquisition Costs) x 18% (rounded down).

DEVELOPER FEE ON NON-ACQUISTION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Developer Fee - Unapportioned	$1,523,395	$1,960,382	$1,960,383	$9,425	
DF to fund Operating Debt Reserve				$0	
DF to Brokerage Fees - Land				$0	
DF to Excess Land Costs				$0	
DF to Excess Bldg Acquisition Costs				$0	
DF to Consultant Fees				$0	
DF to Guaranty Fees				$0	
Total Other Development Costs:	**$1,523,395**	**$1,960,382**	**$1,960,383**	**$9,425**	**$0**

Notes to the Developer Fee on Non-Acquisition Costs:

1. The Developer Fee has been limited to not exceed 18% of the development costs per Rule, exclusive of land acquisition, Developer Fee, and reserves.

LAND ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Brokerage Fees - Land				$0	$0
Land Acquisition Cost	$2,800,000	$2,202,247	$2,202,247	$10,588	$2,202,247
Land				$0	$0
Land Lease Payment				$0	$0
Land Carrying Costs				$0	$0
Total Acquisition Costs:	**$2,800,000**	**$2,202,247**	**$2,202,247**	**$10,588**	**$2,202,247**

Notes to the Land Acquisition Costs:

1. SMG received a copy of a July 31, 2020 appraisal report by Integra Realty Resources – Tampa Bay ("Integra") that concluded an "As-if vacant land" Land Value of $2,800,000 for the Valencia Park site.
2. The Orange County Property Appraiser's website reflects a 2019 land-only value of $3,536,000.
3. Based upon FHFC's Land Allocation criteria, the lowest calculated land value is reflected above, and in calculations throughout this report. The land value is calculated by Land Allocation Method #3: "As-Is" Land Value ($2,800,000) multiplied by the Discounting Value (0.7865168539), which equals $2,202,247.

RESERVE ACCOUNTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
ACC Reserve (Lender)				$0	$0
ACC Reserve (Syndicator)				$0	$0
Operating Deficit Reserve (FHFC)				$0	$0
Operating Deficit Reserve (Lender)				$0	$0
Operating Deficit Reserve (Syndicator)	$589,060	$591,568	$602,128	$2,895	$602,128
Reserves - Working Capital		$208,000	$208,000	$1,000	$208,000
Other: R/E Tax/Insurance Escrow		$133,705	$133,705	$643	$133,705
Total Reserve Accounts:	**$589,060**	**$933,273**	**$943,833**	**$4,538**	**$943,833**

Notes to the Reserve Accounts:

1. The Syndicator is requiring an Operating Deficit Reserve ("ODR") equal to three months of operating expense and debt service, estimated at $602,128.

   At the end of the compliance period, any remaining balance of the ODR less amounts that may be permitted to be drawn (which includes Deferred Developer Fee and reimbursements for authorized member/partner and guarantor loan(s) pursuant to the operating/partnership agreement), will be used to pay FHFC loan debt; if there is no FHFC loan debt on the proposed Development at the end of the compliance period, any remaining balance shall be used to pay any outstanding FHFC fees. If any balance is remaining in the ODR after the payments above, the amount should be placed in a Replacement Reserve account for the Development. In no event shall the payments of amounts to the Applicant or the Developer from the Reserve Account cause the Developer Fee or general Contractor Fee to exceed the applicable percentage limitations provided for in the Rule. Any and all terms and conditions of the ODR must be acceptable to Florida Housing, its Servicer and its Legal Counsel.

2. The First Mortgage Lender is requiring a HUD 223(f) Capital Reserve of $208,000 and a Real Estate Tax/Insurance Escrow of $133,705.

TOTAL DEVELOPMENT COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
TOTAL DEVELOPMENT COSTS:	$43,111,765	$46,428,259	$46,484,180	$223,482	$4,791,325

Notes to the Total Development Costs:

1. Since the time of application, Total Development Costs have increased $3,372,415, from $43,111,765 to $46,484,180, due mainly to increases from estimated to actual construction costs, hard cost contingency, FHFC Administrative Fees, FHFC Compliance Fees, lender inspection fees, financing fees, developer fee and reserves. This represents a total development budget increase of approximately 7.82%.

