

SELTZER MANAGEMENT GROUP, INC.

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October 20, 2022

VIA EMAIL

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

Re: Normandy Apartments – HOME 2004-010H
Woodlawn Terrace Apartments – HOME 2002-718H
Horizon House Sunset Apartments – SAIL 2000-066S

First Mortgage Refinancing / Subordination of HOME Loan Documents and HOME Land Use Restriction Agreements (“LURA”) / Subordination of SAIL Loan Documents and SAIL LURA / Extension of the HOME Loan and SAIL maturities, as applicable / Partial Release of Land from the Horizon House Sunset Apartments SAIL Loan Documents

Dear Mr. Fowler:

On your behalf, Seltzer Management Group, Inc. (“SMG” or “Seltzer”) has reviewed two requests, dated August 3, 2022, and August 25, 2022, respectively, from a representative of JE Properties, LLC (“Partnership” or “Borrower”), owner of Normandy Apartments, Woodlawn Terrace Apartments and Horizon House Sunset Apartments (the “Developments”), requesting Florida Housing Finance Corporation (“FHFC” or “Florida Housing”) consent to the refinancing of the existing first mortgage. The transaction also requires subordination of the HOME Investment Partnerships Program (“HOME”) loan and the State Apartments Incentive Loan (“SAIL”) and the subordination of the HOME documents and SAIL documents as well as a partial release of land associated with the Horizon House Sunset Apartments Development.

In July 2021, the Board approved the refinancing of the Developments via a bridge loan that closed in December 2021. The transaction also involved the renegotiation of the loan terms for each Development. A preliminary analysis was done regarding the intended permanent financing of the first mortgage, and as a result of Covid and increased costs, the proposed structure has changed which triggered further analysis of the intended financing.

Rule Chapter 67-48.020(13) F.A.C. and Rule Chapter 67-48.010(15) requires that the refinancing of any loan superior to the HOME loan or SAIL be approved by Florida Housing’s Board of Directors.

For purposes of this analysis, SMG reviewed the following:

1. Correspondence seeking Florida Housing’s consent to the request outlined above
2. HOME Credit Underwriting Report (“CUR”) for Normandy Apartments, dated May 18, 2005, prepared by First Housing Development Corporation of Florida (“First Housing”)

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3. HOME CUR for Woodlawn Terrace Apartments, dated July 28, 2003, prepared by AmeriNational Community Services, Inc. ("AmeriNat")
4. SAIL CUR for Horizon House Sunset Apartments, dated January 8, 2002, prepared by First Housing
5. Community Housing Partners Corporation Portfolio Sale to JE Properties Recommendation Letter, dated July 14, 2021, prepared by Seltzer
6. Normandy Apartments HOME LURA, First Amendment and Second Amendment to the HOME LURA, dated January 6, 2006, January 26, 2009, and December 15, 2021, respectively
7. Normandy Apartments First Global Modification and Amendment to FHFC HOME Mortgage and Loan Documents dated December 15, 2021, and Assignment an Assumption Agreement dated December 15, 2021
8. Normandy Apartments Amended and Restated Promissory Note dated December 15, 2021
9. Woodlawn Terrace Apartments HOME LURA, First Amendment and Second Amendment to the HOME LURA, dated October 8, 2003, March 6, 2020, and December 15, 2021, respectively
10. Woodlawn Terrace Apartments First, Second and Third Global Modification and Amendment to FHFC HOME Mortgage and Loan Documents dated July 2, 2015, March 6, 2020 and December 15, 2021, respectively, and Assignment and Assumption Agreement dated December 15, 2021
11. Woodlawn Terrace Apartments Amended and Restated Promissory Note dated December 15, 2021
12. Horizon House Sunset Apartments SAIL LURA, First Amendment, Second Amendment, Third Amendment and Fourth Amendment to the SAIL LURA dated October 29, 2003, October 29, 2018, October 29, 2019, October 29, 2020, and December 15, 2021, respectively
13. Horizon House Sunset Apartments First, Second and Third Global Modification and Amendment to FHFC SAIL Mortgage and Loan Documents dated October 29, 2018, October 29, 2019, October 29, 2020, and December 15, 2021, respectively, and Assignment and Assumption Agreement dated December 15, 2021
14. Horizon House Sunset Apartments Amended and Restated Promissory Note dated December 15, 2021
15. Draft surveys of the apartments f/k/a Horizon House, bifurcated into two parcels (Parcel 1 and Parcel 2). Parcel 2 will contain the apartments f/k/a Horizon House and Parcel 1 (vacant land) is the portion of land in connection with the Partial Release of Land associated with Horizon House Sunset Apartments.
16. Rule 67-48.020(13), F.A.C., 67-48.0205, 67-48.010(15), F.A.C., 67-48.0105
17. Audited Financial Statements, prepared by Dixon Hughes Goodman, LLP, for the years ended December 31, 2020 and 2019, respectively, for each Development separately
18. Borrower Financing Plan Summary
19. Walker & Dunlop, LLC ("WD"), Engagement Letter to refinance first mortgage debt, dated August 15, 2022, for each Development separately
20. Eastern Bank ("Eastern") Bridge Loan Payoff Letter dated September 21, 2022, for each Development separately

