

# **Florida Housing Finance Corporation**

*Credit Underwriting Report*

## **Captiva Cove III**

**SAIL Financing of Affordable Multifamily Housing Developments to be used in Conjunction  
with Tax-Exempt Bond Financing and Non-Competitive Housing Credits**

**SAIL, ELI and 4% HC**

**RFA 2021-205 / 2022-204S / 2021-525C**

**Invitation to Participate – 2022 Construction Housing Inflation Response Program**

**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*

*October 20, 2022*

---

**CAPTIVA COVE III**

**TABLE OF CONTENTS**

|  | <u>Page</u> |
|--|-------------|
| <b>Section A</b>   |             |
| Report Summary   |             |
| ➤ Recommendation   | A1-A9       |
| ➤ Overview   | A10-A13     |
| ➤ Uses of Funds  | A14-A21     |
| ➤ Operating Pro Forma  | A22-A24     |
| <b>Section B</b>   |             |
| Loan Conditions and HC Allocation Recommendation and Contingencies | B1-B6       |
| <b>Section C</b>   |             |
| Supporting Information and Schedules                               |             |
| ➤ Additional Development and Third Party Information               | C1-C5       |
| ➤ Borrower Information   | C6-C9       |
| ➤ Guarantor Information  | C10         |
| ➤ Syndicator Information   | C11         |
| ➤ General Contractor Information                                   | C12         |
| ➤ Property Manager Information                                     | C13         |
| <b>Exhibits</b>  |             |
| 15 Year Pro Forma  | 1           |
| Features and Amenities and Resident Programs                       | 2 1-5       |
| Completeness and Issues Checklist                                  | 3 1-2       |
| HC Allocation Calculation / CHIRP Calculation                      | 4 1-4       |

SMG

---

**Section A**  
**Report Summary**

---

**OCTOBER 20, 2022**

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

**Recommendation**

Seltzer Management Group, Inc. (“SMG” or “Seltzer” or “Servicer”) recommends a State Apartment Incentive Loan (“SAIL”) Second Mortgage of \$7,480,000, inclusive of a SAIL of \$3,180,000 and an estimated \$4,300,000 from the Construction Housing Inflation Response Program (“CHIRP”), and an Extremely Low Income (“ELI”) Fourth Mortgage of \$600,000. SMG also recommends an annual Housing Credit (“HC”) allocation of \$1,773,568 to Captiva Cove III for construction and permanent financing.

**DEVELOPMENT & SET-ASIDES**

Development Name: Captiva Cove III

RFA/Program Numbers: RFA 2021-205 / 2022-2045 2021-525C

Address: 740 SW 11th Street

City: Pompano Beach Zip Code: 33060 County: Broward County Size: Large

Development Category: New Construction Development Type: Mid-Rise (5-6 Stories)

Construction Type: Masonry

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

Unit Composition:  
# of ELI Units: 16 ELI Units Are Restricted to 30% AMI, or less. Total # of units with PBRA? 0  
# of Link Units: 8 Are the Link Units Demographically Restricted? Yes # 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 |
|-----------|------------|-------|-------------|------|----------------|-----------------|---------------|----------------|----------------------|------------------|-----------------|-----------------|----------|----------------------|
| 1         | 1.0        | 5     | 680         | 30%  |                |                 | \$510         | \$58           | \$452                |                  | \$452           | \$452           | \$452    | \$27,120             |
| 1         | 1.0        | 19    | 680         | 60%  |                |                 | \$1,020       | \$58           | \$962                |                  | \$962           | \$962           | \$962    | \$219,336            |
| 1         | 1.0        | 6     | 680         | 70%  |                |                 | \$1,190       | \$58           | \$1,132              |                  | \$1,132         | \$1,132         | \$1,132  | \$81,504             |
| 2         | 2.0        | 11    | 1,000       | 30%  |                |                 | \$612         | \$71           | \$541                |                  | \$541           | \$541           | \$541    | \$71,412             |
| 2         | 2.0        | 31    | 1,000       | 60%  |                |                 | \$1,225       | \$71           | \$1,154              |                  | \$1,154         | \$1,154         | \$1,154  | \$429,288            |
| 2         | 2.0        | 34    | 1,000       | 70%  |                |                 | \$1,429       | \$71           | \$1,358              |                  | \$1,358         | \$1,358         | \$1,358  | \$554,064            |
|           |            | 106   | 96,400      |      |                |                 |               |                |                      |                  |                 |                 |          | \$1,382,724          |

Persons with Special Needs Set-Aside Commitment: The proposed development must set aside fifty percent (50%) of the ELI Set-Aside units (8 units) as Link units for Persons with Special Needs. In order to meet the commitment to set aside ELI units as Link units for Persons with Special Needs, the Applicant must develop and execute a Memorandum of Understanding (“MOU”) with at least one Florida Housing designated Special Needs Household Referral Agency that provides supportive services for Persons with Special Needs for the county where the proposed Development will be located (Broward County). The execution deadline for the MOU is December 1, 2022.

The Applicant selected the Average Income Test; therefore, as required by RFA 2021-205, the Applicant must set-aside at least 15% of the total units (16 units) as ELI set-aside units at 30% AMI. The Persons with Special needs set-aside requirement must be maintained throughout the 50 year Compliance Period.

The Tenant Selection Plan (“TSP”) was approved by Florida Housing on April 21, 2022.

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

Buildings: Residential - 3 Non-Residential - 0  
 Parking: Parking Spaces - 163 Accessible Spaces - 9

| Set Asides: | Program      | % of Units | # of Units | % AMI | Term (Years) |
|-------------|--------------|------------|------------|-------|--------------|
|             | MMRB (HFABC) | 40.00%     | 43         | 60%   | 50           |
|             | SAIL/ELI/HC  | 15.094%    | 16         | 30%   | 50           |
|             | SAIL/HC      | 47.170%    | 50         | 60%   | 50           |
|             | SAIL/HC      | 37.736%    | 40         | 70%   | 50           |

Absorption Rate 25 units per month for 4.0 months.

Occupancy Rate at Stabilization: Physical Occupancy 97.00% Economic Occupancy 96.00%  
 Occupancy Comments \_\_\_\_\_

DDA: No QCT: Yes Multi-Phase Boost: No QAP Boost: No  
 Site Acreage: 3.050 Density: 34.7541 Flood Zone Designation: AH  
 Zoning: B-3 and RM-45; Gen. Business and Multiple Family Residence Flood Insurance Required?: Yes

| DEVELOPMENT TEAM                      |   |             |
|---------------------------------------|---|-------------|
| Applicant/Borrower:                   | Captiva Cove III Associates, Ltd.                   | % Ownership |
| General Partner                       | Cornerstone Captiva Cove III, LLC                   | 0.0100%     |
| Limited Partner                       | National Equity Fund, Inc. ("NEF") or its affiliate | 99.9900%    |
| Construction Completion Guarantor(s): |   |             |
| CC Guarantor 1:                       | Captiva Cove III Associates, Ltd.                   |             |
| CC Guarantor 2:                       | Cornerstone Captiva Cove III, LLC                   |             |
| CC Guarantor 3:                       | Cornerstone Group Partners, LLC                     |             |
| CC Guarantor 4:                       | Jorge Lopez   |             |
| CC Guarantor 5:                       | Mara S. Mades                                       |             |
| CC Guarantor 6:                       | Leon J. Wolfe                                       |             |
| Operating Deficit Guarantor(s):       |   |             |
| OD Guarantor 1:                       | Captiva Cove III Associates, Ltd.                   |             |
| OD Guarantor 2:                       | Cornerstone Captiva Cove III, LLC                   |             |
| OD Guarantor 3:                       | Cornerstone Group Partners, LLC                     |             |
| OD Guarantor 4:                       | Jorge Lopez   |             |
| OD Guarantor 5:                       | Mara S. Mades                                       |             |
| OD Guarantor 6:                       | Leon J. Wolfe                                       |             |
| Note Purchaser                        | JPMorgan Chase Bank, N.A.                           |             |
| Developer:                            | Cornerstone Group Partners, LLC                     |             |
| Principal 1                           | Jorge and Awilda Lopez                              |             |
| Principal 2                           | M3 Acquisitions, LLC                                |             |
| Principal 3                           | M.S. Mades Family Limited Partnership               |             |

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

|                        |   |
|------------------------|---|
| General Contractor 1:  | Brookstone Construction, LLC                        |
| Management Company:    | Cornerstone Residential Management, LLC             |
| Syndicator:            | National Equity Fund, Inc. ("NEF") or its affiliate |
| Note Issuer:           | Housing Finance Authority of Broward County         |
| Architect:             | Burgos Lanza and Associates (Pablo Burgos)          |
| Market Study Provider: | BBG, Inc.   |
| Appraiser:             | BBG, Inc.   |

| PERMANENT FINANCING INFORMATION           |               |             |                   |                |               |               |
|---|---------------|-------------|-------------------|----------------|---------------|---------------|
|   | 1st Source    | 2nd Source  | 3rd Source        | 4th Source     | 5th Source    | Other         |
| Lender/Grantor                            | HFABC / Chase | FHFC SAIL   | FHFC SAIL / CHIRP | Broward County | FHFC SAIL ELI | Pompano Beach |
| Amount                                    | \$6,655,098   | \$3,180,000 | \$4,300,000       | \$5,630,000    | \$600,000     | \$1,500,000   |
| Underwritten Interest Rate                | 5.25%         | 1.00%       | 1.00%             | 0.00%          | 0.00%         | 1.00%         |
| Loan Term                                 | 15.0          | 15.0        | 15.0              | 27.5           | 15.0          | 30.5          |
| Amortization                              | 35.0          | N/A         | N/A               | N/A            | N/A           | N/A           |
| Market Rate/Market Financing LTV          | 18.9%         | 27.9%       | 40.2%             | 56.2%          | 57.9%         | 62.1%         |
| Restricted Market Financing LTV           | 55.5%         | 82.0%       | 117.8%            | 165%           | 169.7%        | 182.2%        |
| Loan to Cost - Cumulative                 | 16.2%         | 23.9%       | 34.4%             | 48.1%          | 49.6%         | 53.2%         |
| Loan to Cost - SAIL Only                  |               |             | 18.2%             |                |               |               |
| Debt Service Coverage                     | 1.270         | 1.057       | 1.057             | 1.050          | 1.020         | 1.020         |
| Operating Deficit & Debt Service Reserves | \$316,000.00  |             |                   |                |               |               |
| # of Months covered by the Reserves       | 4.5           |             |                   |                |               |               |

|   |                   |
|---|-------------------|
| Deferred Developer Fee                            | \$2,286,302       |
| As-Is Land Value                                  | \$6,100,000       |
| Market Rent/Market Financing Stabilized Value     | \$35,200,000      |
| Rent Restricted Market Financing Stabilized Value | \$12,000,000      |
| Projected Net Operating Income (NOI) - Year 1     | \$547,997         |
| Projected Net Operating Income (NOI) - 15 Year    | \$575,385         |
| Year 15 Pro Forma Income Escalation Rate          | 2.00%             |
| Year 15 Pro Forma Expense Escalation Rate         | 3.00%             |
| Note Structure                                    | Private Placement |
| Housing Credit (HC) Syndication Price             | \$0.95            |
| HC Annual Allocation - Qualified in CUR           | \$1,773,568       |
| HC Annual Allocation - Equity Letter of Interest  | \$1,782,466       |

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

| <b>CONSTRUCTION/PERMANENT SOURCES:</b> |                |                     |                  |                       |
|--|----------------|---------------------|------------------|-----------------------|
| <b>Source</b>                          | <b>Lender</b>  | <b>Construction</b> | <b>Permanent</b> | <b>Perm Loan/Unit</b> |
| Local HFA Bonds                        | HFABC / Chase  | \$19,500,000        | \$6,655,098      | \$62,783.94           |
| FHFC - SAIL                            | FHFC           | \$3,180,000         | \$3,180,000      | \$30,000.00           |
| FHFC - SAIL                            | FHFC CHIRP     | \$4,300,000         | \$4,300,000      | \$40,566.04           |
| Local Government Subsidy               | Broward County | \$4,504,000         | \$5,630,000      | \$53,113.21           |
| FHFC - SAIL ELI                        | FHFC           | \$600,000           | \$600,000        | \$5,660.38            |
| Local Government Subsidy               | Pompano Beach  | \$1,500,000         | \$1,500,000      | \$14,150.94           |
| HC Equity                              | NEF            | \$2,851,649         | \$16,931,732     | \$159,733.32          |
| Deferred Developer Fee                 | Developer      | \$4,647,483         | \$2,286,302      | \$21,568.89           |
| <b>TOTAL</b>                           |                | \$41,083,132        | \$41,083,132     | \$387,576.72          |

Financing Structure:

Applicant submitted a Multifamily Mortgage Revenue Bond (“MMRB”) Program Application to the Housing Finance Authority of Broward County (“HFABC”). An affiliate of JPMorgan Chase Bank, N.A. (“Chase”), will loan \$19,500,000 to the HFABC through a Tax-Exempt Loan (“TEL”) in connection with the construction financing of the Subject Development. Upon conversion to the permanent period, the Chase TEL will be paid down to an amount of \$6,655,098.