Operating Pro forma

OPERATING PRO FORMA			ANNUAL	PER UNIT
INCOME	Gross Potential Rental Income		$2,500,224	$12,020
	Rent Subsidy (ODR)		$0	$0
	Other Income:			
	Ancillary Income-Parking		$0	$0
	Miscellaneous		$187,200	$900
	Washer/Dryer Rentals		$0	$0
	Cable/Satellite Income		$0	$0
	Rent Concessions		$0	$0
	Alarm Income		$0	$0
	Gross Potential Income		$2,687,424	$12,920
	Less:			
	Economic Loss - Percentage:	0.0%	$0	$0
	Physical Vacancy Loss - Percentage:	2.0%	($53,748)	($258)
	Collection Loss - Percentage:	1.0%	($26,874)	($129)
Total Effective Gross Revenue			$2,606,801	$12,533
EXPENSES	Fixed:			
	Ground Lease		$0	$0
	Sub-Ground Lease		$0	$0
	Real Estate Taxes		$162,334	$780
	Insurance		$75,000	$361
	Other		$0	$0
	Variable:			
	Management Fee - Percentage:	3.11%	$80,995	$389
	General and Administrative		$62,400	$300
	Payroll Expenses		$249,600	$1,200
	Utilities		$142,480	$685
	Marketing and Advertising		$5,200	$25
	Maintenance and Repairs		$76,960	$370
	Grounds Maintenance and Landscaping		$0	$0
	Resident Programs		$0	$0
	Contract Services		$31,200	$150
	Security		$41,600	$200
	Other-Pest Control		$7,000	$34
	Reserve for Replacements		$62,400	$300
Total Expenses			$997,169	$4,794
Net Operating Income			$1,609,632	$7,739
Debt Service Payments				
DEBT SERVICE	First Mortgage - JLL		$1,411,342	$6,785
	Second Mortgage -		$0	$0
	All Other Mortgages -		$0	$0
	First Mortgage Fees - JLL		$0	$0
	All Other Mortgages Fees -		$0	$0
Total Debt Service Payments			$1,411,342	$6,785
Cash Flow After Debt Service			$198,290	$953

Debt Service Coverage Ratios	
DSC - First Mortgage plus Fees	1.140
DSC - Second Mortgage plus Fees	1.140
DSC - Third Mortgage plus Fees	1.140
DSC - Fourth Mortgage plus Fees	1.140
DSC - Fifth Mortgage plus Fees	1.140
DSC - All Mortgages and Fees	1.140

Financial Ratios	
Operating Expense Ratio	38.3%
Break-Even Ratio	89.7%

Notes to the Operating Pro forma and Ratios:

1. The Development will be utilizing HCs and will impose rent restrictions as reflected below.

   A rent roll for the Subject is illustrated in the following table:

MSA/County: Orlando-Kissimmee-Sanford MSA / Orange 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
2	2.0	20	924	60%			$982	$95	$887		$887	$887	$887	$212,880
2	2.0	20	945	60%			$982	$95	$887		$887	$887	$887	$212,880
3	2.0	84	1,086	60%			$1,134	$105	$1,029		$1,029	$1,029	$1,029	$1,037,232
3	2.0	84	1,105	60%			$1,134	$105	$1,029		$1,029	$1,029	$1,029	$1,037,232
		208	221,424											$2,500,224

1. Miscellaneous income includes revenues from vending machines, laundry income and various miscellaneous sources. The Appraiser projected $187,200 based on historical income. Seltzer concurs and has utilized the Appraiser's estimate.
2. Vacancy and collection loss are based on the appraiser's estimate of 2% and 1%, respectively.
3. Real Estate Taxes are based on the Appraiser's estimate.
4. Management Fees are based upon the Property Management Agreement provided by Borrower. The monthly fee is calculated based on a management fee equal to 4% of net rental income collected from the subject property, but in no event shall the management fee exceed $32.45 per unit per month ($32.45 x 208 units = $6,749.60 x 12 = $80,995 or 3.11%). The management fee is subject to annual increases of the greater of three percent (3.00%) or the Urban Wage CPI adjustment factor based on September 30th of the prior year and the trailing 12 months prior. This adjustment amount will be imposed on January 1st of each year.
5. Seltzer has combined the Appraiser's painting/decorating budget with maintenance and repairs. Maintenance and Repair costs also include ground maintenance expenses.
6. Resident programs will be paid out of the General and Administrative line item.
7. Contract Services expense is based on historical expenses and are within the range of comparables.
8. Other operating expense estimates are based on either market comparables or historical operations at the Subject and are supported by the appraisal.

9. The Appraiser utilized Replacement Reserves in the amount of $250 per unit per year based on projected renovations and comparables. Seltzer adjusted this amount to $300 to meet the Rule requirement.