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21. Appraisals prepared by Colliers International Valuation & Advisory Services (“Colliers”) dated January 30, 2022, for each Development separately
22. FHFC Occupancy Report
23. Annual Management Review and Physical Inspection for Normandy Apartments, dated November 4, 2021
24. Annual Management Review and Physical Inspection for Woodlawn Terrace Apartments, dated November 16, 2021
25. Annual Management Review and Physical Inspection for Horizon House Sunset Apartments, dated September 27, 2019
26. FHFC Past Due Report, dated August 29, 2022
27. FHFC Noncompliance Report, dated June 9, 2020

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

Our findings are as follows:

Background

Normandy Apartments: Normandy Apartments, located at 8441 Helen Terrace, Jacksonville, Duval County, Florida, consists of 100 rental apartment units in eleven, two-story garden style apartments buildings.

The original funding for the purchase and rehabilitation of Normandy Apartments was primarily through the proceeds of a \$1,846,886 first mortgage loan from Neighborhood Housing Services and a \$4,166,882 HOME Loan from FHFC. The HOME loan currently has an outstanding balance of \$4,166,882. Per the Amended and Restated Promissory Note at the December 2021 closing, the HOME loan shall bear interest at 1.5% per annum with a maturity date of December 31, 2058. Per the First Amendment to the LURA, the set-asides for the HOME Loan were amended from 100% to 99% of the units as HOME-assisted units. The set-asides are 20% of the units (20 units) for residents earning 50% or less of the Area Median Income (“AMI”) and 80% of the units (79 units) for residents earning 60% or less of the AMI for 50 years. Per the First Amendment to the LURA, the set-aside period was extended from 50 years to 65 years.

A review of Florida Housing’s Occupancy Reports reflects an occupancy rate of 91.00% as of July 2022. The average occupancy for the Subject Development for the year 2022 is 93.86%.

The most recent annual Management Review and Physical Inspection for Normandy Apartments was performed November 4, 2021. The review has not been closed out.

Woodlawn Terrace Apartments: Woodlawn Terrace Apartments, located at 200 South Woodlawn Street, St. Augustine, St. Johns County, Florida, consists of 76 rental apartment units in seven, two-story garden style apartments buildings.

The original funding for the purchase and rehabilitation of Woodlawn Terrace Apartments was primarily through the proceeds of a \$1,500,000 first mortgage loan from Mercantile, a \$4,555,000 HOME Loan from FHFC, and Deferred Developer Fee. The HOME loan currently has an outstanding balance of \$4,500,880. Per the Amended and Restated Promissory Note at the December 2021 closing, the HOME loan shall bear interest at 1.5% per annum with a maturity date of December 31, 2058. Set-asides for the HOME Loan are 20% of the units (16 units) for residents earning 50% or less of the AMI and 80% of the units (60 units) for

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residents earning 60% or less of the AMI for 50 years. Per the Second Amendment to the LURA, the set-aside period was extended from 50 years to 67 years.

A review of Florida Housing's Occupancy Reports reflects an occupancy rate of 85.53% as of July 2022. The average occupancy for the Subject Development for the year 2022 is 88.72%.

