

# **Florida Housing Finance Corporation**

*Credit Underwriting Report*

## **Villa Capri**

**MMRB (NIBP), HOME and HC Programs**

**RFP 2009-06-02-05**

**2010A-216B**

**Section A Report Summary**

**Section B Loan Conditions and HC Allocation Contingencies**

**Section C Supporting Information and Schedules**

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*Prepared by*

***Seltzer Management Group, Inc.***

*Final Report*

*September 29, 2011*

SMG

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**VILLA CAPRI**  
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**Section A**  
**Report Summary**

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**SEPTEMBER 29, 2011**

## Recommendation

Seltzer Management Group, Inc. (“SMG” or “Seltzer”) recommends Multifamily Mortgage Revenue Bond (“MMRB”) Program Loans totaling \$15,700,000 be awarded to the Subject Development by Florida Housing Finance Corporation (“FHFC” or “Florida Housing”) in the form of \$6,800,000 in New Issue Bond Program (“NIBP”) Tax-Exempt Bonds for Construction/Permanent Financing and \$8,900,000 in Market-Rate (“Construction Bridge”) Tax-Exempt Bonds for Construction Financing. SMG also recommends FHFC award a Request for Proposal (“RFP”) 2009-06 Home Partnerships Investment Program (“HOME”) Loan in an amount up to \$2,500,000 (currently projected at \$2,330,000) and an Annual Housing Credit (“HC”) Allocation in the amount of \$1,071,090 based upon the Gap Calculation.

DEVELOPMENT & SET-ASIDES				
Location	14500 SW 280th Street, Homestead, Miami-Dade County, Florida 33032			
Number of Units/Unit Mix	<b>Bed-rooms</b>	<b>Baths</b>	<b>No. of Units</b>	<b>Unit Size (SF)</b>
	1	1	48	720
	2	2	124	925
	3	2	48	1,177
	<b>Totals</b>		<b>220</b>	<b>205,756</b>
Demographic Commitment	Family			
Set Asides	MMRB – 85% of the units (187 units) at 60% or less of Area Median Income (“AMI”)  HOME – 100% of units are HOME assisted; 80% of units (176 units) 60% or less of AMI (High HOME rents) and 20% of units (44 units) at 50% or less of AMI (Low HOME rents).  HC – 100% of the units at 60% or less of AMI			
Set Aside Term	MMRB, HOME and HC – 50 Years			
HOME Subsidy Limits	48 – 1 Bedrooms – \$ 87,259 124 – 2 Bedrooms – \$106,108 48 – 3 Bedrooms – \$137,268  Maximum HOME Subsidy \$23,934,688, however the maximum per HOME RFP 2009-06 is \$5,000,000			
County Size	Large (E)			
Development Category	New Construction			
Development Type	Garden Style			
Occupancy Rate	N/A			

**MMRB (NIBP), HOME AND HC PROGRAMS CREDIT UNDERWRITING REPORT**

**SMG**

Improvements	The Subject Development will consist of 11 three-story garden-style Residential Buildings with concrete block walls over monolithic concrete slab-on-grade foundations. Exteriors walls will be stucco, with roofs of concrete tile. There will be 2 Accessory Buildings; a Clubhouse and a combination Maintenance Building and Mail Kiosk.
Parking	404 parking spaces, of which one is van-accessible and 12 are handicap
Site Acreage	12.8127 acres per a June 6, 2011, ALTA/ACSM Land Title Survey by Sun-Tech Engineering, Inc. ("Sun-Tech"), Fort Lauderdale, Florida
Density	17.17 units per gross acre
Zoning	RU-4L – Limited Apartment. House District (220 units allowed)
Flood Zone Designation	Zones "X" and "AH" per the Sun-Tech Survey. Flood insurance is required for improvements within Zone "AH".
<b>DEVELOPMENT TEAM</b>	
Applicant	Villa Capri Associates, Ltd., a Florida Limited Partnership registered with the State of Florida on July 15, 2002.
Co-General Partners	Cornerstone Villa Capri, L.L.C. ("CVC"), a Florida Limited Liability Company that registered with the State of Florida on December 10, 2007, is the Majority and Managing General Partner at a 0.007% ownership interest. CVC is 20.0% owned by the Stuart I. Meyers Family Limited Partnership, 52.5% owned by Jorge and Awilda Lopez, tenants by entireties, 10.0% owned by M3 Assets, L.L.C. (a business interest of Leon J. Wolfe), and 17.5% by the M.S. Makes Family Limited Partnership. The Minority General Partner at a 0.003% ownership interest is Villa Capri Apartments, L.L.C. ("VCA"), registered with the State of Florida on May 3, 2010, and 100% owned by the Opa-Locka Community Development Corporation ("OLCDC"), Opa-Locka, Florida.
Limited Partners/Syndicator	The current Limited Partners with a combined ownership interest of 99.99% are the Stuart I. Meyers Family Limited Partnership (20.0%), Jorge and Awilda Lopez, tenants by entireties (45.0%), M3 Assets, L.L.C. (17.5%), and the M.S. Makes Family Limited Partnership (17.5%). Stratford Capital Group, L.L.C. ("Stratford"), Peabody, Massachusetts, or an affiliate controlled by Stratford, will replace the current Limited Partners by purchasing the Limited Partner interests prior to or concurrent with the MMRB/HOME Loan closing. Stratford will assign a 0.01% ownership interest to an affiliate to act as a Special Limited Partner.

