

SELTZER MANAGEMENT GROUP, INC.

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October 19, 2022

VIA EMAIL

Mr. Tim Kennedy
Multifamily Loans and Bonds Director
Florida Housing Finance Corporation
City Centre Building
227 N. Bronough Street, Suite 5000
Tallahassee, Florida 32301

Re: Sabal Chase - MMRB 2000 Series M1 & M2 / SAIL ELI RFP 2010-16-07 / 4% HC 2000-532C
Transfer of Ownership / Assumption of MMRB LURA, SAIL ELI Loan Documents and ELIHA

Dear Mr. Kennedy:

On your behalf, Seltzer Management Group, Inc. ("SMG" or "Seltzer") has reviewed a request, dated July 20, 2022, from a representative of Sabal Chase Harmony Housing LLC ("Borrower") and TMO Acquisitions, LLC, ("TMO Acq" or "Purchaser"), the purchasing entity of The Michaels Organization ("TMO"), for the Florida Housing Finance Corporation ("FHFC" or "Florida Housing") to consent to the sale of Sabal Chase (the "Subject Development"), assumption of the existing MMRB LURA, SAIL ELI Loan Documents and ELIHA, and approval of the New Owner's selection of a new management company. Specifically, SMG has been requested to determine that the Purchaser has the prerequisite financial strength and experience to successfully own and operate the Subject Development.

For purposes of this analysis SMG has reviewed the following:

1. Correspondence from the Borrower and Purchaser as previously outlined
2. Audited Financial Statements, for year ended December 31, 2021, for Sabal Chase
3. Purchase and Sale Agreement ("PSA"), dated June 22, 2022
4. New Owner Organizational Chart
5. Corporate resume for TMO
6. The Michaels Development Company I, L.P. ("TMO Dev") audited financials for year ended December 31, 2021
7. For the New Manager, Michaels Management Affordable, LLC ("Michaels")
 - State of Florida Registration and 2022 Certificate of Status / Annual Report
 - Resume and Florida Properties under management
8. Florida Housing MMRB and Housing Credit ("HC") Credit Underwriting Report ("CUR"), dated June 16, 2000, prepared by SMG

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9. Seltzer's Subordinate Mortgage Initiative -- 09 ("SMI") Review and Analysis of Underlying Data dated May 15, 2009
10. RFP 2010-16-07 SAIL ELI Recommendation Letter dated January 12, 2011, prepared by SMG
11. Transfer of Ownership and Mortgage Refinancing Recommendation Letter dated May 29, 2014, prepared by SMG
12. Mortgage Refinancing Recommendation Letter dated January 14, 2016, prepared by SMG
13. Transfer of Ownership and Mortgage Refinancing Recommendation Letter dated November 26, 2019, prepared by SMG
14. MMRB LURA dated November 9, 2000, First Amendment to MMRB LURA dated September 29, 2014 and Second Amendment to MMRB LURA dated August 7, 2015
15. ELIHA dated September 6, 2001 and First Amendment to ELIHA dated October 1, 2015
16. SAIL ELI Mortgage and Security Agreement and Restrictive Covenants, Promissory Note and Loan Agreement all dated March 28, 2011
17. SAIL ELI Amended and Restated Promissory Note dated September 24, 2014
18. First Global Modification and Amendment to and Subordination of FHFC SAIL ELI Mortgage and SAIL ELI Loan Documents and Extended Low-Income Housing Agreement dated September 24, 2014 and Second Global Modification and Amendment to and Subordination of FHFC SAIL ELI Mortgage and SAIL ELI Loan Documents and Extended Low-Income Housing Agreement dated April 20, 2016 and Allonge to Amended and Restated Promissory Note dated April 20, 2016
19. FHFC Past Due Report, dated September 22, 2022
20. FHFC Noncompliance Report, dated June 9, 2020

In addition, SMG has had various conversations with the FHFC staff concerning the proposed requests described above.

Our findings are as follows:

- Sabal Chase is a family development located at 100 Corner Drive, Fort Pierce, St. Lucie County, Florida, consisting of 340 one-, two-, and three-bedroom rental apartment units located in 18 two and three-story garden style residential buildings.
- SCHARmony, an affiliate of Harmony Housing, is the current owner of the Subject Development. Its sole member is FARHH a Delaware non-profit corporation.
- The Subject Development originally received MMRB first mortgage financing on November 9, 2000 through a \$16,710,000 FHFC bond issue consisting of Tax-Exempt Housing Revenue Bonds Series 2000 M-1 in the amount of \$11,045,000 and Taxable Housing Revenue Bonds Series 2000 M-2 in the amount of \$5,665,000. Proceeds from the sale of the bonds funded the first mortgage loan in the amount of \$16,710,000. The mortgage is insured under Section 542(c) of the Housing and Community Development Act of 1992 and the regulations set forth at 24 CFR Part 266 – Housing Finance Agency Risk-Sharing program for insured Affordable Multifamily Project Loans. The risk sharing program is assumed 50% by Florida Housing's Guarantee Program ("GF Program") and 50% with the U.S. Department of Housing and Urban Development.