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?        |     | 1  |
| 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  |

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

|   |     |   |
|---|-----|---|
| Is the Development feasible using the set-asides committed to in the Application?   |     | 3 |
| 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?  | X   |   |
| 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. See the below changes in the source of funds:

- The Application included an Applicant request for HFABC-issued Tax-Exempt Note in the amount of \$18,500,000. The HFABC approved an increase in the amount of Tax-Exempt Note from \$18,500,000 to \$22,000,000, a difference of \$3,500,000, on August 17, 2022, per Resolution No. 2022-013.
- The Application included a LOI for Housing Credit equity from Raymond James Tax Credit Funds, Inc. (“RJTCF”) in the amount of \$0.91 per dollar of tax credit allocation and total equity of \$10,227,000. Subsequently, the Applicant provided a LOI from NEF reflecting an amount of \$0.95 per dollar of tax credit allocation and total equity of \$16,931,734. Per a conversation with NEF, the difference is due to rounding on the installment amounts. An updated LOI was not going to be issued, however, it was noted this will be resolved in the Amended and Restated Limited Partnership Agreement prior to closing.
- The Application included a Local Government Contribution – Loan Form from the City of Pompano Beach in the amount of \$640,000. Subsequently, the Applicant provided an approval letter dated July 20, 2022, from the City of Pompano Beach reflecting a total loan amount of \$1,500,000.
- Per an Award Notification letter dated March 17, 2022, the Applicant was advised that Broward County approved a Gap Financing funding award in the amount of \$5,630,000.

Per Broward County, no more than eighty percent (80%) will be disbursed during construction. Once the Development has been constructed, evidence of final Development sources and uses has been provided, stabilized operations have occurred and the stabilization capital contribution has been released, the remaining twenty percent (20%) will be available to fund actual development costs.

- The Applicant applied for additional FHFC Loan funding through FHFC’s Invitation to Participate (“ITP”) for 2022 SAIL CHIRP. The additional funds will be SAIL Program funds and will be added to the initial Second Mortgage SAIL commitment in the amount of \$3,180,000, and will therefore, have the same rate and terms. Based on the sizing criteria and parameters set forth in the ITP –



2022 CHIRP, the Development will receive additional SAIL funds in the amount of \$4,300,000, for a total Second Mortgage SAIL of \$7,480,000.

2. Total Development Costs (“TDC”) as stated in the application were \$27,532,170. TDC have increased to \$41,083,132, an increase of \$13,550,962 or 49.22%. This increase is primarily due to increases in construction costs, financing costs, general development costs, Developer Fee and the addition of reserves.

3. See the below changes in the set-aside commitments:

- On September 27, 2022, FHFC staff approved the Applicant’s request to change the proposed set-asides. This change has also decreased the Average AMI of the Qualifying Housing Credit Units from 59.91% at Application to 59.25%. The change in set-asides are shown below:

| <u>Previous</u>                       | <u>Current</u>                         |
|---------------------------------------|--|
| 15.09% (16 units) at or below 30% AMI | 15.094% (16 units) at or below 30% AMI |
| 40.57% (43 units) at or below 60% AMI | 47.170% (50 units) at or below 60% AMI |
| 44.34% (47 units) at or below 70% AMI | 37.736% (40 units) at or below 70% AMI |

- Per the Applicant’s American Rescue Plan (“ARP”) funding award letter and email correspondence with Broward County, the Applicant specified a set-aside commitment of 16 units (15.09%) at or below 30% AMI, 43 units (40.57%) at or below 60% AMI and 47 units (44.34%) at or below 70% AMI. These set-aside requirements match the original Application to Florida Housing. Based on the change to the Application above for the set-asides, the commitments fall within the Florida Housing set-asides.

4. See the below additional changes to the application:

- The application included a Development site address of S Dixie Highway, S Dixie Highway and SW 11<sup>th</sup> St., Pompano Beach, FL. Per documentation from the City of Pompano Beach, the address has been confirmed to be 740 SW 11<sup>th</sup> St., Pompano Beach, FL.
- On September 27, 2022, FHFC staff approved the Applicant’s request to change the proposed unit mix. The change in unit mix is shown below:

| <u>Previous</u>         | <u>Current</u>          |
|-------------------------|-------------------------|
| 26 – 1 bedroom / 1 bath | 30 – 1 bedroom / 1 bath |
| 80 – 2 bedroom / 2 bath | 76 – 2 bedroom / 2 bath |

- On June 27, 2022, the Applicant submitted a request to FHFC to replace on of the members of the General Partner, Cornerstone Captiva Cove III, LLC. Mara S. Mades (25%) will be replaced with MSM Interests, LLC (25%). The manager of MSM Interests, LLC, is Mara S. Mades and the members are The Mara S. Mades Revocable Trust with 60% ownership and The Mades Family Trust with 40% ownership. The trustee and beneficiary of the Mara S. Mades Revocable Trust is Mara S. Mades, while she is living, and, upon her death, will pass to her son, Jackson Robert Mades. The trustee of the Mades Family Trust is Jodie Susan Bakes and the beneficiary is Jackson Robert Mades. FHFC staff approved this change on October 6, 2022 (See Waiver Requests/Special Conditions section).

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

These changes have no substantial material impact to the SAIL, ELI and HC recommendations for this Development.

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

Florida Housing's Past Due Report dated September 22, 2022, reflects the following past due item(s):  
None

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.

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.

Strengths:

1. Per the Market Study, BBG, Inc. ("BBG") states the capture rates are low and indicate there is sufficient demand for the subject units and average occupancy for the comparables within the Subject's Primary Market Area ("PMA") is 98.7%.
2. Although the Borrower and general partner are newly formed, the Developer, General Contractor, and the management company all have sufficient experience and financial resources to develop, construct and operate the proposed Development.

Other Considerations: None

Waiver Requests/Special Conditions:

1. According to the RFA, the Corporation will review the limited partnership agreement or limited liability company operating agreement language on reserves for compliance with the RFA requirement. If the limited partnership agreement or limited liability company operating agreement does not specifically state that the parties will comply with the Corporation's RFA requirements, the Corporation will require an amendment of the agreement and will not issue IRS form(s) 8609 until the amendment is executed and provided to the Corporation.

The RFA includes language restricting the disposition of any funds remaining in any operating deficit reserve(s) after the term of the reserve's original purpose has terminated or is near termination. The RFA also requires the Corporation to review the limited partnership agreement or limited liability company operating agreement language on reserves for compliance with the RFA requirement. While Florida Housing will continue to require the Applicant to adhere to all requirements in the RFA including the restrictions on the disposition of any funds in an operating deficit reserve account, Florida Housing will not monitor the limited partnership agreement or limited liability company operating agreement language for compliance with these requirements, as this would require analysis of a legal contract. This deviation in process was included as an information item at the April 29, 2022, FHFC Board meeting.

2. On June 27, 2022, the Applicant submitted a request to FHFC to replace one of the members of the General Partner, Cornerstone Captiva Cove III, LLC. Mara S. Mades (25%) will be replaced with MSM

Interests, LLC (25%). The manager of MSM Interests, LLC, is Mara S. Mades and the members are The Mara S. Mades Revocable Trust with 60% ownership and The Mades Family Trust with 40% ownership. The trustee and beneficiary of the Mara S. Mades Revocable Trust is Mara S. Mades, while she is living, and, upon her death, will pass to her son, Jackson Robert Mades. The trustee of the Mades Family Trust is Jodie Susan Bakes and the beneficiary is Jackson Robert Mades. FHFC staff approved this change on October 6, 2022 (See Waiver Requests/Special Conditions section).

Additional Information:

1. The Debt Service Coverage (“DSC”) for the permanent first mortgage and SAIL reflects a ratio lower than 1.10 to 1.00. According to Rule 67-48.0072 (11), the combined permanent first mortgage and SAIL cannot be below 1.10 to 1.00 unless the Applicant defers at least 35 percent of its Developer Fee following the last disbursement of all permanent sources of funding identified in the final credit underwriting report and, in the case of a Housing Credit Development, the final cost certification documentation, and when the primary expected source of repayment has been identified as projected cash flow, the minimum debt service coverage shall be 1.00 for the SAIL, including all superior mortgages. This Development meets the preceding guidelines.

To ensure that the Second Mortgage SAIL meets or exceeds the minimum debt service coverage of 1.00 to 1.00, based on the projection/estimates and loan amounts in this report, the interest rate of the permanent period First Mortgage Loan may not exceed 6.22%. Following the rate lock of the permanent period First Mortgage Loan, the Servicer will review and confirm if the Development is still able to support the proposed First Mortgage Loan amount of \$6,655,098, or if a reduction to the loan amount is necessary. The Servicer’s DSC confirmation is a condition to close.

2. The Borrower has applied to the ITP – 2022 CHIRP and Seltzer has received the application. Based on the sizing criteria and parameters set forth in the ITP CHIRP, the Development will receive \$4,300,000 in additional SAIL funding. It is required that the Borrower defer at least 30% of the Developer Fee which is currently estimated at 41.14%. It is anticipated that this funding will have terms and conditions identical to the SAIL funding applied for through RFA 2021-205. Receipt and satisfactory review of the amount of SAIL CHIRP funding is a condition to close.
3. The Tax-Exempt Note 50% Test is currently estimated at 50.84% of Depreciable Development Costs plus Land Acquisition Costs. If, at the time of Final Cost Certification, the Tax-Exempt Note 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. Per Resolution No. 2022-013, the maximum Tax-Exempt Note amount shall be \$22,000,000. The Applicant is currently estimating a Tax-Exempt Note amount of \$19,500,000; therefore, if there was an instance that the 50% Test was not being met there is sufficient Tax-Exempt Note proceeds available to satisfy this requirement.
4. The United States is currently under a national emergency due to the spread of the virus known as COVID-19. The extent of the virus’ impact to the overall economy is unknown. More specifically, it is unknown as to the magnitude and timeframe the residential rental market (e.g. absorption rates, vacancy rates, collection losses, appraised value, etc.) and the construction industry (e.g. construction schedules, construction costs, subcontractors, insurance, etc.) will be impacted. Recommendations made by Seltzer in this report, in part, rely upon assumptions made by third-party reports that are unable to predict the impacts of the virus.

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

Issues and Concerns: None

Mitigating Factors: None

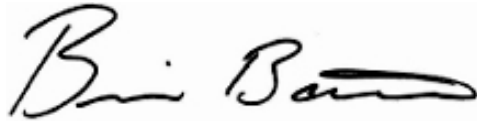
Recommendation:

SMG recommends a SAIL Second Mortgage of \$7,480,000, inclusive of a SAIL of \$3,180,000 and an estimated \$4,300,000 from SAIL CHIRP, and an ELI Fourth Mortgage in the amount of \$600,000. SMG also recommends an Annual HC allocation of \$1,773,568 be awarded to Captiva Cove III for construction and permanent financing.

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 SAIL and ELI Loan Conditions and HC Allocation Recommendation and Contingencies (Section B). The reader is cautioned to refer to these sections for complete information.

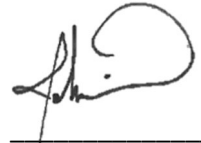
This recommendation is only valid for six months from the date of the report.

Prepared by:



Brian Barth  
Senior Credit Underwriter

Reviewed by:



Joshua Scribner  
Credit Underwriting Manager

**Overview**

**Construction Financing Sources**

| Source                 | Lender            | Applicant           | Revised Applicant   | Underwriter         | Interest Rate | Construction Debt Service |
|------------------------|-------------------|---------------------|---------------------|---------------------|---------------|---------------------------|
| First Mortgage         | HFABC / Chase     | \$18,500,000        | \$19,500,000        | \$19,500,000        | 5.73%         | \$1,315,136               |
| Second Mortgage        | FHFC SAIL         | \$3,180,000         | \$3,180,000         | \$3,180,000         | 1.00%         | \$37,418                  |
| Second Mortgage        | FHFC SAIL / CHIRP | \$0                 | \$4,300,000         | \$4,300,000         | 1.00%         | \$50,597                  |
| Third Mortgage         | Broward County    | \$0                 | \$4,504,000         | \$4,504,000         | 0.00%         | \$0                       |
| Fourth Mortgage        | FHFC SAIL ELI     | \$600,000           | \$600,000           | \$600,000           | 0.00%         | \$0                       |
| Fifth Mortgage         | Pompano Beach     | \$640,000           | \$1,500,000         | \$1,500,000         | 1.00%         | \$17,650                  |
| HC Equity              | NEF               | \$2,045,000         | \$2,845,000         | \$2,851,649         |               |                           |
| Deferred Developer Fee | Developer         | \$3,546,000         | \$4,550,127         | \$4,647,483         |               |                           |
| <b>Total</b>           |                   | <b>\$28,511,000</b> | <b>\$40,979,127</b> | <b>\$41,083,132</b> |               | <b>\$1,420,801</b>        |

Tax Exempt Construction Loan:

Applicant initially applied for \$18,500,000 in a Tax-Exempt Note to be issued by the HFABC for the acquisition and construction of Captiva Cove III. On August 17, 2022, HFABC approved the Applicant’s request to increase the MMRN to \$22,000,000.

Applicant provided a term sheet from Chase dated August 8, 2022, for the purchase of \$19,500,000 of a Tax-Exempt Note, the proceeds of which will fund a construction loan to the Applicant. The initial term shall be twenty-four (24) months, subject to an optional six (6) month extension upon receipt of a 25 basis point (0.25%) extension fee. The construction period will require interest only payments based on a variable interest rate. The interest rate will be based upon the One-Month Term Security Overnight Financing Rate (“SOFR”), subject to a SOFR floor of 1.00%, plus 195 basis points (1.95%). As of September 21, 2022, the one-month SOFR was 2.28169%. For any future increases in the one-month SOFR, Seltzer has included an underwriting cushion of 150 basis points (1.50%), resulting in an all in interest rate of 5.73%. The construction debt service calculation above reflects the MMRN funded at an average of 57% during the construction phase. An origination fee of 1.00% of the maximum construction loan amount will be payable at loan closing.