**MMRB (NIBP), HOME AND HC PROGRAMS CREDIT UNDERWRITING REPORT**

**SMG**

Developer	CSG Development Services II, L.L.C. ("CSG"), Hollywood, Florida. CSG is owned by the Stuart I. Meyers Family Limited Partnership (20.0%), Jorge and Awilda Lopez, tenants by entireties (52.5%), M3 Assets, L.L.C. (10.0%), and the M.S. Mades Family Limited Partnership (17.5%).
Guarantors	Applicant, CVC and CSG plus Stuart I. Meyers, Jorge and Awilda Lopez, Leon J. Wolfe, and Mara S. Mades, individually
General Contractor	CSG Construction, L.L.C. ("CSGConst"), Hollywood, Florida, a related entity.
Architect	Tseng Consulting Group, Inc. ("Tseng"), Miami, Florida
Property Management Company	CSG Management Services, L.L.C. ("CMS"), Hollywood, Florida, a related entity.
First Mortgage Lender	FHFC
Credit Enhancer	Oak Grove Commercial Mortgage, L.L.C. ("OGC"), Grapevine, Texas, the Federal National Mortgage Association ("Fannie Mae") and JPMorgan Chase Bank, N.A. ("JPChase"), Tampa, Florida
<b>FINANCING INFORMATION</b>	
FHFC Programs	MMRB, HOME and HC Programs
NIBP Loan	\$6,800,000
"All in" Underwritten Interest Rate	5.27% – Construction Phase 4.45% – Permanent Period
Term/Amortization	31.75 / 35
Market-Rate "Construction Bridge" Loan	\$8,900,000
Term/Amortization	24 months allowed with one 6-month extension available (30 months maximum) / N/A
"All in" Underwritten Interest Rate	4.19%
HOME Loan Amount	\$2,330,000
Underwritten Interest Rate	1.00%
Term/Amortization	32 / N/A
Market Rent/Market Financing Value at Stabilization	\$23,100,000
Market Rent Loan to Value ("LTV") – Combined MMRB	67.97% – Construction Phase 29.44% – Permanent Period
Market Rent LTV Combined MMRB and HOME	67.97% – Construction Phase 39.52% – Permanent Period
Restricted Rent/Favorable Financing Value at Stabilization	\$11,300,000
Restricted Rent LTV Combined MMRB	138.94% – Construction Phase 60.18% – Permanent Period