10. A 15-year income and expense projection shows increasing debt service coverage ("DSC") in years one through 15. This projection is attached to this report as Exhibit 1.

Section B

Loan Conditions

HC Allocation Recommendation and Contingencies

Special Conditions

These recommendations are contingent upon the review and approval of the following items by SMG and Florida Housing at least 30 days prior to real estate loan closing. Failure to receive approval of these items within this time frame may result in postponement of the loan closing.

1. Applicant to provide a fully executed Management Agreement and Management Plan.
2. The assumption of the existing ELIHA by the Applicant.
3. Subordination of the existing ELIHA to the First Mortgage.

General Conditions

This recommendation is contingent upon the review and approval of the following items by SMG and Florida Housing at least 30 days prior to real estate loan closing. Failure to receive approval of these items within this time frame may result in postponement of the loan closing.

1. Borrower to comply with any and all recommendations noted in the Plan and Cost Analysis.
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. Final "as permitted" (signed and sealed) site plans, building plans and specifications. The geotechnical report, if any, must be bound within the final plans and specifications.
4. 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.). Acceptable alternatives to this requirement are receipt and satisfactory review of a letter from the local permitting and approval authority 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.
5. 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.
6. A final construction draw schedule showing itemized sources and uses of funds for each monthly draw. The closing draw shall include appropriate backup and ACH wiring instructions.
7. Construction Period Developer Fee shall be the lessor of i) 50% of the Total Developer Fee or ii) the Total Developer Fee less the Deferred Developer Fee listed in the Sources and Uses for the construction period, as calculated by the Servicer. At closing, a maximum of 35% of the Construction Period Developer Fee may be funded. Remaining Construction Period Developer Fee

will be disbursed during construction/rehabilitation on a pro rata basis, based on the percentage of completion of the development, as approved and reviewed by FHFC and Servicer.

Once the Development has achieved 100% lien free completion and retainage has been released, the Post-Construction Period Developer Fee may be funded. Post-Construction Period Developer Fee is the remaining portion of Developer Fee less Deferred Developer Fee listed in the Sources and Uses for the permanent period, as calculated by the Servicer.

8. Evidence of insurance coverage pursuant to the Rule governing this proposed transaction and, as applicable, the FHFC Insurance Guide.
9. The General Contractor shall secure a payment and performance bond equal to 100% of the total construction cost listing FHFC as a co-obligee, whose terms do not adversely affect the Corporation's interest, issued in the name of the General Contractor, from a company rated at least "A-" by AMBest & Co., or a Corporation-approved alternate security for the General Contractor's performance such as a letter of credit issued by a financial institution with a senior long term (or equivalent) credit rating of at least "Baa3" by Moody's, or at least "BBB-" by Standard & Poor's or Fitch, or a financial rating of at least 175 by IDC Financial Publishing. The LOC must include "evergreen" language and be in a form satisfactory to Florida Housing, its Servicer and its Legal Counsel.
10. 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 of the Rehabilitation Act, the Americans with Disabilities Act ("ADA"), and Federal Fair Housing Act requirements, as applicable.
11. A copy of an Amended and Restated Partnership Agreement reflecting purchase of the HC under terms consistent with the assumptions contained within this Credit Underwriting Report. The Amended and Restated Partnership Agreement shall be in a form and of financial substance satisfactory to Servicer and to FHFC and its Legal Counsel.
12. Satisfactory resolution of any outstanding past due and/or noncompliance items.
13. 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 Financial Beneficiary, as described in 67-21.0025 (5) F.A.C. and 67-48.0075(5) of an Applicant or a Developer).
14. At all times there will be undisbursed loan funds (collectively held by Florida Housing, the first lender and any other source) sufficient to complete the Development. If at any time there are not sufficient funds 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 loan funds are disbursed. This condition specifically includes escrowing at closing all equity necessary to complete construction or another alternative acceptable to Florida Housing in its sole discretion.
15. At the end of the Compliance Period, any remaining balance of the ODR less amounts that may be permitted to be drawn (which includes Deferred Developer Fee and reimbursements for authorized

member/partner and guarantor loan(s) pursuant to the operating/partnership agreement), will be used to pay FHFC loan debt; if there is no FHFC loan debt on the proposed Development at the end of the compliance period, any remaining balance shall be used to pay any outstanding FHFC fees. If any balance is remaining in the ODR after the payments above, the amount should be placed in a Replacement Reserve account for the Development. In no event shall the payments of amounts to the Applicant or the Developer from the Reserve Account cause the Developer Fee or General Contractor Fee to exceed the applicable percentage limitations provided for in the Rule. Any and all terms and conditions of the ODR must be acceptable to Florida Housing, its Servicer and its Legal Counsel.