Other Construction Sources of Funds:

Additional sources of funds for this Development during construction consist of a SAIL in the amount of \$7,480,000, inclusive of a SAIL of \$3,180,000 and an estimated \$4,300,000 from SAIL CHIRP, a Broward County loan in the amount of \$4,504,000, an ELI loan in the amount of \$600,000, a Pompano Beach loan in the amount of \$1,500,000, Housing Credit equity of \$2,851,649, and deferred Developer Fees in the amount of \$4,647,483. See the Permanent Financing section below for details.

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

**Permanent Financing Sources**

| Source             | Lender            | Applicant           | Revised Applicant   | Underwriter         | Interest Rate | Amort. Yrs. | Term Yrs. | Annual Debt      |
|--------------------|-------------------|---------------------|---------------------|---------------------|---------------|-------------|-----------|------------------|
| First Mortgage     | HFABC / Chase     | \$11,000,000        | \$6,655,098         | \$6,655,098         | 5.25%         | 35          | 15        | \$415,872        |
| Second Mortgage    | FHFC SAIL         | \$3,180,000         | \$3,180,000         | \$3,180,000         | 1.00%         | N/A         | 15        | \$31,800         |
| Second Mortgage    | FHFC SAIL / CHIRP | \$0                 | \$4,300,000         | \$4,300,000         | 1.00%         | N/A         | 15        | \$43,000         |
| Third Mortgage     | Broward County    | \$0                 | \$5,630,000         | \$5,630,000         | 0.00%         | N/A         | 27.5      | \$0              |
| Fourth Mortgage    | FHFC SAIL ELI     | \$600,000           | \$600,000           | \$600,000           | 0.00%         | N/A         | 15        | \$0              |
| Fifth Mortgage     | Pompano Beach     | \$640,000           | \$1,500,000         | \$1,500,000         | 1.00%         | N/A         | 30.5      | \$15,000         |
| HC Equity          | NEF               | \$10,227,000        | \$16,936,000        | \$16,931,732        |               |             |           |                  |
| Def. Developer Fee | Developer         | \$3,546,000         | \$2,178,029         | \$2,286,302         |               |             |           |                  |
| <b>Total</b>       |                   | <b>\$29,193,000</b> | <b>\$40,979,127</b> | <b>\$41,083,132</b> |               |             |           | <b>\$505,672</b> |

Tax Exempt Permanent Loan:

Per the August 8, 2022, Chase term sheet, the TEL will be reduced to an amount up to \$6,750,000, currently estimated at \$6,655,098. Chase’s conversion requirements include: (1) 1.20 to 1.00 debt service coverage ratio; (2) 90% economic and physical occupancy for 90 days; and (3) 10-year pro forma forecast showing annual debt service coverage ratio of 1.20 to 1.00 or greater. The term of the loan shall be 15 years with monthly principal and interest payments due over a 35 year amortization schedule.

Loan interest will be based on a fixed rate equal to the Current Indicative Bond rate plus a cushion of 50 basis points (0.50%) for issuer, trustee and compliance fees. Per email confirmation from Chase, the Current Indicative Bond rate is based on the 10-year SOFR plus a spread 175 bps; Chase also included a 25 bps cushion for future increases in the 10-year SOFR. Chase noted that as of September 21, 2022, the all in interest rate was 5.25% based on a current 10-year SOFR of 3.25%.

The annual HFABC Issuer Fee of 18 basis points (0.18%) and the annual Trustee Fee of \$3,750 are included in the operating pro forma section of this report.

SAIL

Borrower applied to FHFC under RFA 2021-205 for SAIL funds in the amount of \$3,180,000. The Borrower has subsequently applied to SAIL CHIRP for additional funding. Based on the application to FHFC and requirements of the ITP CHIRP, the Borrower has been tentatively awarded \$4,300,000 in additional funding. The Development will receive SAIL funds in the amount of \$7,480,000. The SAIL CHIRP terms will be made under the same terms of the original SAIL. The SAIL and the SAIL CHIRP will be closed as one loan and will have one set of closing documents.

SAIL will have a total term of 17.5 years, of which 2.5 years is for the construction/stabilization period and the SAIL term will be co-terminus with the first mortgage as allowed by the Rule. The SAIL will be non-amortizing and will bear 1.00% simple interest per annum. Any unpaid interest will be deferred until cash flow is available. At the maturity of the SAIL, however, all principal and unpaid interest is due. Annual payments of all applicable fees will be required. The Annual Permanent Loan Servicing Fee is based on 25 bps of the outstanding loan amount with a maximum of \$909 per month, subject to a minimum of \$229 per month. The Compliance Monitoring Fee is based on an annual multiple program fee of \$993.

Broward County

Per a March 17, 2022, and correspondence with Broward County, the Broward County Housing Finance Division (“HFD”) will provide a loan in the amount of \$5,630,000 from their General Fund. This loan is made through the Broward County Housing Finance Division. Terms of the loan include a 30 year term, including the construction period and stabilized operations, and no interest shall be paid or accrued on this loan or on the unpaid principal balance of the loan so long as there is no event of default. The entire loan shall be due and payable in full upon the first to occur: (1) upon the 30<sup>th</sup> anniversary date of the closing date or (2) upon the sale or refinancing unless approved by Broward County. There will be no application fee or origination fee for the loan.

Based on the loan amount of \$5,630,000, no more than eighty percent (80%), as shown in the construction sources above, will be disbursed during construction. The additional twenty percent (20%) remaining will be disbursed once the HFD has been provided evidence of the final development source and use and subject to achievement of stabilized operations and release of the NEF stabilization capital contribution.

ELI Loan

Applicants who submitted an Application under RFA 2021-205 are also eligible for ELI Loan funding for the required ELI set-aside units not to exceed the lesser of (a) \$600,000; or (b) the maximum amount based on the ELI set-aside per unit limits; for 10% of the total units. The ELI Loan is in the form of a forgivable loan in an amount of \$600,000.

The ELI AMI for Broward County is 28%. The Borrower committed to set aside 15% of the units (16 units) at or below 30% of AMI for ELI as required by the Average Income Test. The ELI Loan is non-amortizing at 0.00% simple interest per annum. The principal is forgivable at maturity provided the units for which the ELI Loan amount is awarded are targeted to ELI Households for the first 15 years of the 50 year Compliance Period. The Persons with Special Needs set-aside requirement must be maintained throughout the entire 50 year Compliance Period. The ELI Loan will have a total term of 17.5 years, of which 2.5 years is for the construction/stabilization period and the ELI loan term will be co-terminus with the first mortgage. Annual payments of all applicable fees will be required. The Annual Permanent Loan Servicing Fee is based on 25 bps of the outstanding loan amount with a maximum of \$909 per month, subject to a minimum of \$229 per month and the Compliance Monitoring Fee is based on an annual multiple program fee of \$993.

Pompano Beach

Per a July 20, 2022, Home Investment Partnership program – American Rescue Plan (“HOME-ARP”) approval letter, the City of Pompano Beach will provide a loan in the amount of \$1,500,000. Terms of the loan include a 33 year term, including the 2.5 year construction period and stabilized operations, and a 1% interest rate will be paid over the term of the entire loan. The loan will consist of two portions: a \$1,000,000, non-amortizing loan, and a \$500,000 forgivable loan, subject upon staying affordable for the term of the HOME-ARP loan.

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

Housing Credits Equity Investment:

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

Based upon an August 16, 2022, Letter of Intent, NEF or an affiliate will purchase a 99.99% membership interest in the Applicant and provide HC equity as follows:

| Capital Contributions | Amount       | Percent of Total | When Due  |
|-----------------------|--------------|------------------|---|
| 1st Installment       | \$2,851,649  | 16.84%           | At closing  |
| 2nd Installment       | \$4,153,933  | 24.53%           | Later of (i) 100% construction completion, (ii) temporary certificates of occupancy, (iii) draft cost certification prepared by Sponsor, (iv) unconditional lien release, and (v) not earlier than June 1, 2024   |
| 3rd Installment       | \$9,753,083  | 57.60%           | later of (i) 100% qualified occupancy, (ii) funding of the permanent loan, (iii) achievement of stabilized occupancy, (iv) "as built" ALTA survey, (v) final certificates of occupancy, (vi) final cost certification, (vii) recorded extended use agreement, and (viii) not earlier than January 1, 2025 |
| 4th Installment       | \$173,067    | 1.02%            | Later of (i) first years tax return, (ii) fully executed Form 8609 for all buildings, and (iii) not earlier than January 1, 2025  |
| Total                 | \$16,931,732 | 100.00%          |   |

Annual Tax Credits per Syndication Agreement: \$1,782,466

Total HC Available to Syndicator (10 years): \$17,822,878

Syndication Percentage (investor member interest): 99.990%

Calculated HC Exchange Rate (per dollar): \$0.950

Proceeds Available During Construction: \$2,851,649

At least 15% of the total equity will be provided prior to or simultaneous with the closing of the construction financing.

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 RJTCF LOI have been received, the Developer will have to defer \$2,286,302, or 41.14%, of Developer Fees, thus meeting the 30% requirement in the ITP CHIRP.



**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

**Uses of Funds**

| CONSTRUCTION COSTS:                      | Applicant Costs     | Revised Applicant Costs | Underwriters Total Costs - CUR | Cost Per Unit    | HC Ineligible Costs - CUR |
|--|---------------------|-------------------------|--------------------------------|------------------|---------------------------|
| Accessory Buildings                      | \$205,139           |                         |                                | \$0              |                           |
| Demolition                               |                     |                         |                                | \$0              | \$0                       |
| Installation of Pre Fab Units            |                     |                         |                                | \$0              |                           |
| New Rental Units                         | \$10,745,961        | \$17,772,765            | \$17,772,765                   | \$167,668        | \$159,664                 |
| Off-Site Work                            | \$95,400            |                         |                                | \$0              | \$0                       |
| Recreational Amenities                   | \$244,000           | \$177,475               | \$177,475                      | \$1,674          |                           |
| Rehab of Existing Common Areas           |                     |                         |                                | \$0              |                           |
| Rehab of Existing Rental Units           |                     |                         |                                | \$0              |                           |
| Site Work                                | \$1,484,000         | \$2,940,960             | \$2,940,960                    | \$27,745         | \$441,144                 |
| Swimming Pool                            |                     |                         |                                | \$0              |                           |
| Furniture, Fixture, & Equipment          |                     |                         |                                | \$0              |                           |
| Hard Cost Contingency - in Constr. Cont. | \$0                 |                         |                                | \$0              |                           |
| Constr. Contr. Costs subject to GC Fee   | \$12,774,500        | \$20,891,200            | \$20,891,200                   | \$197,087        | \$600,808                 |
| General Conditions                       |                     |                         | \$1,252,500                    | \$11,816         |                           |
| Overhead                                 |                     |                         | \$417,800                      | \$3,942          |                           |
| Profit                                   | \$1,787,500         | \$2,923,800             | \$1,253,500                    | \$11,825         |                           |
| Builder's Risk Insurance                 |                     |                         |                                | \$0              |                           |
| General Liability Insurance              |                     |                         |                                | \$0              |                           |
| Payment and Performance Bonds            |                     |                         |                                | \$0              |                           |
| Contract Costs not subject to GC Fee     |                     |                         |                                | \$0              |                           |
| <b>Total Construction Contract/Costs</b> | <b>\$14,562,000</b> | <b>\$23,815,000</b>     | <b>\$23,815,000</b>            | <b>\$224,670</b> | <b>\$600,808</b>          |
| Hard Cost Contingency                    | \$728,100           | \$1,190,750             | \$1,190,750                    | \$11,233         |                           |
| PnP Bond paid outside Constr. Contr.     |                     | \$155,000               | \$155,000                      | \$1,462          |                           |
| Fees for LOC used as Constr. Surety      |                     |                         |                                | \$0              |                           |
| Demolition paid outside Constr. Contr.   |                     |                         |                                | \$0              |                           |
| FF&E paid outside Constr. Contr.         |                     | \$170,000               | \$170,000                      | \$1,604          |                           |
| Other: FF&E and P&P Bond                 | \$265,000           |                         |                                | \$0              |                           |
| Other:                                   |                     |                         |                                | \$0              |                           |
| <b>Total Construction Costs:</b>         | <b>\$15,555,100</b> | <b>\$25,330,750</b>     | <b>\$25,330,750</b>            | <b>\$238,969</b> | <b>\$600,808</b>          |

*Notes to the Construction Costs:*

- The Applicant has provided a contractor executed AIA Document A102-2017 Standard Form of Agreement between Owner and Contractor where the basis of payment is the Cost of the Work plus a Fee with a Guaranteed Maximum Price dated July 5, 2022, in the amount of \$23,815,000. The contract provides for a date of commencement that shall be the latter of the following: (1) 10 days from the issuance of Notice to Proceed or (2) the date upon which permits for construction are issued for the buildings, site and civil work, in total. The contractor shall achieve substantial completion not later than sixteen (16) calendar months from the date of commencement. Ten (10%) percent retainage will be withheld on all work performed up to 50% completion and no retainage thereafter.