**MMRB (NIBP), HOME AND HC PROGRAMS CREDIT UNDERWRITING REPORT**

**SMG**

Restricted Rent LTV Combined MMRB and HOME	138.94% – Construction Phase 80.80% – Permanent Period
Projected Net Operating Income	\$651,382
DSC – NIBP Bond Loan	1.698
DSC – NIBP Bond and FHFC HOME Loans	1.601
NIBP Bond Loan to Cost	21.73% – Based upon Bond Issue of \$6,800,000
Construction Bridge Loan to Cost	28.44% – Based upon Bond Issue of \$8,900,000
FHFC HOME Loan to Cost	7.45% – Based upon Principal Amount of \$2,330,000
FHFC Assistance Per Unit (MMRB + HOME)	\$81,955 – Based upon \$6,800,000 NIBP and \$8,900,000 Market-Rate Construction Bridge Bond Loans plus the \$2,330,000 FHFC HOME Program Loan
Annual HC Allocation per Unit	\$5,108
Syndication Price	\$0.940 per dollar of HC
Bond Structure	Fixed Rate/Amortizing – NIBP Tax Exempt Bonds Fixed Rate/Non-Amortizing – Construction Bridge Bonds
Operating Deficit Reserve (“ODR”)	\$515,000 ODR Required by Stratford

**Construction / Permanent Sources:**

Source	Lender	Construction	Permanent	Permanent Loan per Unit
NIBP Tax-Exempt Bond Loan	FHFC	\$6,800,000	\$6,800,000	\$30,909
Market-Rate Construction Bridge Bond Loan	FHFC	\$8,900,000	\$0	\$0
Subordinate NSP2 Loan	MDNSP	\$3,000,000	\$3,750,000	\$17,045
Subordinate HOME Loan	FHFC	\$0	\$2,330,000	\$10,591
Subordinate HODAG Loan	Miami-Dade Co.	\$2,650,000	\$2,650,000	\$12,045
Subordinate SHIP Loan	Miami-Dade Co.	\$2,698,500	\$2,698,500	\$12,266
Subordinate BBC Loan	Miami-Dade Co.	\$2,000,000	\$2,000,000	\$9,091
FHLB Subsidy	FHLB	\$1,000,000	\$1,000,000	\$4,545
Impact Fees Refund	Miami-Dade Co.	\$0	\$177,694	\$808
HC Equity	Stratford	\$1,879,000	\$9,889,000	\$44,950
Deferred Developer Fee	CSG	\$2,368,236	\$542	\$2
<b>Total</b>		<b>\$31,295,736</b>	<b>\$31,295,736</b>	<b>\$142,253</b>

**Changes from the Application:**

COMPARISON CRITERIA	YES	NO
Does the level of experience of the current team equal or exceed that of the team described in the application?	X	
Are all funding sources the same as shown in the Application?		1
Are all local government recommendations/contributions still in place at the level described in the Application?	X	
Is the Development feasible with all amenities/features listed in the Application?	X	
Do the site plans/architectural drawings account for all amenities/features listed in the Application?	X	
Does the Applicant have site control at or above the level indicated in the Application?	X	
Does the Applicant have adequate zoning as indicated in the Application?	X	
Has the Development been evaluated for feasibility using the total length of set-aside committed to in the Application?	X	
Have the Development costs remained equal to or less than those listed in the Application?		2
Is the Development feasible using the set-asides committed to in the Application?	X	
If the Development has committed to serve a special target group (e.g. elderly, large family, etc.), do the development and operating plans contain specific provisions for implementation?	X	
HOME ONLY: If points were given for match funds, is the match percentage the same as or greater than that indicated in the Application?	N/A	
HC ONLY: Is the rate of syndication the same as or greater than that shown in the Application?	X	
Is the Development in all other material respects the same as presented in the Application?		3

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

1. Funding Sources:

- a. Stratford will be the Syndicator of the HC in the total amount of \$9,889,000, replacing Raymond James Tax Credit Funds, Inc., St. Petersburg, Florida, which was reflected as HC Syndicator for \$7,626,000 in Applicant's RFP 2009-06 HOME Response. Stratford



was designated as HC Syndicator in Applicant's MMRB Application, but at a lesser amount of \$6,950,000 under the original financing structure.