The most recent annual Management Review and Physical Inspection for Woodlawn Terrace Apartments was performed November 16, 2021. The review has not been closed out.

Horizon House Sunset Apartments: Horizon House Sunset Apartments, located at NW 10th Street and NW 16th Avenue, Gainesville, Alachua County, Florida, consists of 80 rental apartment units in eight garden style apartments buildings.

The original funding for the purchase and rehabilitation of Horizon House Sunset Apartments was primarily through the proceeds of a \$971,950 first mortgage loan from Wachovia, a \$2,000,000 SAIL from FHFC, and Deferred Developer Fee. The SAIL currently has an outstanding balance of \$1,000,000 after a \$1,000,000 principal payment in connection with the December 2021 closing. Per the Amended and Restated Promissory Note the SAIL shall bear interest at 1.0%, with principal and interest payments due based on a 35-year amortization and a maturity dated of December 31, 2056. Set-asides for the SAIL are 15.19% of the units (13 units) for residents earning 30% or less of the AMI and 84.81% of the units (67 units) for residents earning 50% or less of the AMI for 50 years. Per the Fourth Amendment to the LURA, the set-aside period was extended from 50 years to 68 years.

A review of Florida Housing's Occupancy Reports reflects an occupancy rate of 85.00% as of July 2022. The average occupancy for the Subject Development for the year 2022 is 86.46%.

The most recent annual Management Review and Physical Inspection for Horizon House Sunset Apartments was performed September 27, 2019. The review has not been closed out. The Servicer for Horizon House Sunset Apartments noted that a review was recently completed, however, it has not been drafted as of yet and is therefore unavailable.

Past Due Report and Noncompliance Report

Florida Housing's Past Due report dated August 29, 2022, reflects no items for the Developments, Borrower or its principals.

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.

Refinancing Overview

Normandy Apartments, Woodlawn Terrace Apartments and Horizon House Sunset Apartments were purchased by affiliates of the Borrower in December 2021 with proceeds from first mortgage bridge loans, which are now being satisfied with proceeds from permanent first mortgages through WD. In connection with the ownership transfer and refinancing, the terms of the FHFC loans were renegotiated and a principal was made on the SAIL loan as required per Rule 67-48. As noted above, there was a \$1,000,000 principal payment on the Horizon Sunset House SAIL. As principal payments were required for the initial bridge loan refinancing, Florida Housing has agreed that in consideration of the previous pay down, no additional pay down will be required for this particular refinancing. Further, the increased first mortgage financing is expected to be used to offset the increased costs to rehab the Developments.

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Normandy Apartments: Based on an engagement letter from WD, WD will provide first mortgage financing in the amount up to \$6,655,778, currently estimated by the Borrower to be \$6,739,100. Anticipated loan terms include monthly principal and interest payments based upon a fixed interest rate and a 35-year amortization period. Based upon the preliminary loan analysis in the engagement letter, the term of the loan is estimated to be 35 years with an all-in interest rate of 4.50% (4.25% base rate and 0.25% MIP). Based on the maturity date of the HOME Loan and the WD term of 35 years, FHFC will need to extend the HOME Loan to be coterminous with the WD maturity or slightly exceed that of the permanent first mortgage, as applicable.

The annual debt service is estimated to be \$382,719 which yields a Debt Service Coverage ("DSC") of 1.28 to 1.00 as evidenced in Exhibit 1. The Subject's economic viability will be maintained.

The HOME loan is currently in a subordinate lien position behind an existing \$5,504,061 first mortgage from Eastern. The new WD mortgage will be in the amount of \$6,739,100. Florida Housing's security position will not be adversely affected.

Woodlawn Terrace Apartments: Based on an engagement letter from WD, WD will provide first mortgage financing in the amount up to \$7,356,194, currently estimated by the Borrower at \$7,176,100. Anticipated loan terms include monthly principal and interest payments based upon a fixed interest rate and a 35-year amortization period. Based upon the preliminary loan analysis in the engagement letter, the term of the loan is estimated to be 35 years with an all-in interest rate of 4.50% (4.25% base rate and 0.25% MIP). Based on the maturity date of the HOME Loan and the WD term of 35 years, FHFC will need to extend the HOME Loan to be coterminous with the WD maturity or slightly exceed that of the permanent first mortgage, as applicable.