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- On December 14, 2012, the outstanding MMRB were purchased in lieu of redemption. Financing was provided by Greystone Loan Funding LLC ("Greystone LLC"). In accordance with the Bond Redemption and Purchase Agreement, the bonds remained outstanding and payable under the original terms and provisions as specified in the trust indenture and loan agreement.
- Other funding sources included equity derived from the sale of MMRB accompanying "in-kind" 4% HC in the amount of \$6,319,679 after a reduction of \$219,321 from the original required contribution due to a credit adjuster.
- A SMI loan in the amount of \$876,252.12 closed on July 20, 2009 that was utilized to provide limited debt service payment assistance on the first mortgage MMRB loan. The SMI loan was paid in full as of September 24, 2014, with no accrued interest due or payable.
- A SAIL ELI loan in the amount of \$4,725,000 closed on March 28, 2011. The note originally did not bear interest and no payments were required until maturity. However, per the September 24, 2014 Amended and Restated Promissory Note, the loan was modified back to a forgivable loan with 1/15th of the loan forgiven annually over the original 15 year term, with a maturity date of March 28, 2026. The Allonge to Amended and Restated Promissory Note extended the maturity date to May 1, 2051. The current SAIL ELI balance is \$1,573,425.
- In June 2014, SCHARmony purchased the property through a KeyBank first mortgage and paid off the remaining FHFC bonds as of October 27, 2014. In April 2016, SCHARmony refinanced the property and paid off the KeyBank first mortgage with a HUD new mortgage from Highland Commercial Mortgage, LLC. In March 2020, Highland Commercial Mortgage, LLC assigned the first mortgage back to KeyBank, which in turn assigned the first mortgage to Fannie Mae.
- Operation of the subject is restricted by terms and conditions detailed in various loan documents, including but not limited to the MMRB LURA and ELIHA. Set asides for the MMRB are 50% of units for residents earning 60% or less of the Area Median Income ("AMI") for a term consisting of the later of 15 years or the first date no MMRB remain outstanding plus ten (10) years. Set asides for HC are 100% of the units at 60% of AMI for thirty (30) years. The SAIL ELI set asides are 19% of the units (63 units) at 33% of AMI with 50% of the 33% AMI units (32 units) set aside for Special Needs Households for fifteen (15) years. At the end of the first fifteen (15) years, the ELI units are to revert back to the set asides committed to in the original MMRB LURA or ELIHA for the remaining fifteen (15) years of the thirty (30) year compliance period.
- As of August 31, 2022, Sabal Chase reported occupancy at a rate of 95%. Average occupancy for 2019 is 95.92%.
- The most recent Management Review and Physical Inspection for Sabal Chase was performed by SMG on June 3, 2020. All discrepancies were cured, and the review was subsequently closed out on July 31, 2021.

Purchaser Review:

A PSA was provided between Harmony Housing ("Current Owners") and TMO Acq which reflects a total purchase price of \$1,400,000,000 for the total portfolio of 134 properties, of which the total price for the ten Florida properties ("Harmony Housing Florida Portfolio") is \$199,270,571. Individual purchase prices for each property are included in Exhibit A. The closing date is thirty (30) days after Purchaser obtains Regulatory Assumption Approvals for Multifamily Projects Developments having a combined Allocated Purchase Price that represents at least seventy percent (70%) of the aggregate Allocated Purchase Price

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of all Multifamily Projects securing each of the Fannie Facilities, but in no event earlier than November 1, 2022. TMO Acq shall have the one time right to extend the initial closing date by thirty (30) days upon written notice to Current Owners.

The respective Audited Financial Statements do not reflect any going concern comments. Current first mortgage loan balances are reflected in Exhibit A. Sabal Chase is the only property in the Harmony Housing Florida Portfolio to have any outstanding FHFC debt.

TMO Acq will then transfer ownership to a to-be-formed, single asset entity in the form of a Limited Liability Company ("LLC") for all properties in the Harmony Housing Florida Portfolio. The sole member and manager of each Borrower will be Essential Housing Impact Partnership LLC. ("EHIP"). The managing member of EHIP is Essential Housing Manager LLC ("EHM") with 15% ownership and the remaining member is UIG BSPI Holdco LLC with 85% ownership. The Managing Member of EHM is Essential Housing-Michaels LLC with 33.33% ownership and the remaining member is CDT EH LLC with 66.67% ownership.

A corporate resume indicates TMO was formed in 1973 and its affiliates have extensive experience in both the affordable housing and multifamily sectors. Through its affiliates, TMO owns over 61,000 units in the United States across 440 communities in 37 states plus Washington D.C., Puerto Rico and the US Virgin Islands including affordable, market rate and military housing. TMO currently has 2,400 units across 14 properties in Florida, ten of which are affordable properties. SCG has successfully owned and managed these properties since acquisition and continues to grow its affordable housing platform through this acquisition.