This recommendation is contingent upon the review and approval of the following items by Florida Housing and its Legal Counsel <u>at least 30 days prior to real estate loan closing</u>. Failure to receive approval of these items within this time frame may result in postponement of the loan closing.

1. Documentation of the legal formation and current authority to transact business in Florida for the Borrower, the general partner/member(s)/principal(s)/manager(s) of the Borrower, the guarantors, and any limited partners/members of the Borrower.
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 MMRB 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 MMRB Loan naming FHFC as the insured. All endorsements required by Florida Housing shall be provided.
5. Florida Housing and its Legal Counsel shall review and approve all other lenders closing documents and the Partnership Agreement or other applicable agreement. Florida Housing shall be satisfied in its sole discretion that all legal and program requirements for the Loans have been satisfied.
6. Evidence of insurance coverage pursuant to the Rule governing this proposed transaction and, as applicable, the FHFC Insurance Guide.
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 / member of the Borrower (the "GP") and of any corporation or partnership that is the managing general partner / member of the GP, of any corporate guarantor and any manager;

b. Authorization, execution, and delivery by the Borrower and the guarantors, of all Loan documents;
c. The 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/Operating Agreement and;
e. Such other matters as Florida Housing or its Legal Counsel may require.

8. Evidence of compliance with local concurrency laws, as applicable.
9. UCC Searches for the Borrower, its partnerships, as requested by Legal Counsel.
10. 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 and its Legal Counsel, in connection with the loan(s).
11. Any other reasonable conditions established by Florida Housing and its Legal Counsel.

<u>Additional Conditions</u>

This recommendation is also contingent upon the following additional conditions:

1. Compliance with all provisions of Sections 420.507, 420.509, Florida Statutes, Rule Chapters 67-21, 67-48, 67-53, F.A.C., Section 42 I.R.C., and any other State and Federal requirements.
2. Acceptance by the Borrower and execution of all documents evidencing and securing the MMRB Loan and First Mortgage Loan in form and substance satisfactory to Florida Housing and its Legal Counsel, including, but not limited to, the Promissory Note(s), the Trustee Agreement(s), the Mortgage and Security Agreement(s), the Land Use Restriction Agreement(s), and Extended Low Income Housing Agreement(s).
3. If MMRB funds are used for construction or rehabilitation, all amounts necessary to complete construction must be deposited with the Trustee prior to Loan Closing, or any phased HC Equity pay-in of amount necessary to complete construction shall be contingent upon an unconditional obligation, through a Joint Funding Agreement or other mechanism acceptable to Florida Housing, of the entity providing HC Equity payments (and evidence that 100% of such amount is on deposit with such entity at Loan Closing) to pay, regardless of any default under any documents relating to the HC as long as the First Mortgage continues to be funded.
4. If applicable, receipt and satisfactory review of Financial Statements from all Guarantors dated within 90 days of Real Estate Closing.
5. Guarantors are to provide the standard FHFC Construction Completion Guaranty, to be released upon lien free completion as approved by the Servicer.
6. Guarantors for the MMRB Loan are to provide the standard FHFC Operating Deficit Guaranty. If requested in writing by the Applicant, the Servicer will consider a recommendation to release the Operating Deficit Guaranty if all conditions are met, including achievement of a 1.15 DSC on the permanent First Mortgage (<u>MMRB Loan</u>) as determined by FHFC or its Servicer, 90% Occupancy and

90% of the Gross Potential Rental Income net of Utility Allowances, if applicable, for a period equal to twelve (12) consecutive months, all certified by an independent Certified Public Accountant ("CPA") and verified by the Servicer. The calculation of the DSC ratio shall be made by Florida Housing or the Servicer. Notwithstanding the above, the Operating Deficit Guaranty shall not terminate earlier than three (3) years following the final certificate of occupancy.

7. Guarantors are to provide the standard FHFC Environmental Indemnity Guaranty.

8. Guarantors are to provide the standard FHFC Guaranty of Recourse Obligations.

9. A mortgagee title insurance lender's policy naming Florida Housing as the insured first and second mortgage holder in the amount of the Loans is to be issued at closing. Any exceptions to the title insurance policy must be acceptable to Florida Housing or its Legal Counsel. All endorsements that are required by Florida Housing are to be issued and the form of the title policy must be approved prior to closing.