Final payment will be made 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) 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.

---

The construction contract and PCA have been reviewed and they do not list any allowances.

The ineligible portion of new rental unit costs represents the cost of providing income producing washers and dryers in the units at the Development.

2. SMG received the General Contractor's Certification of Requirements, whereby the General Contractor acknowledges and commits to adhere to all requirements related to a General Contractor as published within Rule Chapters 67-21 and 67-48 ("Rules"), Florida Administrative Code.
3. General Contractor fees as stated are within the 14% maximum per the RFA and Rules.
4. The hard cost contingency is within the 5.00% allowed by the RFA and Rules and is not included within the GC Contract or schedule of values.
5. Payment and performance bond costs reflected are paid for by the Applicant outside the construction contract.
6. SMG engaged and received a Plan and Cost Analysis ("PCA") from Moran Construction Consultants, LLC ("Moran"). Complete results are set forth in Section C of this credit underwriting report.

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

| <b>GENERAL DEVELOPMENT COSTS:</b>       | <b>Applicant Costs</b> | <b>Revised Applicant Costs</b> | <b>Underwriters Total Costs - CUR</b> | <b>Cost Per Unit</b> | <b>HC Ineligible Costs - CUR</b> |
|---|------------------------|--------------------------------|---------------------------------------|----------------------|----------------------------------|
| Accounting Fees                         | \$45,000               | \$45,000                       | \$45,000                              | \$425                | \$22,500                         |
| Appraisal                               | \$10,000               | \$10,000                       | \$6,500                               | \$61                 |                                  |
| Architect's and Planning Fees           |                        |                                |                                       | \$0                  |                                  |
| Architect's Fee - Green Initiative      |                        |                                |                                       | \$0                  |                                  |
| Architect's Fee - Landscape             |                        |                                |                                       | \$0                  |                                  |
| Architect's Fee - Site/Building Design  | \$281,800              | \$250,000                      | \$250,000                             | \$2,358              |                                  |
| Architect's Fee - Supervision           | \$15,000               | \$15,000                       | \$15,000                              | \$142                |                                  |
| Building Permits                        | \$466,400              | \$954,000                      | \$954,000                             | \$9,000              |                                  |
| Builder's Risk Insurance                | \$106,000              | \$106,000                      | \$106,000                             | \$1,000              |                                  |
| Capital Needs Assessment/Rehab          | \$3,000                |                                |                                       | \$0                  |                                  |
| Engineering Fees                        | \$79,500               | \$100,700                      | \$129,500                             | \$1,222              |                                  |
| Environmental Report                    | \$16,800               | \$11,500                       | \$11,500                              | \$108                |                                  |
| Federal Labor Standards Monitoring      |                        |                                |                                       | \$0                  |                                  |
| FHFC Administrative Fees                | \$101,159              | \$160,464                      | \$159,622                             | \$1,506              | \$159,622                        |
| FHFC Application Fee                    | \$3,000                | \$3,000                        | \$3,000                               | \$28                 | \$3,000                          |
| FHFC Credit Underwriting Fee            | \$25,000               | \$30,000                       | \$24,905                              | \$235                | \$24,905                         |
| FHFC Compliance Fee                     | \$230,000              | \$230,000                      | \$230,000                             | \$2,170              | \$230,000                        |
| FHFC Other Processing Fee(s)            |                        |                                |                                       | \$0                  |                                  |
| Impact Fee                              | \$491,433              | \$315,294                      | \$315,294                             | \$2,974              |                                  |
| Lender Inspection Fees / Const Admin    | \$35,000               | \$50,000                       | \$50,000                              | \$472                |                                  |
| Green Building Cert. (LEED, FGBC, NGBS) | \$23,210               | \$30,000                       | \$30,000                              | \$283                |                                  |
| Home Energy Rating System (HERS)        |                        |                                |                                       | \$0                  |                                  |
| Insurance                               | \$42,400               | \$100,700                      | \$100,700                             | \$950                |                                  |
| Legal Fees - Organizational Costs       | \$150,000              | \$175,000                      | \$175,000                             | \$1,651              | \$87,500                         |
| Local Subsidy Underwriting Fee          |                        |                                |                                       | \$0                  |                                  |
| Market Study                            | \$5,000                | \$5,000                        | \$6,500                               | \$61                 | \$6,500                          |
| Marketing and Advertising               | \$170,000              | \$80,000                       | \$80,000                              | \$755                | \$80,000                         |
| Plan and Cost Review Analysis           |                        | \$3,000                        | \$5,250                               | \$50                 |                                  |
| Property Taxes                          | \$40,000               | \$50,000                       | \$50,000                              | \$472                |                                  |
| Soil Test                               | \$15,000               | \$15,000                       | \$15,000                              | \$142                |                                  |
| Survey                                  | \$60,000               | \$60,000                       | \$60,000                              | \$566                | \$15,000                         |
| Tenant Relocation Costs                 |                        |                                |                                       | \$0                  |                                  |
| Title Insurance and Recording Fees      | \$137,800              | \$169,600                      | \$169,600                             | \$1,600              | \$42,400                         |
| Traffic Study                           |                        |                                |                                       | \$0                  |                                  |
| Utility Connection Fees                 | \$212,000              | \$212,000                      | \$212,000                             | \$2,000              |                                  |
| Soft Cost Contingency                   | \$150,000              | \$174,000                      | \$174,000                             | \$1,642              |                                  |
| Other:                                  |                        |                                |                                       | \$0                  |                                  |
| <b>Total General Development Costs:</b> | <b>\$2,914,502</b>     | <b>\$3,355,258</b>             | <b>\$3,378,371</b>                    | <b>\$31,871</b>      | <b>\$671,427</b>                 |

*Notes to the General Development Costs:*

1. Architect's Fees for Site/Building Design and Supervision are based on the Agreement between Owner and Architect, Burgos Lanza and Associates, dated March 14, 2022.
2. Engineering Fees are based on the Contract for Professional Services by and between the Owner and Engineer, Keith and Associates, Inc. dated March 22, 2022.
3. The FHFC Administrative Fee is based on 9% of the recommended annual allocation of HC. The FHFC Application Fee is reflective of the application fees stated in RFA 2021-205. The total FHFC Credit Underwriting Fees are \$24,905, consisting of \$19,909 for UW and \$4,996 for CHIRP.

- 
4. Green Building Certification Fee is based on the Florida Green Building Certifying Agreement between Owner and Certifying Agent, Abney + Abney Green Solutions, dated May 5, 2022.
  5. Impact Fees were estimated by the Applicant based on Impact Fee Schedules available from the Planning and Development Management Division of Broward County.
  6. Utility Connection Fees were estimated by the Applicant based on the utility connection fees that were charged on a comparable property they recently started construction on.
  7. Soft cost contingency is within the 5% as allowed per the RFA and Rules.
  8. Other General Development Costs are based on the Applicant's estimates, which appear reasonable.

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

| <b>FINANCIAL COSTS:</b>                                | <b>Applicant Costs</b> | <b>Revised Applicant Costs</b> | <b>Underwriters Total Costs - CUR</b> | <b>Cost Per Unit</b> | <b>HC Ineligible Costs - CUR</b> |
|--|------------------------|--------------------------------|---------------------------------------|----------------------|----------------------------------|
| Construction Loan Application Fee                      |                        |                                |                                       | \$0                  |                                  |
| Construction Loan Underwriting Fee                     |                        |                                |                                       | \$0                  |                                  |
| Construction Loan Origination Fee                      | \$185,000              | \$195,000                      | \$195,000                             | \$1,840              |                                  |
| Construction Loan Commitment Fee                       |                        |                                |                                       | \$0                  |                                  |
| Construction Loan Closing Costs                        |                        |                                |                                       | \$0                  |                                  |
| Construction Loan Interest                             | \$555,000              | \$1,243,000                    | \$1,420,801                           | \$13,404             | \$503,116                        |
| Construction Loan Servicing Fees                       |                        |                                |                                       | \$0                  |                                  |
| 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                         | \$110,000              | \$66,551                       | \$66,551                              | \$628                | \$66,551                         |
| Permanent Loan Closing Costs                           | \$416,568              | \$40,000                       | \$40,000                              | \$377                | \$40,000                         |
| Permanent Loan Interest                                |                        |                                |                                       | \$0                  | \$0                              |
| Permanent Loan Servicing Fee                           |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Note Application Fee                         |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Note Underwriting Fee                        |                        |                                | \$16,009                              | \$151                | \$16,009                         |
| Local HFA Note Subsidy Layering Rev.                   |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Note Origination Fee                         |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Note Commitment Fee                          |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Note Fiscal Agent Fee                        |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Note Credit Enh. Fee                         |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Note Rating Fee                              |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Note Cost of Issuance                        |                        | \$489,268                      | \$316,350                             | \$2,984              | \$316,350                        |
| Local HFA Note Closing Costs                           |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Note Interest                                |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Note Servicing Fee                           |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Legal - Tax Counsel                          |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Legal - Borrower's Counsel                   |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Legal - Issuer's Counsel                     |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Legal - Lender's Counsel                     |                        |                                |                                       | \$0                  | \$0                              |
| Local HFA Legal - U/W's Counsel                        |                        |                                |                                       | \$0                  | \$0                              |
| SAIL Commitment Fee                                    |                        | \$74,800                       | \$74,800                              | \$706                | \$74,800                         |
| SAIL Closing Costs                                     |                        |                                | \$12,500                              | \$118                | \$12,500                         |
| SAIL Interest  |                        |                                |                                       | \$0                  | \$0                              |
| SAIL Servicing Fee                                     |                        |                                |                                       | \$0                  | \$0                              |
| SAIL-ELI Commitment Fee                                |                        | \$6,000                        | \$6,000                               | \$57                 | \$6,000                          |
| SAIL-ELI Closing Costs                                 |                        |                                | \$6,500                               | \$61                 | \$6,500                          |
| SAIL-ELI Servicing Fee                                 |                        |                                |                                       | \$0                  | \$0                              |
| Misc Loan Underwriting Fee                             |                        |                                | \$5,000                               | \$47                 | \$5,000                          |
| Placement Agent/Underwriter Fee                        |                        |                                | \$35,000                              | \$330                | \$35,000                         |
| Initial TEFRA Fee                                      |                        |                                | \$1,000                               | \$9                  | \$1,000                          |
| Other: <a href="#">Syndicator Legal</a>                |                        | \$55,000                       | \$55,000                              | \$519                | \$55,000                         |
| Other:   |                        |                                |                                       | \$0                  |                                  |
| <b>Total Financial Costs:</b>                          | <b>\$1,266,568</b>     | <b>\$2,169,619</b>             | <b>\$2,250,511</b>                    | <b>\$21,231</b>      | <b>\$1,137,826</b>               |
| <b>Dev. Costs before Acq., Dev. Fee &amp; Reserves</b> | <b>\$19,736,170</b>    | <b>\$30,855,627</b>            | <b>\$30,959,632</b>                   | <b>\$292,072</b>     | <b>\$2,410,061</b>               |

*Notes to the Financial Costs:*

1. Construction Origination Fee is based on 1.00% of the construction loan amount per Chase.

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

2. Construction Loan Interest is based on the SMG’s estimate. Interest is based on the construction completion and absorption estimates included in the construction schedule and Market Study. The estimates assumes an “all in” interest rate of 5.73%, a construction/stabilization period of 21 months, and 57% of the MMRN outstanding (on average) during the construction schedule.
3. Permanent Loan Origination Fee is based on 1.00% of the permanent loan amount per Chase.
4. Local HFA Note Underwriting Fee reflects the HFABC Note Underwriting Fee for Seltzer.
5. Local HFA Note Cost of Issuance includes fees and expenses of the Issuer, Counsel, Trustee Fee, Servicer Fee, Legal, Conversion Fee and other fees.
6. SAIL Commitment Fee consists of a 1% SAIL commitment fee based on the SAIL/CHIRP amount.
7. SAIL-ELI Commitment Fee consists of a 1% ELI commitment fee based on the ELI Loan amount.
8. The SAIL and SAIL-ELI closing costs are \$12,500 and \$6,500, respectively, for FHFC legal counsel fees.
9. Misc Loan Underwriting Fee reflects the Broward County HFD Underwriting Fee for Seltzer.
10. Syndicator fees represent the cost for legal fees and other closing costs associated with the tax credit equity provided by NEF.

| <b>NON-LAND ACQUISITION COSTS</b>        | <b>Applicant Costs</b> | <b>Revised Applicant Costs</b> | <b>Underwriters Total Costs - CUR</b> | <b>Cost Per Unit</b> | <b>HC Ineligible Costs - CUR</b> |
|--|------------------------|--------------------------------|---------------------------------------|----------------------|----------------------------------|
| Brokerage Fees - Building                |                        |                                | \$0                                   | \$0                  |                                  |
| Building Acquisition Cost                |                        |                                |                                       | \$0                  |                                  |
| Developer Fee on Non-Land Acq. Costs     |                        |                                | \$0                                   | \$0                  |                                  |
| Other:                                   |                        |                                |                                       | \$0                  |                                  |
| <b>Total Non-Land Acquisition Costs:</b> | \$0                    | \$0                            | \$0                                   | \$0                  | \$0                              |

*Notes to the Non-Land Acquisition Costs:*

1. Since this is a new construction development, there are no non-land acquisition costs.

| <b>DEVELOPER FEE ON NON-ACQUISITION COSTS</b> | <b>Applicant Costs</b> | <b>Revised Applicant Costs</b> | <b>Underwriters Total Costs - CUR</b> | <b>Cost Per Unit</b> | <b>HC Ineligible Costs - CUR</b> |
|---|------------------------|--------------------------------|---------------------------------------|----------------------|----------------------------------|
| Developer Fee - Unapportioned                 | \$3,546,000            | \$5,557,500                    | \$5,557,500                           | \$52,429             |                                  |
| DF to fund Operating Debt Reserve             |                        |                                |                                       | \$0                  |                                  |
| DF to Brokerage Fees - Land                   |                        |                                | \$0                                   | \$0                  |                                  |
| DF to Excess Land Costs                       |                        |                                |                                       | \$0                  |                                  |
| DF to Excess Bldg Acquisition Costs           |                        |                                |                                       | \$0                  |                                  |
| DF to Consultant Fees                         |                        |                                |                                       | \$0                  |                                  |
| DF to Guaranty Fees                           |                        |                                |                                       | \$0                  |                                  |
| Other:  |                        |                                |                                       | \$0                  |                                  |
| <b>Total Other Development Costs:</b>         | \$3,546,000            | \$5,557,500                    | \$5,557,500                           | \$52,429             | \$0                              |

*Notes to the Other Development Costs:*

1. Developer Fee does not exceed 18% of the Development’s construction cost, exclusive of land acquisition costs and reserves, as required per the RFA and Rules.