- b. OGC will provide Fannie Mae Credit Enhancement in the amount of \$6,800,000. JPChase will support the NIBP Bonds plus \$8,900,000 of Market-Rate Tax-Exempt Bonds it calls a "Construction Bridge Loan" by issuing a Letter of Credit in the amount of \$15,700,000. The current financing replaces a \$17,000,000 CW Capital, L.L.C., Credit Enhancement reflected in Applicant's RFP 2009-06 HOME Response and a \$16,500,000 Prudential Mortgage Capital Company FHA 221(d)(4) Credit Enhancement reflected in Applicant's MMRB Application.
- c. Through OLCDC, Villa Capri has been approved for a Neighborhood Stabilization Program ("NSP") 2 loan of \$3,750,000 from the Miami-Dade NSP Consortium ("MDNSP"), an organization of 6 non-profit developers (including OLCDC) that utilizes NSP2 funds authorized by and granted under the American Recovery and Reinvestment Act ("ARRA") to stabilize neighborhoods in North-Central Miami-Dade County. Applicant states the NSP2 loan will reflect interest at 0.00% during the first 17 years and 1.00% thereafter, with accrued interest and principal due at a 32-year maturity.
- d. Villa Capri has been approved for \$2,000,000 in funding through the issuance by Miami-Dade County of General Obligation Building Better Communities ("BBC") Series 2011A Tax-Exempt Bonds in the amount of \$200 million. Miami-Dade County authorized the BBC funding through Resolution R-53-11 for the, "Preservation of Affordable Housing Units and Expansion of Home Ownership". Applicant states this is a new Miami-Dade County program and will be in the form of a forgivable loan. The terms are not yet known.
- e. Also through OLCDC, Villa Capri has been approved for a Federal Home Loan Bank of Atlanta ("FHLB") Subsidy of \$1,000,000 to be funded through RBC Centura Bank ("RBC"), Raleigh, North Carolina. Applicant will sign a Promissory Note and Mortgage to OLCDC (as Sponsor) at 0.00% interest. The Loan has a 60-year maturity, however the borrower can apply to have the principal forgiven upon expiration of a successful 15-year Affordable Housing Program ("AHP") Retention Period.
- f. A partial rebate of Miami-Dade County Impact Fees in the amount of \$177,694 is shown by Applicant as a Source of Funds. Applicant states the rebate will be made upon successful completion of the Subject Development.

**2. Development Costs:**

At \$31,295,736, underwritten Development Costs are \$1,384,998 (4.63%) greater than the \$29,910,738 in Applicant's MMRB Application and \$1,021,290 (3.37%) greater than the \$30,274,446 reflected in Applicant's RFP 2009-06 Response. As to the latter, the increase is primarily attributable to:

- a. The Construction Contract Amount of \$17,710,000 is \$457,000 (2.65%) higher than that budgeted by Applicant.
- b. Applicant increasing the Hard Cost Contingency by \$313,410 (60.55%), from \$517,590 to \$831,000.

- c. Applicant's addition of \$40,000 for Start-Up Costs/Operating Funds Advance, as well as increasing projected Marketing and Advertising Expenses by \$25,000 (29.41%), from \$85,000 to \$110,000.
- d. Applicant increased Impact Fees by \$255,176 (579.95%), from \$44,000 to \$299,176.
- e. Applicant's addition of a \$50,000 Soft Cost Contingency.
- f. An increase of \$590,000 (85.51%) for Construction Loan Interest, from \$690,000 to \$1,280,000.
- g. The addition of a \$515,000 ODR required by Stratford.
- h. A \$283,164 (7.46%) increase in the Developer Fee, from \$3,795,931 to \$4,079,095.

The above increases are partially offset by a reduction of \$1,390,000 in Land Acquisition Cost (from \$5,390,000 to \$4,000,000) and the elimination of Bridge Loan Interest and Bridge Loan Origination Fee of \$524,000 and \$120,000, respectively.

3. Other Changes from the Application:

- a. The ownership interest for Applicant changed subsequent to submission of the MMRB Application. VCA now has an ownership interest of 0.003%. CVC's ownership interest is reduced from .01% to .007%.
- b. CVC's ownership structure has also changed, with the ownership interest of Jorge and Awilda Lopez, tenants by entireties, increasing by 7.5% (to 52.5%) and the ownership interest of M3 Assets, L.L.C., decreasing by 7.5% (to 10.0%). The ownership interests of the Stuart I. Meyers Family Limited Partnership at 20.0% and the M.S. Mades Family Limited Partnership at 17.5% are unchanged.
- c. The Developer Entity has changed from CSG Development Services, L.L.C., to CSG. Ownership interests for CSG are the Stuart I. Meyers Family Limited Partnership (20%), Jorge and Awilda Lopez, tenants by entireties (52.5%), M3 Assets, L.L.C. (10.0%), and the M.S. Mades Family Limited Partnership (17.5%).
- d. The General Contractor has changed from Cornerstone Group Construction, Inc., to CSGConst. Both are related entities.