10. Property tax and hazard insurance escrows 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 minimum amount of $300 per unit per year are required to be deposited on a monthly basis into a designated escrow account, to be maintained by the First Mortgagee/Credit Enhancer, the Trustee, or Florida Housing's loan servicing agent. However, Applicant has the option to prepay Replacement Reserves, as allowed per Rule, in the amount of $62,400 (one-half the required Replacement Reserves for Years 1 and 2), in order to meet the applicable DSC loan requirements. Applicant can waive this election, if at closing of the loan(s) 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 $300 per unit per year, escalating 3% per unit per year after year 10. The initial Replacement Reserve will have limitations on the ability to be drawn. Preservation or Rehabilitation Developments (with or without acquisition) shall not be allowed to draw until the start of the scheduled replacement activities as outlined in the pre-construction Capital Needs Assessment report ("CNA") subject to the activities completed in the scope of rehabilitation, but not sooner than the third year.

    The amount established as a Replacement Reserve shall be adjusted based on a Capital Needs Assessment ("CNA") to be received by the Corporation or its servicers, prepared by an independent third party and acceptable to the Corporation and its servicers at the time the CNA is required, beginning no later than the 10th year after the first residential building in the Development receives a certificate of occupancy, a temporary certificate of occupancy, or is placed in service, whichever is earlier ("Initial Replacement Reserve Date"). A subsequent CNA is required no later than the 15th year after the Initial Replacement Reserve Date and subsequently every five (5) years thereafter.

12. Partner Engineering and Science, Inc., or other construction inspector acceptable for Florida Housing, is to act as Florida Housing's inspector during the construction period.

13. According to the contract, ten percent (10%) retainage will be withheld on all work performed up to 75% complete, at which time it will drop to 5% thereafter. Florida Housing requires a minimum of 10% retainage holdback on all construction draws until the Development is 50% complete, at which time no retainage will be withheld. Retainage will not be released until successful lien free

completion of construction and issuance of all certificates of occupancy, which satisfies Florida Housing's minimum requirement.

14. Satisfactory completion of a pre-loan closing compliance audit conducted by Florida Housing or its Servicer, if applicable.
15. Closing of the MMRB first mortgage prior to or simultaneous with all other funding sources.
16. Any other reasonable requirements of the Servicer, Florida Housing or its Legal Counsel.

Housing Credit Allocation Recommendation

Seltzer Management Group, Inc. recommends a preliminary annual Housing Credit allocation of $1,505,281. Please see the HC Allocation Calculation section of this report for further details.

Contingencies

The HC allocation recommendation is contingent upon the receipt and satisfactory review of the following items by SMG and the Florida Housing Finance Corporation by the deadline established in the Preliminary HC Allocation. Failure to submit these items within this time frame may result in forfeiture of the HC Allocation.

1. All items listed under the Special Conditions section of the Loan Conditions to Close.
2. Satisfactory resolution of any outstanding past due and/or noncompliance items.
3. Any reasonable requirements of Florida Housing, SMG or its Legal Counsel.