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

| LAND ACQUISITION COSTS          | Applicant Costs | Revised Applicant Costs | Underwriters Total Costs - CUR | Cost Per Unit | HC Ineligible Costs - CUR |
|---------------------------------|-----------------|-------------------------|--------------------------------|---------------|---------------------------|
| Brokerage Fees - Land           |                 |                         | \$0                            | \$0           | \$0                       |
| Land Acquisition Cost           |                 |                         |                                | \$0           | \$0                       |
| Land                            | \$4,250,000     | \$4,250,000             | \$4,250,000                    | \$40,094      | \$4,250,000               |
| Land Lease Payment              |                 |                         |                                | \$0           | \$0                       |
| Land Carrying Costs             |                 |                         |                                | \$0           | \$0                       |
| Other:                          |                 |                         |                                | \$0           | \$0                       |
| <b>Total Acquisition Costs:</b> | \$4,250,000     | \$4,250,000             | \$4,250,000                    | \$40,094      | \$4,250,000               |

*Notes to the Land Acquisition Costs:*

1. Applicant provided a Warranty Deed dated August 15, 2022, between Aloha Pompano, LLC, as grantor and Captiva Cove III Associates, Ltd., as grantee. Applicant provided a Buyer's and Seller's Combined Closing Statement dated August 15, 2022, reflecting a purchase price of \$4,250,000.

The appraised value of the vacant land is \$6,100,000, which supports the purchase price.

| RESERVE ACCOUNTS                           | Applicant Costs | Revised Applicant Costs | Underwriters Total Costs - CUR | Cost Per Unit | HC Ineligible Costs - CUR |
|--|-----------------|-------------------------|--------------------------------|---------------|---------------------------|
| Operating Deficit Reserve (FHFC)           |                 |                         |                                | \$0           | \$0                       |
| Operating Deficit Reserve (Lender)         |                 |                         |                                | \$0           | \$0                       |
| Operating Deficit Reserve (Syndicator)     |                 | \$316,000               | \$316,000                      | \$2,981       | \$316,000                 |
| Debt Service Coverage Reserve (FHFC)       |                 |                         |                                | \$0           | \$0                       |
| Debt Service Coverage Reserve (Lender)     |                 |                         |                                | \$0           | \$0                       |
| Debt Service Coverage Reserve (Syndicator) |                 |                         |                                | \$0           | \$0                       |
| Other:                                     |                 |                         |                                | \$0           | \$0                       |
| <b>Total Reserve Accounts:</b>             | \$0             | \$316,000               | \$316,000                      | \$2,981       | \$316,000                 |

*Notes to Reserve Accounts:*

1. Reserves – Operating Deficit is the Operating Deficit Reserve (“ODR”) required by the Syndicator (NEF). 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 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. In exchange for receiving funding from the Corporation, the Corporation reserves the authority to restrict the disposition of any funds remaining in any operating deficit reserve(s) after the term of the reserve's original purpose has terminated or is near termination. Authorized disposition uses are limited to payments towards any outstanding loan balances of the Development funded from the Corporation, any outstanding Corporation fees, any unpaid costs incurred in the completion of the Development (i.e., deferred Developer Fee), the Development's capital replacement reserve account

(provided, however, that any operating deficit reserve funds deposited to the replacement reserve account will not replace, negate, or otherwise be considered an advance payment or pre-funding of the Applicant’s obligation to periodically fund the replacement reserve account), the reimbursement of any loan(s) provided by a partner, member or guarantor as set forth in the Applicant’s organizational agreement (i.e., operating or limited partnership agreement). The actual direction of the disposition is at the Applicant’s discretion so long as it is an option permitted by the Corporation. In no event, shall the payment of amounts to the Applicant or the Developer from any operating deficit reserve established for the Development cause the Developer Fee or General Contractor fee to exceed the applicable percentage limitations provided for in this RFA.

| TOTAL DEVELOPMENT COSTS         | Applicant Costs | Revised Applicant Costs | Underwriters Total Costs - CUR | Cost Per Unit | HC Ineligible Costs - CUR |
|---------------------------------|-----------------|-------------------------|--------------------------------|---------------|---------------------------|
| <b>TOTAL DEVELOPMENT COSTS:</b> | \$27,532,170    | \$40,979,127            | \$41,083,132                   | \$387,577     | \$6,976,061               |

*Notes to the Total Development Costs:*

- Per RFA 2021-205, Total Development Cost (“TDC”) is limited on a per unit basis based on the construction type of the units as indicated by the Applicant. The Applicant has indicated a construction type of Mid-Rise – ESSC Construction, 5-6 stories for 58 units, which had a maximum allowable per unit cost of \$361,000.00 and Garden Apartments – ESSC Construction for 48 units, which had a maximum allowable per unit cost of \$327,100.00; resulting in a blended maximum allowable cost of \$345,649.00. Based on changes to TDC limits increases as approved at previous FHFC Board meetings, most recently the April 1, 2022, Telephonic FHFC Board meeting, the maximum allowable per unit cost is \$467,856.00 for Mid-Rise – ESSC Construction and \$423,921.60 for Garden Apartments – ESSC Construction; resulting in a blended maximum allowable cost of \$447,961.18. Captiva Cove III’s final TDC per unit is \$344,501.25.



SAIL, ELI AND HC CREDIT UNDERWRITING REPORT

SMG

Operating Pro Forma

| OPERATING PRO FORMA                  |  | ANNUAL      | PER UNIT  |         |
|--------------------------------------|--|-------------|-----------|---------|
| INCOME                               | Gross Potential Rental Income            | \$1,382,724 | \$13,045  |         |
|                                      | Other Income:                            |             |           |         |
|                                      | Ancillary Income-Parking                 | \$0         | \$0       |         |
|                                      | Miscellaneous                            | \$15,900    | \$150     |         |
|                                      | Washer/Dryer Rentals                     | \$40,810    | \$385     |         |
|                                      | Cable/Satellite Income                   | \$0         | \$0       |         |
|                                      | Gross Potential Income                   | \$1,439,434 | \$13,580  |         |
|                                      | Less:                                    |             |           |         |
|                                      | Economic Loss - Percentage: 0.0%         | \$0         | \$0       |         |
|                                      | Physical Vacancy Loss - Percentage: 3.0% | (\$43,183)  | (\$407)   |         |
| Collection Loss - Percentage: 1.0%   | (\$14,394)                               | (\$136)     |           |         |
| <b>Total Effective Gross Revenue</b> |  | \$1,381,857 | \$13,036  |         |
| EXPENSES                             | Fixed:                                   |             |           |         |
|                                      | Real Estate Taxes                        | \$175,407   | \$1,655   |         |
|                                      | Insurance                                | \$106,000   | \$1,000   |         |
|                                      | Other                                    | \$0         | \$0       |         |
|                                      | Variable:                                |             |           |         |
|                                      | Management Fee - Percentage: 5.0%        | \$69,093    | \$652     |         |
|                                      | General and Administrative               | \$40,810    | \$385     |         |
|                                      | Payroll Expenses                         | \$166,950   | \$1,575   |         |
|                                      | Utilities                                | \$87,450    | \$825     |         |
|                                      | Marketing and Advertising                | \$5,300     | \$50      |         |
|                                      | Maintenance and Repairs                  | \$37,100    | \$350     |         |
|                                      | Grounds Maintenance and Landscaping      | \$0         | \$0       |         |
|                                      | Resident Programs                        | \$0         | \$0       |         |
|                                      | Contract Services                        | \$60,950    | \$575     |         |
|                                      | Security                                 | \$53,000    | \$500     |         |
|                                      | Other-Pest Control                       | \$0         | \$0       |         |
|                                      | Reserve for Replacements                 | \$31,800    | \$300     |         |
|                                      | <b>Total Expenses</b>                    |             | \$833,860 | \$7,867 |
|                                      | <b>Net Operating Income</b>              |             | \$547,997 | \$5,170 |
| <b>Debt Service Payments</b>         |  |             |           |         |
| DEBT SERVICE                         | First Mortgage - HFABC / Chase           | \$415,872   | \$3,923   |         |
|                                      | Second Mortgage - FHFC SAIL / CHIRP      | \$74,800    | \$706     |         |
|                                      | Third Mortgage - Broward County          | \$0         | \$0       |         |
|                                      | Fourth Mortgage - FHFC SAIL ELI          | \$0         | \$0       |         |
|                                      | Fifth Mortgage - Pompano Beach           | \$15,000    | \$142     |         |
|                                      | All Other Mortgages -                    | \$0         | \$0       |         |
|                                      | First Mortgage Fees - HFABC / Chase      | \$15,729    | \$148     |         |
|                                      | Second Mortgage Fees - FHFC SAIL / CHIRP | \$11,901    | \$112     |         |
|                                      | Third Mortgage Fees - Broward County     | \$0         | \$0       |         |
|                                      | Fourth Mortgage Fees - FHFC SAIL ELI     | \$3,741     | \$35      |         |
|                                      | Fifth Mortgage Fees - Pompano Beach      | \$0         | \$0       |         |
|                                      | All Other Mortgages Fees -               | \$0         | \$0       |         |
| <b>Total Debt Service Payments</b>   |  | \$537,043   | \$5,066   |         |
| <b>Cash Flow After Debt Service</b>  |  | \$10,954    | \$103     |         |

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

| <b>Debt Service Coverage Ratios</b> |                                 |       |
|-------------------------------------|---------------------------------|-------|
|                                     | DSC - First Mortgage plus Fees  | 1.270 |
|                                     | DSC - Second Mortgage plus Fees | 1.057 |
|                                     | DSC - Third Mortgage plus Fees  | 1.057 |
|                                     | DSC - Fourth Mortgage plus Fees | 1.050 |
|                                     | DSC - Fifth Mortgage plus Fees  | 1.020 |
|                                     | DSC - All Mortgages and Fees    | 1.020 |
| <b>Financial Ratios</b>             |                                 |       |
|                                     | Operating Expense Ratio         | 60.3% |
|                                     | Break-Even Ratio                | 95.4% |

*Notes to the Operating Pro forma and Ratios:*

1. The Debt Service Coverage (“DSC”) for the permanent first mortgage and SAIL reflects a ratio lower than 1.10 to 1.00. According to Rule 67-48.0072 (11), the combined DSCR cannot be below 1.10 to 1.00 unless the Applicant defers at least 35 percent of its Developer Fee following the last disbursement of all permanent sources of funding identified in the final credit underwriting report and, in the case of a Housing Credit Development, the final cost certification documentation, and when the primary expected source of repayment has been identified as projected cash flow, the minimum debt service coverage shall be 1.00 for the SAIL, including all superior mortgages. This Development meets the preceding guidelines.
2. The SAIL will be repaid from available cash flow. The Break-Even Ratio would be 89.6% if the SAIL interest payments were excluded.
3. The development will be utilizing Housing Credits, SAIL and ELI which will impose rent restrictions. Captiva Cove III is projected to achieve 2022 Maximum Allowable HC Rents published by Florida Housing on all units based upon the appraiser’s estimate of achievable rents per comparable properties surveyed. The Applicant engaged Enercon Services, Inc. to prepare a UA Energy Consumption Model Estimate. This model was approved by Florida Housing on May 16, 2022. The model reflects the residents paying for electricity and the Applicant paying for water, sewer, pest control, and trash pick-up. No manager/employee units are anticipated at this time.