The above changes have no material impact on Seltzer's MMRB, RFP 2009-06 and HC Recommendations.

Does the Development Team have any FHFC Financed Developments on the Past Due/Non-Compliance Report?

Florida Housing's August 10, 2011, Non-Compliance Report reflected The Cornerstone Group as having no Non-Compliance issues.

Florida Housing's Past Due Report dated August 22, 2011, reflects The Cornerstone Group as Past Due for:

- a. The Preserve at Boynton Beach: CWHIP Loan in the amount of \$5,000,000 matured April 14, 2010. Renegotiated loan terms were approved at the September 1, 2011, FHFC Board Meeting subject to Credit Underwriting.

- b. Mariners Cove: Failure to provide documentation to support and maintain required liquidity.
- c. Eagle Pointe: Failure to maintain required liquidity
- d. Portofino: Failure to maintain required liquidity
- e. Carolina Club: Failure to maintain required liquidity
- f. Indian Trace: Failure to maintain required liquidity
- g. San Marco: Failure to maintain required liquidity
- h. St. Croix: Failure to maintain required liquidity

Seltzer's recommendations are subject to satisfactory resolution (as determined by FHFC) of any outstanding Past Due or Non-Compliance issues applicable to the Development Team by Loan Closing. It is Seltzer's understanding that The Cornerstone Group negotiated a Liquidity Agreement with FHFC such that the liquidity issue has been resolved.

Strengths:

1. The Principals to this transaction, Stuart I. Meyers, Jorge Lopez, Leon J. Wolfe and Mara S. Mades, and their Development Team are experienced developers of Affordable Multifamily Housing.

Additional Information:

1. SMG reviewed a June 1, 21011, Market Study by Integra Realty Resources – Tampa Bay ("Integra"), Tampa, Florida. Integra concluded Villa Capri's Primary Market Area ("PMA") to be a 5-mile radius from the Development Site. There are 32 HC Multifamily Properties within or very close to the Subject's PMA accounting for 4,162 units. Of these, Integra identifies 9 directly competitive properties with a weighted Occupancy Rate of 96%:

a. Tuscany Place	340 units at 97% occupancy
b. Sunrise Commons	106 units at 100% occupancy
c. Bonita Pointe	164 units at 99% occupancy
d. Royal Palm Gardens	145 units at 100% occupancy
e. Villa Biscayne	180 units at 100% occupancy
f. Winchester Garden	117 units at 93% occupancy
g. Monterey Pointe	336 units at 98% occupancy
h. Hidden Grove	222 units at 88% occupancy
i. Villages of Naranja	<u>259</u> units at 90% occupancy
Total	1,869 units

Three of the Subject's direct competitors are FHFC Guarantee Fund Properties:

a. Tuscany Place	340 units
b. Bonita Pointe	164
c. Monterey Pointe	<u>336</u>
Total	840 units

All have an Occupancy Rate of 97% or higher. Integra states the Subject Property is not likely to affect the FHFC Guarantee Fund Properties.

Integra identified 5 competitive Tax Credit developments currently under construction:

a. Villa Capri III	140 "Family" Extremely Low Income ("ELI") units at 33%, 40% and 50% or less of AMI
b. Mirabella	204 "Family" units with 10% ELI
c. Magnolia Landing	150 "Family" units with 10% ELI
d. Woodside Oaks	103 "Family" units with 10% ELI
e. MCR (Casa Matias)	<u>80</u> units with 40 "Family and 40 "Homeless"
Total	677 units

Considering the number of Income-Qualified Households in the PMA, existing competitors and those under construction but not yet delivering units, Integra concludes sufficient demand for the Subject. It projects an Absorption Rate of 20 units per month and Stabilized Occupancy at 94.0% (not including a 1.0% Collection/Loss Allowance). Integra projects the Subject will achieve Rental Rates consistent with those currently being achieved by Comparable Properties, but less than Maximum Allowable HC Rents in several instances.