Exhibit 1
Valencia Park Apartments
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		$2,500,224	$2,550,228	$2,601,233	$2,653,258	$2,706,323	$2,760,449	$2,815,658	$2,871,971	$2,929,411	$2,987,999	$3,047,759	$3,108,714	$3,170,889	$3,234,306	$3,298,992
	Rent Subsidy (ODR)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Other Income:																
	Ancillary Income-Parking		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Miscellaneous		$187,200	$190,944	$194,763	$198,658	$202,631	$206,684	$210,818	$215,034	$219,335	$223,721	$228,196	$232,760	$237,415	$242,163	$247,006
	Washer/Dryer Rentals		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Cable/Satellite Income		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Rent Concessions		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Alarm Income		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Gross Potential Income		$2,687,424	$2,741,172	$2,795,996	$2,851,916	$2,908,954	$2,967,133	$3,026,476	$3,087,005	$3,148,746	$3,211,720	$3,275,955	$3,341,474	$3,408,303	$3,476,470	$3,545,999
	Less:																
	Economic Loss - Percentage:																
	Physical Vacancy Loss - Percentage:	2.0%	($53,748)	($54,823)	($55,920)	($57,038)	($58,179)	($59,343)	($60,530)	($61,740)	($62,975)	($64,234)	($65,519)	($66,829)	($68,166)	($69,529)	($70,920)
	Collection Loss - Percentage:	1.0%	($26,874)	($27,412)	($27,960)	($28,519)	($29,090)	($29,671)	($30,265)	($30,870)	($31,487)	($32,117)	($32,760)	($33,415)	($34,083)	($34,765)	($35,460)
	Total Effective Gross Revenue		$2,606,801	$2,658,937	$2,712,116	$2,766,358	$2,821,686	$2,878,119	$2,935,682	$2,994,395	$3,054,283	$3,115,369	$3,177,676	$3,241,230	$3,306,054	$3,372,175	$3,439,619
EXPENSES	Fixed:																
	Ground Lease		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Sub-Ground Lease		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Real Estate Taxes		$162,334	$167,204	$172,220	$177,387	$182,708	$188,190	$193,835	$199,650	$205,640	$211,809	$218,163	$224,708	$231,449	$238,393	$245,545
	Insurance		$75,000	$77,250	$79,568	$81,955	$84,413	$86,946	$89,554	$92,241	$95,008	$97,858	$100,794	$103,818	$106,932	$110,140	$113,444
	Other		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Variable:																
	Management Fee - Percentage:	3.1%	$80,995	$82,615	$84,267	$85,953	$87,672	$89,425	$91,214	$93,038	$94,899	$96,797	$98,733	$100,707	$102,721	$104,776	$106,871
	General and Administrative		$62,400	$64,272	$66,200	$68,186	$70,232	$72,339	$74,509	$76,744	$79,046	$81,418	$83,860	$86,376	$88,967	$91,637	$94,386
	Payroll Expenses		$249,600	$257,088	$264,801	$272,745	$280,927	$289,355	$298,035	$306,977	$316,186	$325,671	$335,442	$345,505	$355,870	$366,546	$377,542
	Utilities		$142,480	$146,754	$151,157	$155,692	$160,362	$165,173	$170,129	$175,232	$180,489	$185,904	$191,481	$197,226	$203,142	$209,237	$215,514
	Marketing and Advertising		$5,200	$5,356	$5,517	$5,682	$5,853	$6,028	$6,209	$6,395	$6,587	$6,785	$6,988	$7,198	$7,414	$7,636	$7,865
	Maintenance and Repairs		$76,960	$79,269	$81,647	$84,096	$86,619	$89,218	$91,894	$94,651	$97,491	$100,415	$103,428	$106,531	$109,727	$113,018	$116,409
	Grounds Maintenance and Landscaping		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Resident Programs		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Contract Services		$31,200	$32,136	$33,100	$34,093	$35,116	$36,169	$37,254	$38,372	$39,523	$40,709	$41,930	$43,188	$44,484	$45,818	$47,193
	Security		$41,600	$42,848	$44,133	$45,457	$46,821	$48,226	$49,673	$51,163	$52,698	$54,279	$55,907	$57,584	$59,312	$61,091	$62,924
	Other-Pest Control		$7,000	$7,210	$7,426	$7,649	$7,879	$8,115	$8,358	$8,609	$8,867	$9,133	$9,407	$9,690	$9,980	$10,280	$10,588
	Reserve for Replacements		$62,400	$62,400	$62,400	$62,400	$62,400	$62,400	$62,400	$62,400	$62,400	$62,400	$64,272	$66,200	$68,186	$70,232	$72,339
	Total Expenses		$997,169	$1,024,402	$1,052,436	$1,081,295	$1,111,002	$1,141,583	$1,173,065	$1,205,472	$1,238,834	$1,273,178	$1,310,406	$1,348,730	$1,388,185	$1,428,804	$1,470,620
	Net Operating Income		$1,609,632	$1,634,535	$1,659,680	$1,685,064	$1,710,684	$1,736,536	$1,762,617	$1,788,923	$1,815,449	$1,842,191	$1,867,271	$1,892,499	$1,917,869	$1,943,372	$1,968,999
	Debt Service Payments																
DEBT SERVICE	First Mortgage - JLL		$1,411,342	$1,411,342	$1,411,342	$1,411,342	$1,411,342	$1,411,342	$1,411,342	$1,411,342	$1,411,342	$1,411,342	$1,411,342	$1,411,342	$1,411,342	$1,411,342	$1,411,342
	Second Mortgage -		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Third Mortgage -		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Forth Mortgage -		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Fifth Mortgage -		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	All Other Mortgages -		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	First Mortgage Fees - JLL		$89,934	$88,762	$87,554	$86,308	$85,024	$83,700	$82,334	$80,927	$79,475	$77,979	$76,436	$74,845	$73,205	$71,514	$69,770
	Second Mortgage Fees -		$6,720	$6,844	$6,972	$7,104	$7,240	$7,380	$7,524	$7,672	$7,825	$7,982	$8,144	$8,311	$8,483	$8,660	$8,842
	Third Mortgage Fees -		$3,515	$3,543	$3,572	$3,602	$3,632	$3,664	$3,696	$3,730	$3,764	$3,800	$3,837	$3,874	$3,913	$3,953	$3,994
	Fourth Mortgage Fees -		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Fifth Mortgage Fees -		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	All Other Mortgages Fees -		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Total Debt Service Payments		$1,511,511	$1,510,492	$1,509,440	$1,508,356	$1,507,238	$1,506,085	$1,504,896	$1,503,670	$1,502,406	$1,501,102	$1,499,758	$1,498,372	$1,496,943	$1,495,469	$1,493,949
	Cash Flow After Debt Service		$98,121	$124,043	$150,240	$176,708	$203,446	$230,451	$257,721	$285,253	$313,043	$341,088	$367,513	$394,127	$420,926	$447,903	$475,050
	Debt Service Coverage Ratios																
	DSC - First Mortgage plus Fees		1.072	1.090	1.107	1.125	1.143	1.162	1.180	1.199	1.218	1.237	1.255	1.273	1.292	1.311	1.329
	DSC - Second Mortgage plus Fees		1.067	1.085	1.102	1.120	1.138	1.156	1.174	1.193	1.211	1.230	1.248	1.266	1.285	1.303	1.322
	DSC - Third Mortgage plus Fees		1.065	1.082	1.100	1.117	1.135	1.153	1.171	1.190	1.208	1.227	1.245	1.263	1.281	1.300	1.318
	DSC - Fourth Mortgage plus Fees		1.065	1.082	1.100	1.117	1.135	1.153	1.171	1.190	1.208	1.227	1.245	1.263	1.281	1.300	1.318
	DSC - Fifth Mortgage plus Fees		1.065	1.082	1.100	1.117	1.135	1.153	1.171	1.190	1.208	1.227	1.245	1.263	1.281	1.300	1.318
	DSC - All Mortgages and Fees		1.065	1.082	1.100	1.117	1.135	1.153	1.171	1.190	1.208	1.227	1.245	1.263	1.281	1.300	1.318
	Financial Ratios																
	Operating Expense Ratio		38.3%	38.5%	38.8%	39.1%	39.4%	39.7%	40.0%	40.3%	40.6%	40.9%	41.2%	41.6%	42.0%	42.4%	42.8%
	Break-Even Ratio		93.4%	92.6%	91.7%	90.9%	90.1%	89.3%	88.6%	87.9%	87.2%	86.5%	85.9%	85.3%	84.7%	84.2%	83.7%