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

Fort Lauderdale HMFA / Broward County

| Bed Rooms | Bath Rooms | Units | Square Feet | AMI% | Low HOME Rents | High HOME Rents | Gross HC Rent | Utility Allow. | Net Restricted Rents | PBRA Contr Rents | Applicant Rents | Appraiser Rents | CU Rents | Annual Rental Income |
|-----------|------------|-------|-------------|------|----------------|-----------------|---------------|----------------|----------------------|------------------|-----------------|-----------------|----------|----------------------|
| 1         | 1.0        | 5     | 680         | 30%  |                |                 | \$510         | \$58           | \$452                |                  | \$452           | \$452           | \$452    | \$27,120             |
| 1         | 1.0        | 19    | 680         | 60%  |                |                 | \$1,020       | \$58           | \$962                |                  | \$962           | \$962           | \$962    | \$219,336            |
| 1         | 1.0        | 6     | 680         | 70%  |                |                 | \$1,190       | \$58           | \$1,132              |                  | \$1,132         | \$1,132         | \$1,132  | \$81,504             |
| 2         | 2.0        | 11    | 1,000       | 30%  |                |                 | \$612         | \$71           | \$541                |                  | \$541           | \$541           | \$541    | \$71,412             |
| 2         | 2.0        | 31    | 1,000       | 60%  |                |                 | \$1,225       | \$71           | \$1,154              |                  | \$1,154         | \$1,154         | \$1,154  | \$429,288            |
| 2         | 2.0        | 34    | 1,000       | 70%  |                |                 | \$1,429       | \$71           | \$1,358              |                  | \$1,358         | \$1,358         | \$1,358  | \$554,064            |
|           |            | 106   | 96,400      |      |                |                 |               |                |                      |                  |                 |                 |          | \$1,382,724          |

4. Miscellaneous income includes NSF payments, pet deposits, application fees, and other miscellaneous fees.

5. Washer/Dryer income was estimated by the Applicant at \$40.00 per months with a capture rate of 80% of the units. The Appraiser has concluded that this estimate is reasonable.
6. The appraiser estimates a stabilized physical vacancy rate of 3.0% and a collection loss of 1.0% for a physical occupancy of 97.0% and an economic occupancy of 96.0%.
7. Real estate tax expense is based on the Appraiser's estimate.
8. Management Fees are based upon the executed Management Agreement provided by the Applicant that reflects a management fee in the amount of 5.0% of the gross collections.
9. The Applicant states that the resident programs will be facilitated through the management company Cornerstone Residential Management, LLC. The estimated cost of resident programs is included in the contract services line item.
10. Other operating expense estimates are based on comparable properties and are supported by the appraisal.
11. Replacement Reserves in the amount of \$300 per unit per year meet RFA and Rule requirements. NEF requires the replacement reserve to be increased annually by 3.00%.
12. A 15-year income and expense projection reflects increasing debt service coverage ("DSC"). This projection is attached to this report as Exhibit 1.

**SMG**

---

**Section B**

**Loan Conditions**

**HC Allocation Recommendation and Contingencies**

---

**OCTOBER 20, 2022**

Special Conditions

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

1. Receipt and satisfactory review of the permanent period First Mortgage Loan rate lock documentation and confirmation that the Second Mortgage SAIL meets or exceeds the minimum DSC of 1.00 to 1.00.
2. FHFC staff approval of the MOU for the Development.

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 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 Review.
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. SAIL and ELI Loan Proceeds shall be disbursed in an amount per Draw that does not exceed the ratio of the SAIL and ELI loans, respectively, to the Total Development Costs during the construction or rehabilitation phase, unless otherwise approved by the Credit Underwriter. 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 Request for Application governing this proposed transaction and, if 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 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 A.M. Best & Co., or a Corporation-approved alternate security for the General Contractor's performance such as a letter of credit ("LOC") 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 Limited Partnership Agreement reflecting purchase of the HC under terms consistent with the assumptions contained within this Credit Underwriting Report. The Amended and Restated Limited 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) and 67-48.0075 (5) F.A.C., 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 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 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 FHFC, 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 at least two weeks prior to loan closing. 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 SAIL and ELI loan 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 SAIL and ELI loans 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 Limited 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 Request for Application governing this proposed transaction and, if 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 of the Borrower (the "GP") and of any corporation or partnership that is the managing general partner 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.

Additional Conditions

This recommendation is also contingent upon the following additional conditions:

1. Compliance with all provisions of Sections 420.507, 420.5087 and 420.509, Florida Statutes, Rule Chapters 67-21, 67-48, 67-53, and 67-60, F.A.C., RFA 2021-205, 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 SAIL and ELI Loan in form and substance satisfactory to Florida Housing and its Legal Counsel, including, but not limited to, the Promissory Note(s), the Loan Agreement(s), the Mortgage and Security Agreement(s), the Land Use Restriction Agreement(s), and Extended Low Income Housing Agreement(s).
3. If applicable, receipt and satisfactory review of Financial Statements from all Guarantors dated within 90 days of Real Estate Closing.
4. Guarantors are to provide the standard FHFC Construction Completion Guaranty, to be released upon lien free completion as approved by the Servicer.
5. Guarantors for the SAIL are to provide the standard FHFC Operating Deficit Guaranty. If requested in writing by the Applicant, 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 combined permanent first mortgage and SAIL as determined by FHFC or its Servicer and 90% Occupancy and 90% of 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 debt service coverage 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.
6. Guarantors are to provide the standard FHFC Environmental Indemnity Guaranty.



7. Guarantors are to provide the standard FHFC Guaranty of Recourse Obligations.
8. A mortgagee title insurance lender's policy naming Florida Housing as the insured second and fourth 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.
9. 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.
10. 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 RFA, in the amount of \$32,277 (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 for years 1 and 2, followed by \$300 per unit per year thereafter. The initial Replacement Reserve will have limitations on the ability to be drawn. New construction or Redevelopment Developments (with or without acquisition) shall not be allowed to draw during the first five years or until the establishment of a minimum balance equal to the accumulation of five years of replacement reserves per unit.  
  
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 10<sup>th</sup> 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 15<sup>th</sup> year after the Initial Replacement Reserve Date and subsequently every five (5) years thereafter.
11. Moran Construction Consultants, LLC ("Moran") or other construction inspector acceptable for Florida Housing is to act as Florida Housing's inspector during the construction period.
12. Under the Captiva Cove III construction contract, a minimum of 10% retainage holdback on all construction draws will be withheld until construction is 50% complete and thereafter no additional retainage is 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.
13. Satisfactory completion of a pre-loan closing compliance audit conducted by Florida Housing or its Servicer, if applicable.
14. Closing of all funding sources prior to or simultaneous with the closing of the SAIL and ELI loans.
15. 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 \$1,773,568. 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 items and/or noncompliance items.
3. Any reasonable requirements of Florida Housing, SMG or its Legal Counsel.

**Exhibit 1**  
**Captiva Cove III**  
**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          |     |
|--------------------------------------|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|-----|
| <b>OPERATING PRO FORMA</b>           |  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                  |     |
| INCOME                               | Gross Potential Rental Income            | \$1,382,724        | \$1,410,378        | \$1,438,586        | \$1,467,358        | \$1,496,705        | \$1,526,639        | \$1,557,172        | \$1,588,315        | \$1,620,082        | \$1,652,483        | \$1,685,533        | \$1,719,243        | \$1,753,628        | \$1,788,701        | \$1,824,475      |     |
|                                      | 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              | \$0 |
|                                      | Miscellaneous                            | \$15,900           | \$16,218           | \$16,542           | \$16,873           | \$17,211           | \$17,555           | \$17,906           | \$18,264           | \$18,629           | \$19,002           | \$19,382           | \$19,770           | \$20,165           | \$20,568           | \$20,980         |     |
|                                      | Washer/Dryer Rentals                     | \$40,810           | \$41,626           | \$42,459           | \$43,308           | \$44,174           | \$45,058           | \$45,959           | \$46,878           | \$47,815           | \$48,772           | \$49,747           | \$50,742           | \$51,757           | \$52,792           | \$53,848         |     |
|                                      | Cable/Satellite Income                   | \$0                | \$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              | \$0 |
|                                      | Alarm Income                             | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0              | \$0 |
|                                      | Gross Potential Income                   | \$1,439,434        | \$1,468,223        | \$1,497,587        | \$1,527,539        | \$1,558,090        | \$1,589,251        | \$1,621,036        | \$1,653,457        | \$1,686,526        | \$1,720,257        | \$1,754,662        | \$1,789,755        | \$1,825,550        | \$1,862,061        | \$1,899,303      |     |
|                                      | Less:                                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                  |     |
|                                      | Economic Loss - Percentage:              |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                  |     |
|                                      | Physical Vacancy Loss - Percentage: 3.0% | (\$43,183)         | (\$44,047)         | (\$44,928)         | (\$45,826)         | (\$46,743)         | (\$47,678)         | (\$48,631)         | (\$49,604)         | (\$50,596)         | (\$51,608)         | (\$52,640)         | (\$53,693)         | (\$54,767)         | (\$55,862)         | (\$56,979)       |     |
|                                      | Collection Loss - Percentage: 1.0%       | (\$14,394)         | (\$14,682)         | (\$14,976)         | (\$15,275)         | (\$15,581)         | (\$15,893)         | (\$16,210)         | (\$16,535)         | (\$16,865)         | (\$17,203)         | (\$17,547)         | (\$17,898)         | (\$18,256)         | (\$18,621)         | (\$18,993)       |     |
| <b>Total Effective Gross Revenue</b> | <b>\$1,381,857</b>                       | <b>\$1,409,494</b> | <b>\$1,437,684</b> | <b>\$1,466,437</b> | <b>\$1,495,766</b> | <b>\$1,525,681</b> | <b>\$1,556,195</b> | <b>\$1,587,319</b> | <b>\$1,619,065</b> | <b>\$1,651,447</b> | <b>\$1,684,476</b> | <b>\$1,718,165</b> | <b>\$1,752,528</b> | <b>\$1,787,579</b> | <b>\$1,823,330</b> |                  |     |
| 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                        | \$175,407          | \$180,669          | \$186,089          | \$191,672          | \$197,422          | \$203,345          | \$209,445          | \$215,728          | \$222,200          | \$228,866          | \$235,732          | \$242,804          | \$250,088          | \$257,591          | \$265,319        |     |
|                                      | Insurance                                | \$106,000          | \$109,180          | \$112,455          | \$115,829          | \$119,304          | \$122,883          | \$126,570          | \$130,367          | \$134,278          | \$138,306          | \$142,455          | \$146,729          | \$151,131          | \$155,665          | \$160,335        |     |
|                                      | Other                                    | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0              |     |
|                                      | Variable:                                |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                  |     |
|                                      | Management Fee - Percentage: 5.0%        | \$69,093           | \$70,475           | \$71,884           | \$73,322           | \$74,788           | \$76,284           | \$77,810           | \$79,366           | \$80,953           | \$82,572           | \$84,224           | \$85,908           | \$87,626           | \$89,379           | \$91,167         |     |
|                                      | General and Administrative               | \$40,810           | \$42,034           | \$43,295           | \$44,594           | \$45,932           | \$47,310           | \$48,729           | \$50,191           | \$51,697           | \$53,248           | \$54,845           | \$56,491           | \$58,185           | \$59,931           | \$61,729         |     |
|                                      | Payroll Expenses                         | \$166,950          | \$171,959          | \$177,117          | \$182,431          | \$187,904          | \$193,541          | \$199,347          | \$205,327          | \$211,487          | \$217,832          | \$224,367          | \$231,098          | \$238,031          | \$245,172          | \$252,527        |     |
|                                      | Utilities                                | \$87,450           | \$90,074           | \$92,776           | \$95,559           | \$98,426           | \$101,379          | \$104,420          | \$107,552          | \$110,779          | \$114,102          | \$117,525          | \$121,051          | \$124,683          | \$128,423          | \$132,276        |     |
|                                      | Marketing and Advertising                | \$5,300            | \$5,459            | \$5,623            | \$5,791            | \$5,965            | \$6,144            | \$6,328            | \$6,518            | \$6,714            | \$6,915            | \$7,123            | \$7,336            | \$7,557            | \$7,783            | \$8,017          |     |
|                                      | Maintenance and Repairs                  | \$37,100           | \$38,213           | \$39,359           | \$40,540           | \$41,756           | \$43,009           | \$44,299           | \$45,628           | \$46,997           | \$48,407           | \$49,859           | \$51,355           | \$52,896           | \$54,483           | \$56,117         |     |
|                                      | 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                        | \$60,950           | \$62,779           | \$64,662           | \$66,602           | \$68,600           | \$70,658           | \$72,777           | \$74,961           | \$77,210           | \$79,526           | \$81,912           | \$84,369           | \$86,900           | \$89,507           | \$92,192         |     |
|                                      | Security                                 | \$53,000           | \$54,590           | \$56,228           | \$57,915           | \$59,652           | \$61,442           | \$63,285           | \$65,183           | \$67,139           | \$69,153           | \$71,228           | \$73,364           | \$75,565           | \$77,832           | \$80,167         |     |
|                                      | Other-Pest Control                       | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0              |     |
|                                      | Reserve for Replacements                 | \$31,800           | \$32,754           | \$33,737           | \$34,749           | \$35,791           | \$36,865           | \$37,971           | \$39,110           | \$40,283           | \$41,492           | \$42,737           | \$44,019           | \$45,339           | \$46,699           | \$48,100         |     |
| <b>Total Expenses</b>                | <b>\$833,860</b>                         | <b>\$858,185</b>   | <b>\$883,225</b>   | <b>\$909,003</b>   | <b>\$935,540</b>   | <b>\$962,859</b>   | <b>\$990,982</b>   | <b>\$1,019,933</b> | <b>\$1,049,737</b> | <b>\$1,080,420</b> | <b>\$1,112,007</b> | <b>\$1,144,525</b> | <b>\$1,178,001</b> | <b>\$1,212,465</b> | <b>\$1,247,945</b> |                  |     |
| <b>Net Operating Income</b>          | <b>\$547,997</b>                         | <b>\$551,309</b>   | <b>\$554,458</b>   | <b>\$557,434</b>   | <b>\$560,226</b>   | <b>\$562,823</b>   | <b>\$565,213</b>   | <b>\$567,386</b>   | <b>\$569,328</b>   | <b>\$571,027</b>   | <b>\$572,469</b>   | <b>\$573,640</b>   | <b>\$574,527</b>   | <b>\$575,114</b>   | <b>\$575,385</b>   |                  |     |
| DEBT SERVICE                         | <b>Debt Service Payments</b>             |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                  |     |
|                                      | First Mortgage - HFABC / Chase           | \$415,872          | \$415,872          | \$415,872          | \$415,872          | \$415,872          | \$415,872          | \$415,872          | \$415,872          | \$415,872          | \$415,872          | \$415,872          | \$415,872          | \$415,872          | \$415,872          | \$415,872        |     |
|                                      | Second Mortgage - FHFC SAIL / CHIRP      | \$74,800           | \$74,800           | \$74,800           | \$74,800           | \$74,800           | \$74,800           | \$74,800           | \$74,800           | \$74,800           | \$74,800           | \$74,800           | \$74,800           | \$74,800           | \$74,800           | \$74,800         |     |
|                                      | Third Mortgage - Broward County          | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0              |     |
|                                      | Fourth Mortgage - FHFC SAIL ELI          | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0              |     |
|                                      | Fifth Mortgage - Pompano Beach           | \$15,000           | \$15,000           | \$15,000           | \$15,000           | \$15,000           | \$15,000           | \$15,000           | \$15,000           | \$15,000           | \$15,000           | \$15,000           | \$15,000           | \$15,000           | \$15,000           | \$15,000         |     |
|                                      | All Other Mortgages -                    | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0              |     |
|                                      | First Mortgage Fees - HFABC / Chase      | \$15,729           | \$15,607           | \$15,477           | \$15,341           | \$15,198           | \$15,047           | \$14,887           | \$14,720           | \$14,543           | \$14,356           | \$14,160           | \$13,953           | \$13,735           | \$13,505           | \$13,263         |     |
|                                      | Second Mortgage Fees - FHFC SAIL / CHIRP | \$11,901           | \$11,901           | \$11,901           | \$11,901           | \$11,901           | \$11,901           | \$11,901           | \$11,901           | \$11,901           | \$11,901           | \$11,901           | \$11,901           | \$11,901           | \$11,901           | \$11,901         |     |
|                                      | Third Mortgage Fees - Broward County     | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0              |     |
|                                      | Fourth Mortgage Fees - FHFC SAIL ELI     | \$3,741            | \$3,741            | \$3,741            | \$3,741            | \$3,741            | \$3,741            | \$3,741            | \$3,741            | \$3,741            | \$3,741            | \$3,741            | \$3,741            | \$3,741            | \$3,741            | \$3,741          |     |
|                                      | Fifth Mortgage Fees - Pompano Beach      | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0              |     |
|                                      | All Other Mortgage Fees -                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0                | \$0              |     |
|                                      | <b>Total Debt Service Payments</b>       | <b>\$537,043</b>   | <b>\$536,920</b>   | <b>\$536,791</b>   | <b>\$536,655</b>   | <b>\$536,511</b>   | <b>\$536,360</b>   | <b>\$536,201</b>   | <b>\$536,033</b>   | <b>\$535,856</b>   | <b>\$535,670</b>   | <b>\$535,473</b>   | <b>\$535,266</b>   | <b>\$535,048</b>   | <b>\$534,818</b>   | <b>\$534,576</b> |     |
| <b>Cash Flow After Debt Service</b>  | <b>\$10,954</b>                          | <b>\$14,389</b>    | <b>\$17,667</b>    | <b>\$20,779</b>    | <b>\$23,714</b>    | <b>\$26,463</b>    | <b>\$29,013</b>    | <b>\$31,353</b>    | <b>\$33,472</b>    | <b>\$35,357</b>    | <b>\$36,996</b>    | <b>\$38,374</b>    | <b>\$39,479</b>    | <b>\$40,295</b>    | <b>\$40,809</b>    |                  |     |
| <b>Debt Service Coverage Ratios</b>  |  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                  |     |
| DSC - First Mortgage plus Fees       | 1.270                                    | 1.278              | 1.285              | 1.293              | 1.300              | 1.306              | 1.312              | 1.318              | 1.323              | 1.327              | 1.331              | 1.335              | 1.337              | 1.339              | 1.341              |                  |     |
| DSC - Second Mortgage plus Fees      | 1.057                                    | 1.064              | 1.070              | 1.076              | 1.082              | 1.087              | 1.092              | 1.097              | 1.101              | 1.105              | 1.108              | 1.111              | 1.113              | 1.114              | 1.115              |                  |     |
| DSC - Third Mortgage plus Fees       | 1.057                                    | 1.064              | 1.070              | 1.076              | 1.082              | 1.087              | 1.092              | 1.097              | 1.101              | 1.105              | 1.108              | 1.111              | 1.113              | 1.114              | 1.115              |                  |     |
| DSC - Fourth Mortgage plus Fees      | 1.050                                    | 1.056              | 1.063              | 1.069              | 1.074              | 1.080              | 1.084              | 1.089              | 1.093              | 1.097              | 1.100              | 1.103              | 1.105              | 1.106              | 1.107              |                  |     |
| DSC - Fifth Mortgage plus Fees       | 1.020                                    | 1.027              | 1.033              | 1.039              | 1.044              | 1.049              | 1.054              | 1.058              | 1.062              | 1.066              | 1.069              | 1.072              | 1.074              | 1.075              | 1.076              |                  |     |
| DSC - All Mortgages and Fees         | 1.020                                    | 1.027              | 1.033              | 1.039              | 1.044              | 1.049              | 1.054              | 1.058              | 1.062              | 1.066              | 1.069              | 1.072              | 1.074              | 1.075              | 1.076              |                  |     |
| <b>Financial Ratios</b>              |  |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                  |     |
| Operating Expense Ratio              | 60.3%                                    | 60.9%              | 61.4%              | 62.0%              | 62.5%              | 63.1%              | 63.7%              | 64.3%              | 64.8%              | 65.4%              | 66.0%              | 66.6%              | 67.2%              | 67.8%              | 68.4%              |                  |     |
| Break-Even Ratio                     | 95.4%                                    | 95.2%              | 95.0%              | 94.8%              | 94.7%              | 94.5%              | 94.4%              | 94.3%              | 94.2%              | 94.1%              | 94.1%              | 94.1%              | 94.1%              | 94.0%              | 94.1%              |                  |     |

