

SELTZER MANAGEMENT GROUP, INC.

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October 19, 2022

VIA EMAIL

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

Re: Flagler Village
RFP 2010-04 / 2009-216C and 2010-14 / 2010-021CX / 2011-002CX Tax Credit Exchange Program ("TCEP")
First Mortgage Refinancing / Addition of a new principal of the GP / Subordination of TCEP Documents
and ELIHA

Dear Mr. Fowler:

On your behalf, Seltzer Management Group, Inc. ("SMG", "Seltzer" or "Servicer") has reviewed a request, dated August 26, 2022, from Flagler Village Limited Partnership, Ltd. ("Borrower"), owner of Flagler Village (the "Subject Development"), requesting Florida Housing Finance Corporation ("FHFC" or "Florida Housing") consent to the recapitalization of the property by adding a first mortgage, as well as adding Johnathan Wolf as a 5% manager/member of the General Partner, Overseas GP, LLC ("GP"). The transaction also requires execution of Subordination Agreements of the Tax Credit Exchange Program ("TCEP") Documents and the Extended Low Income Housing Agreement ("ELIHA"), which is the requirement of the new first mortgage lender for the Subject Development.

Various provisions within the TCEP Documents require that the refinancing of any loan superior to the TCEP be approved by Florida Housing's Board of Directors.

For the purposes of this analysis, SMG has reviewed the following:

1. Correspondence seeking Florida Housing's consent of the request outlined above
2. TCEP Credit Underwriting Report ("CUR"), dated July 21, 2010, prepared by Seltzer
3. Transfer of General Partner Interest Letter, pending receipt
4. ELIHA dated November 23, 2010 and First Amendment to ELIHA dated July 12, 2012
5. Borrower's Audited Financial Statements dated March 13, 2022, prepared by Tidwell Group, LLC, for the years ended December 31, 2021 and 2020
6. Letter of Intent ("LOI"), dated August 26, 2022, from Climate First Bank ("Climate")
7. Gulf Southern Construction Co (KW), Inc. ("GSCC") contract proposal dated August 15, 2022
8. GLE Associates Inc ("GLE") Contract Review, pending receipt
9. Management Review and Physical Inspection performed June 2, 2022

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10. FHFC Occupancy Reports through July 2022
11. FHFC Past Due Report dated September 22, 2022
12. FHFC Noncompliance Report dated June 9, 2020

In addition, SMG has had various conversations with FHFC Staff regarding the requests described above.

Our findings are as follows:

Background

The Subject Development is a multifamily property located at 5300 MacDonald Drive, Key West, Monroe County, Florida, consisting of 49 units in twenty-two residential buildings.

The Borrower was formed as a limited partnership under the laws of the State of Florida on August 5, 2009. The General Partner is Overseas GP, LLC. The sole member of GP is H-Try, LLC. The members of H-Try, LLC are Scott Oropeza and Tim Koenig both with 50% ownership. The Limited Partner is Wachovia Affordable Housing Community Development Corporation with 99.99% ownership.

The Subject Development was primarily funded through the proceeds of a TCEP loan funds from FHFC in the amount of \$2,500,000, Housing Credits ("HC") and deferred developer fees. The loans closed November 23, 2010.

Operation of the Subject Development is restricted by terms and conditions detailed in various loan documents, including, but not limited to, the ELIHA. Set-asides for the ELIHA requires 10% of units (5 units) for tenants earning 28% or less of the Area Median Income ("AMI") and the remaining 90% of units (44 units) for tenants earning 60% or less of the AMI for 50 years. Three units are set aside for Special Needs Housing.

The Borrower's 2021 audited financial statements reflect that the Subject Development generated sufficient income to meet operating expenses and to service all the mortgage debt and related fees; however, shows a net loss due to non-cash depreciation and amortization expenses. Total assets exceed total liabilities resulting in a positive partners' equity.

As of August 31, 2022, the Subject Development reported occupancy at a rate of 100%. The average year-to-date occupancy for 2022 was 99.49%.

The most recent Management Review and Physical Inspection performed June 2, 2022 reflected no issues and the review was closed out on July 18, 2022.

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. The FHFC Past Due Report reflects no items for the development team.

Refinancing Overview

SMG has reviewed a LOI from Climate for first mortgage financing in the amount up-to \$1,500,000 with a 4-year term and 25-year amortization. The interest rate estimated at 5.50%, with a \$11,250 commitment fee. The annual debt service for the refinanced first mortgage estimated to be in the amount of \$1,254,596 is estimated to be \$110,535.75.

The TCEP currently is in first lien position, the current servicer states as of October 2022, the estimated balance is \$815,850. Terms of the loan include a 15 year term with principal being forgiven annually at a rate of 6.67% over term and forgiveness is subject to the Borrower maintaining compliance with the ELIHA and Section 42 of the Internal Revenue Code. Based on the anticipated amount of the refinanced first mortgage, the TCEP will be behind

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a first mortgage lien estimated to be \$1,254,596. The new first mortgage will be used for rehab of the property including new flooring in 31 units as well as a rebuild on one unit.

Overall Sources and Uses of Funds

Borrower provided SMG with an estimate of the overall sources and uses of funds:

| Sources | | <u>Underwriting</u> |
|----------------|--|---------------------|
| Climate Loan | | \$ 1,254,596 |
| Total Sources | | <u>\$ 1,254,596</u> |
| Uses | | |
| GSCC Contract | | \$ 1,254,596 |
| Total Uses | | <u>\$ 1,254,596</u> |

The LOI for the new mortgage from Climate is estimated to be \$1,500,000, however, Seltzer has reduced the amount to \$1,254,596 to match the proposal from GSCC. The contract includes a scope of work which shows the flooring in 31 units being replaced as well as a rebuild of one unit.

Ownership Restructure

The Borrower is requesting FHFC’s consent to add Johnathan L. Wolf as a 5% owner of the GP. Mr. Wolf is the founder and President of Wendover Housing Partners, Inc. (1995) and Wendover Housing Partners, LLC (2006) (“Wendover”). Wendover specializes in the development of affordable multifamily and senior housing as well as single family and mixed use properties. Mr. Wolf’s schedule of real estate owned reflects 24 properties consisting of over 3,000 units. Mr. Wolf acts as consultant to financial institutions and has held positions at Citicorp and Chase Bank in the past.

Summary and Recommendation

Seltzer’s review indicates that the refinancing meets Florida Housing’s underwriting standards.

Therefore, SMG recommends that FHFC consent to the refinancing of the existing first mortgage loan and subordination of the TCEP Documents and ELIHA to the new first mortgage loan, which meets the requirements of the new first mortgage lender, and the modification of any other loan documents required to effectuate the refinancing, as well as the addition of a new principal to the GP, subject to the following:

- Review of final first mortgage loan terms and confirmation that FHFC underwriting standards for approval have been met
- Receipt of updated contract with GSCC
- Receipt of PCA opining that all repairs costs are reasonable
- Confirmation of refinancing fees and closing costs prior to closing
- Review and approval of all Loan Documents by FHFC, its Legal Counsel, and Servicer
- Receipt of a renegotiation fee of one half of one percent of the loan balance
- Receipt of a non-refundable TCEP and ELIHA subordination fee of \$1,000 each on the closing date
- Consent of other subordinate lenders, if applicable

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- Prepayment of any compliance monitoring fees and servicing fees, if 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 67-21.0025 (5) and 67-48.0075 (5) F.A.C., of a Borrower or a Developer)
- 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.



Justin Coles
Credit Underwriter