Valencia Park Apartments
2019 MMRB (2019-103B)
DESCRIPTION OF FEATURES AND AMENITIES

A. The Development will consist of:

208 units located in 26 garden apartments style residential buildings.

Unit Mix:

Twenty (20) two bedroom/two bath units at 924 square feet of heated and cooled living area; and

Twenty (20) two bedroom/two bath units at 945 square feet of heated and cooled living area; and

Eighty-four (84) three bedroom/two bath units at 1,086 square feet of heated and cooled living area; and

Eighty-four (84) three bedroom/two bath units at 1,105 square feet of heated and cooled living area;

208 Total Units

The Development is to be rehabilitated 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 has been approved in writing by Florida Housing or its Servicer. The Development will conform to requirements of local, state & federal laws, rules, regulations, ordinances, orders and codes, the Federal Fair Housing Act and Americans with Disabilities Act ("ADA"), as applicable.

B. The Borrower has committed to provide the following Optional Features and Amenities for the Development:

1. 30 Year expected life roofing on all buildings.
2. Community center or clubhouse.
3. Swimming pool.

C. The Borrower has committed to provide the following Green Building Features for the Development:

1. Programmable thermostat in each unit.
2. Energy efficient windows in each unit - Energy Star rating for all windows in each unit.
3. Install daylight sensors, timers or motion detectors on all outdoor lighting attached to buildings.

4. Low-flow water fixtures in bathrooms - WaterSense labeled products or the following specifications:

   - Toilets: 1.28 gallons/flush or less; and
   - Faucets: 1.5 gallons/minute or less; and
   - Showerheads: 2.0 gallons/minute or less.

5. Energy Star qualified refrigerators, dishwashers and washing machines that are provided by the Applicant.

D. The Borrower has committed to provide the following Qualified Resident Program for the Development:

1. Resident Activities – These specified activities are planned, arranged, provided and paid for by the Applicant or its Management Company and held between the hours of 9:00 a.m. and 9:00 p.m. These activities must be an integral part of the management plan. The Applicant 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.