CAPTIVA COVE III  
RFA 2021-205 / 2022-204S / 2021-525C  
DESCRIPTION OF FEATURES AND AMENITIES

A. The Development will consist of:

106 units located in 1, 6-story, Mid-Rise and 2, 3-story, Garden residential buildings

Unit Mix:

Thirty (30) one bedroom/one bath units;

Seventy-Six (76) two bedroom/two bath units;

106 Total Units

B. All units are expected to meet all requirements as outlined below. If the proposed Development consists of rehabilitation, the proposed Development's ability to provide all construction features will be confirmed as outlined in Exhibit F of the RFA. The quality of the construction features committed to by the Applicant is subject to approval of the Board of Directors.

The Development must meet all federal requirements and state building code requirements, including the following, incorporating the most recent amendments, regulations, and rules: The Federal Fair Housing Act as implemented by 24 CFR 100, Florida Accessibility Code for Building Construction as adopted pursuant to Section 553.503, F.S., Section 504 of the Rehabilitation Act of 1973, and Titles II and III of the Americans with Disabilities Act ("ADA") of 1990 as implemented by 28 CFR 35.

All Developments must meet accessibility standards of Section 504. Section 504 accessibility standards require a minimum of 5 percent of the total dwelling units, but not fewer than one unit, to be accessible for individuals with mobility impairments. An additional 2 percent of the total units, but not fewer than one unit, must be accessible for persons with hearing or vision impairments. All of the accessible units must be equally distributed among different unit sizes and Development types and must be dispersed on all accessible routes throughout the Development.

C. The Development must provide the following General Features:

1. Broadband infrastructure which includes cables, fiber optics, wiring, or other infrastructure, as long as the installation results in accessibility in each unit;
2. Termite prevention;
3. Pest control;
4. Window covering for each window and glass door inside each unit;
5. Cable or satellite TV hook-up in each unit and, if the Development offers cable or satellite TV service to the residents, the price cannot exceed the market rate for service of similar quality available to the Development's residents from a primary provider of cable or satellite TV;
6. Washer and dryer hook ups in each of the Development's units or an on-site laundry facility for resident use. If the proposed Development will have an on-site laundry facility, the following requirements must be met:
  - There must be a minimum of one (1) Energy Star certified washer and one (1) Energy Star certified or commercial grade dryer per every 15 units. To determine the required number of washers and dryers for the on-site laundry facility; divide the total number of the

Developments' units by 15, and then round the equation's total up to the nearest whole number;

- At least one washing machine and one dryer shall be front loading that meets the accessibility standards of Section 504;
- If the proposed Development consists of Scattered Sites, the laundry facility shall be located on each of the Scattered Sites, or no more than 1/16 mile from the Scattered Site with the most units, or a combination of both.

7. At least two full bathrooms in all 3 bedroom or larger new construction units;
8. Bathtub with shower in at least one bathroom in at least 90% of the new construction non-Elderly units;
9. All Family Demographic Developments must provide a full-size range and oven in all units.

D. Required Accessibility Features, regardless of the age of the Development:

Federal and state law and building code regulations requires that programs, activities, and facilities be readily accessible to and usable by persons with disabilities. Florida Housing requires that the design, construction, or alteration of its financed Developments be in compliance with federal and state accessibility requirements. When more than one law and accessibility standard applies, the Applicant shall comply with the standard (2010 ADA Standards, Section 504, Fair Housing Act, or Florida Building Code, Accessibility) which affords the greater level of accessibility for the residents and visitors. Areas required to be made accessible to mobility-impaired residents and their visitors, including those in wheelchairs, shall include, but not be limited to, accessible routes and entrances, paths of travel, primary function areas, parking, trash bins, mail and package receiving areas for residents, pool and other amenities, including paths of travel to amenities and laundry rooms, including washers and dryers.

E. The Development must provide the following Accessibility Features in all units:

1. Primary entrance doors on an accessible route shall have a threshold with no more than a ½-inch rise;
2. All door handles on primary entrance door and interior doors must have lever handles;
3. Lever handles on all bathroom faucets and kitchen sink faucets;
4. Mid-point on light switches and thermostats shall not be more than 48 inches above finished floor level; and
5. Cabinet drawer handles and cabinet door handles in bathroom and kitchen shall be lever or D-pull type that operate easily using a single closed fist.

F. In addition to the 5 percent mobility requirement outlined above, all Family Demographic Developments must provide reinforced walls for future installation of horizontal grab bars in place around each tub/shower and toilet, or a Corporation-approved alternative approach for grab bar installation. The installation of the grab bars must meet or exceed the 2010 ADA Standards for Accessible Design.

At the request of and at no charge to a resident household, the Development shall purchase and install grab bars around each tub/shower unit and toilet in the dwelling unit. The product specifications and installation must meet or exceed 2010 ADA Standards for Accessible Design.

The Development shall inform a prospective resident that the Development, upon a resident household's request and at no charge to the household, will install grab bars around a dwelling unit's tub/shower unit and toilet, pursuant to the 2010 ADA Standards. At a minimum, the Development shall inform each prospective lessee by including language in the Development's written materials listing and describing the unit's features, as well as including the language in each household's lease.

G. Green Building Features required in all Developments:

All new construction units and, as applicable, all common areas must have the features listed below and all rehabilitation units are expected to have all of the following required Green Building features unless found to be not appropriate or feasible within the scope of the rehabilitation work utilizing a capital needs assessment as further explained in Exhibit F of the RFA:

- a. Low or No-VOC paint for all interior walls (Low-VOC means 50 grams per liter or less for flat; 150 grams per liter or less for non-flat paint);
- b. Low-flow water fixtures in bathrooms – WaterSense labeled products or the following specifications:
  - i. Toilets: 1.28 gallons/flush or less
  - ii. Urinals: 0.5 gallons/flush,
  - iii. Lavatory Faucets: 1.5 gallons/minute or less at 60 psi flow rate,
  - iv. Showerheads: 2.0 gallons/minute or less at 80 psi flow rate;
- c. Energy Star certified refrigerator;
- d. Energy Star certified dishwasher;
- e. Energy Star certified ventilation fan in all bathrooms;
- f. Water heater minimum efficiency specifications:
  - Residential Electric:
    - i. Up to 55 gallons = 0.95 EF or 0.92 UEF; or
    - ii. More than 55 gallons = Energy Star certified; or
    - iii. Tankless = 0.97 EF and Max GPM of  $\geq 2.5$  over a 77° rise or 0.87 UEF and GPM of  $\geq 2.9$  over a 67° rise;
  - Residential Gas (storage or tankless/instantaneous): Energy Star certified
  - Commercial Gas Water Heater: Energy Star certified;
- g. Energy Star certified ceiling fans with lighting fixtures in bedrooms;
- h. Air Conditioning (in-unit or commercial):
  - i. Air-Source Heat Pumps – Energy Star certified:
    - a.  $\geq 8.5$  HSPF/  $\geq 15$  SEER/  $\geq 12.5$  EER for split systems
    - b.  $\geq 8.2$  HSPF/  $\geq 15$  SEER/  $\geq 12$  EER for single package equipment including gas/electric package units

ii. Central Air Conditioners – Energy Star certified:

- a.  $\geq 15$  SEER/  $\geq 12.5$  EER\* for split systems
- b.  $\geq 15$  SEER/  $\geq 12$  EER\* for single package equipment including gas/electric package units.