The annual debt service is estimated to be \$407,537 which yields a DSC of 1.46 to 1.00 as evidenced in Exhibit 1. The Subject's economic viability will be maintained.

The HOME loan is currently in a subordinate lien position behind an existing \$5,556,989 first mortgage from Eastern. The new WD mortgage will be in the amount of \$7,176,100. Florida Housing's security position will not be adversely affected.

Horizon House Sunset Apartments: Based on an engagement letter from WD, WD will provide first mortgage financing in the amount up to \$6,982,000, currently estimated by the Borrower at \$6,785,914. Anticipated loan terms include monthly principal and interest payments based upon a fixed interest rate and a 35-year amortization period. Based upon the preliminary loan analysis in the engagement letter, the term of the loan is estimated to be 35 years with an all-in interest rate of 4.50% (4.25% base rate and 0.25% MIP). Based on the maturity date of the SAIL and the WD term of 35 years, FHFC will need to extend the SAIL to be coterminous with the WD maturity or slightly exceed that of the permanent first mortgage, as applicable.

The annual debt service is estimated to be \$385,378 which yields a DSC of 1.22 to 1.00 as evidenced in Exhibit 1. The Subject's economic viability will be maintained.

The SAIL loan is currently in a subordinate lien position behind an existing \$5,694,656 first mortgage from Eastern. The new WD mortgage will be in the amount of \$6,785,914. Florida Housing's security position will not be adversely affected.

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Sources and Uses of Funds

2022 Updated Permanent Sources and Uses					
Florida HAP Portfolio	Normandy Apartments - Jacksonville	Woodlawn Apartments - St Augustine	Horizon House & Sunset Apartments - Gainesville	Total	Per Unit
Units	100	76	80	256	
SOURCES	223 f w/ soft debt	223 f w/ soft debt	223 f w/ soft debt		
Permanent HUD Loan	\$6,739,100	\$7,176,100	\$6,785,914	\$20,701,114	\$80,864
TOTAL SOURCES	\$6,739,100	\$7,176,100	\$6,785,914	\$20,701,114	\$80,864
USES					
Bridge Loan Payoff	\$5,504,061	\$5,556,989	\$5,694,656	\$16,755,706	\$65,452
Inflation/COVID Construction Increase	\$588,723	\$864,448	\$303,668	\$1,756,839	\$6,863
Soft Costs	\$146,316	\$154,663	\$147,590	\$448,569	\$1,752
Required HUD Reserves	\$500,000	\$600,000	\$640,000	\$1,740,000	\$6,797
TOTAL USES	\$6,739,100	\$7,176,100	\$6,785,914	\$20,701,114	\$80,864
Assumed FHFC Funding	HOME - \$4,166,882	HOME - \$4,500,880	SAIL - \$1,000,000		

Partial Release of Land Overview

The Horizon House Sunset Apartments Development consists of two scattered sites located at NW 10th Street and NW 16th Avenue, Gainesville, FL. The Borrower has requested that a portion of land located at NW 16th Avenue (Horizon House) be released from the SAIL Loan Documents included the LURA. The Borrower intends to divide the site into two separate parcels of which Parcel 2 will consist of the Development known as Horizon House and Parcel 1 will be transferred to an affiliate of the Borrower for future low-income housing development. The Borrower has provided draft surveys that outline the two separate parcels. The Borrower has also agreed to effectuate their commitment at closing that the released parcel will be utilized for the future development of low-income housing.

Dividing the Horizon House site into two separate parcels will not affect the affordability of the Subject Development. The Borrower will continue to operate Horizon House as an affordable housing development pursuant to all restrictive documents associated with it.

Summary and Recommendation

Seltzer concludes that conditions for refinancing approval as set forth in Rule(s) 67-48.020(13) F.A.C. and 67-48.010(15) have been met, subject to the conditions below.