COMPLETENESS AND ISSUES CHECKLIST

DEVELOPMENT NAME: Valencia Park Apartments
DATE: August 25, 2020

In accordance with applicable Program Rule(s), the Borrower 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 ("Florida Housing" or "FHFC"). The following items must be satisfactorily addressed. "Satisfactorily" means that the Credit Underwriter has received assurances from third parties unrelated to the Borrower that the transaction can close within the allotted time frame. Unsatisfactory items, if any, are noted below and in the "Issues and Concerns" section of the Executive Summary.

CREDIT UNDERWRITING REQUIRED ITEMS:	STATUS Satis. /Unsatis.	NOTE
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 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 the Rule for credit enhancers, Borrower, general partner, principals, guarantors and general contractor.	Satis.	
11. Resumes and experience of Borrower, general contractor and management agent.	Satis.	

12. Credit authorizations; verifications of deposits and mortgage loans.	Satis.	
13. Management Agreement and Management Plan.	Unsatis.	1
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.	
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: 15% 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.	

NOTES AND APPLICANT’S RESPONSES:

1. Applicant provided an unexecuted Management Agreement and Management Plan.

   Response: Applicant will provide an executed copy prior to closing.

HC Allocation Calculation

Section I: Qualified Basis Calculation	
Development Cost	$46,484,180
Less Land Cost	($2,202,247)
Less Federal Funds	$0
Less Other Ineligible Cost	($2,589,078)
Less Disproportionate Standard	$0
Acquisition Eligible Basis	$30,441,348
Rehabilitation Eligible Basis	$11,251,507
Total Eligible Basis	$41,692,855
Applicable Fraction	100.00%
DDA/QCT Basis Credit	130.00%
Acquisition HC Percentage	3.34%
Rehabilitation HC Percentage	3.34%
Annual HC on Acquisition	$1,016,741
Annual HC on Rehabilitation	$488,540
Annual Housing Credit Allocation	$1,505,281

Notes to the Qualified Basis Calculation:

1. Other Ineligible Costs primarily include FHFC administrative, application and underwriting fees, compliance fees, market study, legal fees, property taxes, loan origination fees, financing fees, permanent loan interest, costs of issuance and other financing costs.

2. The Borrower committed to a set aside of 100%. Therefore, SMG has utilized an Applicable Fraction of 100%.

3. Per the Application, this Development is located in a Small Area Difficult to Develop Area ("SADDA") (Number 32825). Therefore, the 130.00% basis credit has been applied to the rehabilitation eligible basis.

4. A Housing Credit Percentage of 3.34% is used based on a rate of 3.19% as of the December 2019 date of invitation into credit underwriting plus 15 basis points.

Section II: Gap Calculation	
Total Development Cost (Including Land and Ineligible Costs)	$46,484,180
Less Mortgages	($30,340,000)
Less Grants	$0
Equity Gap	$16,144,180
Percentage to Investment Partnership	99.99%
HC Syndication Pricing	$0.89
HC Required to Meet Gap	$18,141,342
Annual HC Required	$1,814,134

Notes to the Gap Calculation:

1. Mortgages represent the JLL first mortgage.
2. HC Syndication Pricing and Percentage to Investment Partnership are based upon the July 30, 2020 LOI from NEF.

Section III: Tax-Exempt Bond 50% Test	
Total Depreciable Cost	$41,692,855
Plus Land Cost	$2,202,247
Aggregate Basis	$43,895,102
Tax-Exempt Bond Amount	$24,000,000
Less Debt Service Reserve	$0
Less Proceeds Used for Costs of Issuance	$0
Plus Tax-exempt GIC earnings	$0
Tax-Exempt Proceeds Used for Building and Land	$24,000,000
Proceeds Divided by Aggregate Basis	54.68%

Notes to 50% Test:

1. SMG estimates the Tax-Exempt MMRB amount to be 54.68% of Depreciable Development Costs plus Land Acquisition Costs. If, at the time of Final Cost Certification, the Tax-Exempt Bond Amount is less than 50%, developer fees will have to be reduced by an amount to ensure compliance with the 50% Test. That may, in turn, result in a reduction to HC Equity.

Section IV: Summary	
HC per Qualified Basis	$1,505,281
HC per Gap Calculation	$1,814,134
Annual HC Recommended	$1,505,281

Notes to the Summary:

1. The Annual HC Recommended is based on the Qualified Basis Calculation.