NOTE: Window air conditioners and portable air conditioners are not allowed. Package Terminal Air Conditioners (PTACs) / Package Terminal Heat Pumps (PTHPs) are allowed in studio and 1 bedroom units;

In addition to the required Green Building Features outlined above, proposed Developments with the Development Category of New Construction or Redevelopment, with or without Acquisition, must commit to achieve one of the following Green Building Certification programs:

- Leadership in Energy and Environmental Design (LEED); or
- Florida Green Building Coalition (FGBC); or
- ICC 700 National Green Building Standard (NGBS); or
- Enterprise Green Communities.

H. The Applicant must provide the following Resident Programs:

The quality of the Resident Programs committed to by the Applicant is subject to approval of the Board of Directors. The availability of the Resident Programs must be publicized on an ongoing basis such as through community newsletters, bulletin board posts, or flyers.

1. Financial Management Program

The Applicant or its Management Company shall provide a series of classes to provide residents training in various aspects of personal financial management. Classes must be held at least quarterly, consisting of at least two hours of training per quarter, and must be conducted by parties that are qualified to provide training regarding the respective topic area. If the Development consists of Scattered Sites, the Resident Program must be held on the Scattered Site with the most units. Residents residing at the other sites of a Scattered Site Development must be offered transportation, at no cost to them, to the classes. The topic areas must include, but not be limited to:

- Financial budgeting and bill-paying including training in the use of technologies and web-based applications;
- Tax preparation including do's and don'ts, common tips, and how and where to file, including electronically;
- Fraud prevention including how to prevent credit card and banking fraud, identity theft, computer hacking and avoiding common consumer scams;
- Retirement planning & savings options including preparing a will and estate planning; and
- Homebuyer education including how to prepare to buy a home, and how to access to first-time homebuyer programs in the county in which the development is located.

Different topic areas must be selected for each session, and no topic area may be repeated consecutively.

2. Employment Assistance Program

The Applicant or its Management Company must provide, at no cost to the resident, a minimum of quarterly scheduled Employment Assistance Program workshops/meetings offering employment counseling by a knowledgeable employment counselor. Such a program includes employability skills workshops providing instruction in the basic skills necessary for getting, keeping, and doing well in a job. The instruction must be held between the hours of 8:00 a.m. and 7:00 p.m. and include, but not be limited to, the following:

- Evaluation of current job skills;
- Assistance in setting job goals;
- Assistance in development of and regular review/update of an individualized plan for each participating resident;
- Resume assistance;
- Interview preparation; and
- Placement and follow-up services.

If the training is not provided on-site, transportation at no cost to the resident must be provided. Electronic media, if used, must be used in conjunction with live instruction.

3. Adult Literacy

The Applicant or its Management Company must make available, at no cost to the resident, literacy tutor(s) who will provide weekly literacy lessons to residents in private space on-site. Various literacy programming can be offered that strengthens participants' reading, writing skills, and comprehension, but at a minimum, these must include English proficiency and basic reading education.

Training must be held between the hours of 8:00 a.m. and 7:00 p.m. and electronic media, if used, must be used in conjunction with live instruction. If the Development consists of Scattered Sites, this resident program must be provided on the Scattered Site with the most units.



## COMPLETENESS AND ISSUES CHECKLIST

DEVELOPMENT NAME: Captiva Cove III

DATE: October 20, 2022

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<br>REQUIRED ITEMS:  | STATUS              | NOTE |
|---|---------------------|------|
|   | Satis.<br>/Unsatis. |      |
| 1. The Development’s final “as submitted for permitting” plans and specifications.<br>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.              |      |

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

|  |        |  |
|--|--------|--|
| 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.  | Satis. |  |
| 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: None

**HC Allocation Calculation**

| <b>Section I: Qualified Basis Calculation</b> |                     |
|---|---------------------|
| Development Cost                              | \$41,083,132        |
| Less Land Cost                                | (\$4,250,000)       |
| Less Federal Funds                            | \$0                 |
| Less Other Ineligible Cost                    | (\$2,726,061)       |
| Less Disproportionate Standard                | \$0                 |
| <b>Total Eligible Basis</b>                   | <b>\$34,107,071</b> |
| Applicable Fraction                           | 100.00%             |
| DDA/QCT Basis Credit                          | 130.00%             |
| Qualified Basis                               | \$44,339,192        |
| Housing Credit Percentage                     | 4.00%               |
| Annual Housing Credit Allocation              | \$1,773,568         |

*Notes to the Qualified Basis Calculation:*

1. Other Ineligible Costs primarily include a portion of site work, accounting fees, legal fees, a portion of construction loan interest, permanent loan origination, FHFC Loan commitment fees, FHFC administrative, application, and underwriting fees, market study, and reserves.
2. The Borrower committed to a set aside of 100%. Therefore, SMG has utilized an Applicable Fraction of 100.00%.
3. The Development is located in a Qualified Census Tract ("QCT"), Tract 308.01. Therefore, the 130% basis credit has been applied to the Eligible Basis.
4. Per the FY 2021 Omnibus Consolidated Appropriations Act passed by Congress as of December 21, 2020, a permanent 4% minimum HC rate was established. For purposes of this report, a HC percentage of 4.00% has therefore been applied.

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

| <b>Section II: Gap Calculation</b>                           |                |
|--|----------------|
| Total Development Cost (Including Land and Ineligible Costs) | \$41,083,132   |
| Less Mortgages   | (\$21,865,098) |
| Less Grants  | \$0            |
| Equity Gap   | \$19,218,034   |
| Percentage to Investment Partnership                         | 99.99%         |
| HC Syndication Pricing                                       | \$0.95         |
| HC Required to Meet Gap                                      | \$20,231,533   |
| Annual HC Required   | \$2,023,153    |

*Notes to the Gap Calculation:*

1. Mortgages include the Chase first mortgage, FHFC SAIL second mortgage, Broward County third mortgage, FHFC ELI fourth mortgage and Pompano Beach fifth mortgage.
2. HC Syndication Pricing and Percentage to Investment Partnership are based upon the August 16, 2022, LOI from NEF.

| <b>Section III: Tax-Exempt Note 50% Test</b>   |              |
|--|--------------|
| Total Depreciable Cost                         | \$34,107,071 |
| Plus Land Cost                                 | \$4,250,000  |
| Aggregate Basis                                | \$38,357,071 |
| Tax-Exempt Note Amount                         | \$19,500,000 |
| 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 | \$19,500,000 |
| Proceeds Divided by Aggregate Basis            | 50.84%       |

*Notes to 50% Test:*

1. SMG estimates the Tax-Exempt MMRN amount to be 50.84% of Depreciable Development Costs plus Land Acquisition Costs. If, at the time of Final Cost Certification, the Tax-Exempt Note 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.

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

| <b>Section IV: Summary</b> |             |
|----------------------------|-------------|
| HC per Qualified Basis     | \$1,773,568 |
| HC per Gap Calculation     | \$2,023,153 |
| Annual HC Recommended      | \$1,773,568 |

*Notes to the Summary:*

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

**SAIL, ELI AND HC CREDIT UNDERWRITING REPORT**

**SMG**

| CHIRP RECOMMENDATION - ADDITIONAL LOANS  |                  |  |                       |
|--|------------------|--|-----------------------|
| <i>Development Name: Captiva Cove III</i>  |                  | Select the RFA of the Active Award   | 2021-205              |
| Permanent Period 1st Mortgages for Sizing Purposes   |                  | Assumptions  |                       |
| Actual DSCR in approved CUR 1st Mtg LOI (no fees)  |                  | Number of units  | 106                   |
| Actual DSCR in current 1st Mtg LOI (Yr 1 NOI; no fees)   | 1.32x            | Total Development Costs  | \$ 41,083,131.98      |
| Maximum CHIRP DSCR   | 1.30x            | Annual Servicing Fees (\$) on stated   | \$ -                  |
| <b>DSCR used for sizing (lowest DSCs from above)</b>   | <b>1.30x</b>     | Traditional 1st Mtg Amort. Years   | 35.00                 |
| Actual Traditional 1st Mtg Amount to be stated in CUR  | \$ 6,655,098.00  | Traditional 1st Mtg Interest Rate  | 5.25%                 |
| Calculated 1st Mtg at Restricted DSCR (1.30x)  | \$ 6,745,745.51  | Is the Perm 1st Mtg an MMRB or Local HFA bond                                      | Local HFA             |
| 1st Mtg Restricted to 1.30x DSCR   | \$ 6,745,745.51  | Total Effective Gross Income in CUR  | \$ 1,381,856.64       |
| RESULT: 1st Mtg amount for sizing purposes   | \$ 6,745,745.51  | Total Operating Expenses in CUR  | \$ 833,859.83         |
| Total Sources  |                  | Net Operating Income in CUR Yr 1   | \$ 547,996.81         |
| 1st Mtg amt. for sizing from above   | \$ 6,745,745.51  | Net Operating Income in CUR Yr 15  | \$ 575,385.25         |
| 2nd Mortgage - SAIL  | \$ 3,180,000.00  |  |                       |
| 3rd Mortgage - Broward County  | \$ 5,630,000.00  |  |                       |
| 4th Mortgage - SAIL ELI  | \$ 600,000.00    |  |                       |
| 5th Mortgage - Pompano Beach   | \$ 1,500,000.00  | Total HC Equity  | \$ 16,931,732.00      |
| 6th Mortgage -   | \$ -             | Developer Fee % Basis for Deferral   | 18%                   |
| Total HC Equity  | \$ 16,931,732.00 | Total 18% Developer Fee  | \$ 5,557,500.00       |
| 30% Deferred Developr Fee for Sizing   | \$ 1,667,250.00  |  |                       |
| Total Sources  | \$ 36,254,727.51 |  |                       |
| Total Uses   | \$ 41,083,131.98 | Loan using lowest 1.30x DSCR (1st Yr NOI)  | \$ 6,745,745.51       |
| Test 1 - GAP ANALYSIS  |                  | Loan using Max CHIRP 1.30x DSCR (1st Yr NOI)                                       | \$6,745,745.51        |
| RESULT: Total Gap  | \$ 4,828,404.00  | Annual Servicing Fees (\$) on 1.30x  | \$ 23,437.79          |
|  |                  | Annual Servicing Fees (\$) on 1.30x  | \$ 23,437.79          |
|  |                  | Actual DSC in current LOI, incl. fees (1st Yr NOI)                                 | 1.32x                 |
| Test 2 - INCREASED COST ANALYSIS   |                  |  |                       |
| Current GC Contract Amount   | \$ 23,815,000.00 |  |                       |
| 30% of GC Contract (est. Increased costs)*   | \$ 7,144,500.00  |  |                       |
| Increased Corporation Fees   | \$ -             |  |                       |
| Increased Construction Financing Costs   | \$ -             |  |                       |
| Increased Dev. Fee (18% x sum of new costs)  | \$ 1,286,010.00  |  |                       |
| RESULT: Total Increased Costs  | \$ 8,430,510.00  |  |                       |
| <b>*(This amount already yields a CHIRP amount that meets or exceeds the maximum) All at 25% LTC except the following:</b> |                  |  |                       |
| Rule Test - SAIL LTC ANALYSIS  |                  | SAIL & 9%HCs (35% LTC)-  | Over 25% LTC allowed  |
| Active Award Total SAIL Funding  | \$ 8,810,000.00  | Family/Elderly: More than 10% ELI  | At least 80% Homeless |
| Max Total SAIL Funding assuming a 35% LTC  | \$ 14,379,096.00 | SAIL w/o 9%HCs (35% LTC)-  |                       |
| Max New SAIL Funding using a 35% LTC   | \$ 5,569,096.00  | Family/Elderly: At least 5% ELI  |                       |
|  |                  | (The above can be altered if RFA permitted a different limit)                      |                       |
| Rule Test - Minimum 1.10x DSC overall Ratio  |                  |  |                       |
| Net Operating Income   | \$ 547,996.81    |  |                       |
| Actual % DDF when using Actual 1st Mortgage  | 31.63%           |  |                       |
| Debt Service for an Overall 1.10x DSC Ratio  | \$ 498,178.92    |  |                       |
| Actual Traditional 1st mortgage Debt Service   | \$ 415,871.52    |  |                       |
|  |                  |  |                       |
| Debt Service Available for New SAIL  | \$ 82,307.40     |  |                       |
| Total (non-ELI) SAIL at 1.00% Interest Only DS   | \$ 8,230,739.76  | SAIL Interest Rate: 1.00%  |                       |
| Total (non-ELI) SAIL less Active Award (non-ELI) SAIL  | \$ 5,050,739.76  | For those developments that qualify for a rate of less than 1%, please enter the a |                       |
| ADDITIONAL FHFC LOAN AMOUNT  |                  |  |                       |
| Lessor of: Tests 1 & 2, \$4,300,000, 35% LTC, Minimum 1.10x DSC  |                  |  |                       |
| \$4,300,000.00   |                  |  |                       |