TMO Dev's audited financials for the year ending December 31, 2021 were provided. TMO Dev is one of the entities controlled by TMO. The audit reflected total assets in excess of \$111 million, including cash and equivalents of approximately \$10 million. Total partners capital is reported at approximately \$108.8 million.

FHFC Past Due and Noncompliance Reports

TMO and the Harmony Housing Florida Portfolio have no items reported on the September 22, 2022, Past Due Report.

The data reflected in the latest Asset Management Noncompliance Report (June 9, 2020) is being updated by FHFC staff and the credit underwriter will rely on the updated report for purposes of this analysis/recommendation.

Resolution of any past due and/or noncompliance items to the satisfaction of Florida Housing is a condition of Seltzer's recommendation.

Management Company

The proposed management company, Michaels, is a Florida Limited Liability Company registered with the State of Florida on March 27, 2008. Michaels provides property management services to The Michael's Organization's entire portfolio and fee-manages for other private owners and non-profit organizations. They provide services to all property types including affordable housing and mixed-income as well as student, military and luxury communities. Michaels is currently managing more than 145,000 residents in 400 communities across 35 states. A portfolio of Florida properties was provided that includes eleven communities of which three are in the Florida Housing portfolio. The selection of Michaels as the management company is subject to the approval of Florida Housing's Asset Management department.

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Conclusions and Recommendation

SMG concludes that the Purchaser, through its affiliated entities, has the prerequisite financial strength and experience to own and operate Sabal Chase. Therefore, SMG recommends that FHFC consent to and approve the transfer of the ownership of the Subject Development to the Purchaser, assumption of the MMRB an LURA, SAIL ELI Loan Documents and ELIHA, and modification of any other loan documents, all as applicable and as needed to effectuate the transactions.

These recommendations are subject to the following:

- Purchaser and its entities and principals (if applicable) as well as the withdrawing entities to execute any assignment and assumption documents and any other documents that FHFC and its Legal Counsel deems necessary to effectuate the transaction
- Review and approval of all Loan Documents consistent with the terms outlined above by FHFC, its Legal Counsel, and Servicer
- Receipt of a non-refundable MMRB transfer and assumption fee of \$2,500 on the closing date Receipt of a non-refundable RRLP transfer and assumption fee equal to one-tenth of one percent of the RRLP principal balance, if applicable on the date of closing
- Transfer of existing tax, insurance, replacement reserve and debt service reserve escrow accounts or establishment of new accounts in like or greater amounts satisfactory to FHFC prior to closing, if applicable
- Payment of all costs and fees to Florida Housing, its Legal Counsel and Servicer, as applicable
- Approval of the selection of the management company by Florida Housing's Asset Management department, prior to closing
- Payment of any outstanding arrearages to FHFC, its Legal Counsel, Servicer or any Agent or Assignee of Florida Housing for Past Due items applicable to the Development Team (Borrower or Developer or Principal, Affiliate or Financial Beneficiary, as described in 67-21.0025(5) and 67-48.0075(5) F.A.C., of a Borrower or a Developer)
- Consent of the Investor LP and Subordinate Lenders, as applicable
- Prepayment of any compliance monitoring fees and servicing fees, as applicable
- Satisfactory resolution of any outstanding past due and/or noncompliance items
- FHFC requires the Owner to waive the right to a Qualified Contract under the ELIHAs, such waiver to be in form and substance acceptable to FHFC, and
- All other due diligence required by FHFC, its Legal Counsel and Servicer

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I hope this correspondence has been helpful and please do not hesitate to call if I can be of further assistance.

Sincerely,

SELTZER MANAGEMENT GROUP, INC.

A handwritten signature in cursive script that reads "Justin Coles". The signature is written in black ink and is positioned above a horizontal line.

Justin Coles
Credit Underwriter

Exhibit A

Property Name	Current Owner	Subordinations Requested	Existing First 12/31/21	Purchase Price
Centro Place Senior	Centro Place Harmony Housing LLC	ELIHA	\$10,309,592	\$16,042,409
Elm Lake	Elm Lake Harmony Housing LLC	ELIHA	\$3,826,000	\$10,142,426
Groves at Victoria Park	Groves Harmony Housing LLC	ELIHA, SAIL LURA	\$4,040,000	\$8,783,321
Jacaranda Trail	Jacaranda HH LLC	ELIHA, SAIL LURA	\$5,424,000	\$9,842,747
Oaks at Ellenton	Ellenton Harmony Housing LLC	ELIHA, SAIL LURA	\$9,600,000	\$27,059,624
Oaks Trail	Oaks HH LLC	ELIHA	\$7,543,000	\$15,836,427
Orcahrd Park	Orchard Harmony Housing LLC	ELIHA, SAIL LURA	\$6,760,000	\$11,781,689
Park Springs	Park Springs Harmony Housing LLC	ELIHA, SAIL LURA	\$12,612,000	\$33,289,430
Sabal Chase	Sabal Chase Harmony Housing LLC	ELIHA, MMRB LURA, SAIL ELI	\$20,168,000	\$53,996,058
Valencia Gardens	Valencia Harmony Housing LLC	ELIHA	\$7,840,000	\$12,496,440