Therefore, SMG recommends that FHFC consent to the refinancing of the existing first mortgage bridge loan, subordination of the HOME Documents and SAIL Documents and LURAs (as applicable) to the new first mortgage loan and extension of the HOME Loan and SAIL maturity to a date equal or slightly past the new first mortgage maturity (as applicable) and the partial release of land associated with the Horizon House Sunset Apartment Development subject to the following:

- Review of final first mortgage loan terms and confirmation that all requirements set forth in F.A.C. Rule Chapter 67-48.020(13) and Rule Chapter 67-48.010(15) for approval have been met
- Receipt of renegotiation fees and closing costs prior to closing, if applicable
- Payment of the proportionate amount of the HOME or SAIL, if applicable
- Review and approval of all Loan Documents by FHFC, its Legal Counsel, and Servicer
- Review and approval of all documents needed to effectuate the partial release of land consistent with the terms outlined above by Florida Housing, its Legal Counsel and Servicer

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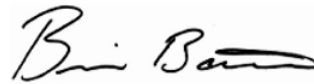
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- Receipt and satisfactory review of final signed and sealed surveys for the Development by Florida Housing, its Legal Counsel and Servicer
- Receipt and satisfactory review of the Borrower's commitment that the future development of the released portion of land (Parcel 1) will be for affordable housing
- Receipt of a non-refundable extension fee, equal to one-tenth of one percent of the HOME Loan pre-closing principal balance on the date of closing, as applicable
- Receipt of a subordination fee for the HOME Loan of \$1,000, as applicable
- Receipt of a non-refundable subordination fee for the HOME LURA equal to \$1,000, as applicable
- Receipt of a non-refundable extension fee, equal to one-tenth of one percent of the SAIL pre-closing principal balance on the date of closing, as applicable
- Receipt of a subordination fee for the SAIL of \$1,000, as applicable
- Receipt of a non-refundable subordination fee for the SAIL LURA equal to \$1,000, as applicable
- Consent of the current limited partner and other subordinate lenders, as applicable
- Prepayment of any compliance monitoring fees and servicing fees, as applicable
- Payment of any outstanding arrearages to FHFC, its Legal Counsel, Servicer or any Agent or Assignee of Florida Housing for Past Due issues applicable to the Development Team (Borrower or Developer or Principal, Affiliate or Financial Beneficiary, as described in 67-48.0075 (5) F.A.C., of a Borrower or a Developer)
- Receipt and satisfactory review of a title commitment extension of the HOME Loan
- Receipt and satisfactory review of a title commitment extension of the SAIL
- Satisfactory resolution of any outstanding past due and/or noncompliance items
- All other due diligence required by FHFC, its Legal Counsel and Servicer

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

Sincerely,
SELTZER MANAGEMENT GROUP, INC.



Brian Barth
Senior Credit Underwriter

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Exhibit 1 - Debt Service Coverage					
	Normandy Apartments	Woodlawn	Horizon Sunset	Total	
NOI	\$ 488,382	\$ 593,258	\$ 469,056	\$ 1,550,696	
First Mortgage DS	\$ 382,719	\$ 407,537	\$ 385,378	\$ 1,175,633	
FHFC HOME/SAIL DS	\$ 76,256	\$ 81,757	\$ 39,958	\$ 197,972	
Total DS	\$ 458,975	\$ 489,294	\$ 425,336	\$ 1,373,605	
1st Only DSC	1.28	1.46	1.22	1.32	
1st & FHFC DSC	1.06	1.21	1.10	1.13	
Appraiser NOI	\$ 654,008	\$ 651,192	\$ 474,898		
Developer NOI	\$ 488,382	\$ 593,258	\$ 469,056		
<u>Debt Service</u>					
First Mortgage	\$ 6,739,100	\$ 7,176,100	\$ 6,785,914		
	\$ 382,719	\$ 407,537	\$ 385,378		
FHFC HOME/SAIL	\$ 4,166,882	\$ 4,500,880	\$ 1,000,000		
Principal & Interest	\$ 62,503	\$ 67,513	\$ 33,874		
Serv Fee	\$ 10,417	\$ 10,908	\$ 2,748		
CM Fee	\$ 3,336	\$ 3,336	\$ 3,336		
Total Int and Fees	\$ 76,256	\$ 81,757	\$ 39,958		