Recent market analysis performed by SMG indicates 7 Affordable Housing transactions approved by FHFC in the South Dade/Homestead Market within the past year or so:

a. Orchid Grove	80 units with 40 "Family" and 40 "Farmworker"
b. Magnolia Landing	150 "Family" units with 10% ELI
c. Mirabella	204 "Family" units with 10% ELI
d. Woodside Oaks	103 "Family" units with 10% ELI
e. MCR (Casa Matias)	80 units with 40 "Family" and 40 "Homeless"
f. Veranda Senior	99 "Elderly" units
g. Villa Capri III	<u>140</u> "Family" ELI units at 33%, 40% and 50% or less of AMI
Total	856 units

Of primary concern are 490 of 60% AMI "Family" units at the above Affordable Multifamily Properties. Orchid Grove completed lease-up and stabilized late in the second quarter of 2011, which is somewhat better than projected during Credit Underwriting. Magnolia Landing completed lease-up and stabilized in August. Absorption at Magnolia Landing was also somewhat better than projected. Construction is underway at Mirabella, with completion expected by the end of October. The Developer reports Mirabella delivered its first units in August and that leasing is ahead of schedule. Pre-leasing has commenced at Woodside Oaks and Villa Capri III. Both are "on schedule" and will begin delivering units in the fourth quarter of 2011. MCR (Casa Matias) and Veranda Senior will not deliver units until 2012.

Hard occupancy data based upon certified rent rolls though July 2011 reflects strong overall occupancy in the South Dade/Homestead Submarket at 97%. Average occupancy for the 3 Guarantee Fund properties was also 97%. August and September surveys indicate a small decline in the Occupancy Rate to a range of 95%-96%. The decline may be reflective of the lease-up at Magnolia Landing and Mirabella, however it is too early to reach a firm conclusion.

Orchid Grove stabilized at Underwritten Rental Rates. Magnolia Landing achieved Net Rental Rates consistent with its Credit Underwriting despite offering a One-Month Rental Concession on three-bedroom apartments. Anecdotal evidence seems to indicate Mirabella is achieving Net Rental Rates on its one-bedroom and two-bedroom units consistent with its Credit Underwriting. Net Rental Rates on its three-bedroom units, however, are slightly below that underwritten due to its current offer of a One-Month Rental Concession. The Developer of Woodside Oaks already has concerns regarding its three-bedroom units. It appears that Rental Concessions for three-bedroom units are becoming common at existing Affordable Properties within the South Dade/Homestead Submarket.

In summary, Absorption and Net Rental Rates for the two stabilized properties (Orchid Grove and Magnolia Landing) met or somewhat exceeded underwriting projections. Mirabella, Woodside Oaks and Villa Capri III appear to be on a similar pace, but the uncertainty will be greater with Woodside Oaks and Villa Capri III until move-ins actually occur. MCR (Casa Matias) and Veranda Senior will not deliver units until 2012, and it should be noted a large majority of their units will not directly compete with the Subject's 60% AMI "Family" units.

SMG concludes there is sufficient demand for the Subject Development and those recently approved, however SMG has continuing concerns regarding the introduction of a relatively large number of units in a relatively short period of time. It is reasonable to project a further decline in the overall Occupancy Rate to a range of 93%-95% for the South Dade/Homestead Submarket. Continued pressure on three-bedroom units at existing properties can be expected as leases come up for renewal. Villa Capri is not anticipated to close until December, with the delivery of units beginning in the third quarter of 2012. Lease-up and stabilization of all recently-approved transactions in the submarket are scheduled for completion by that time. Any delay in the delivery of the Subject's units, however, would allow more time for the South Dade/Homestead Submarket to absorb the initial impact of those recently-approved transactions.

2. Applicant applied to FHFC for a HOME Program Loan of \$2,500,000. SMG currently projects the HOME Program Loan at \$2,330,000 based upon the Development Budget as currently underwritten and the available Sources of Funds. Any change to items affecting the Sources or Uses of Funds prior to Loan Closing could impact Seltzer's recommendation.
3. In its September 9, 2011 HC Equity Term Letter, Stratford requires an ODR of \$515,000, which is approximately 4 months of Annual Debt Service plus 4 months of Operating Expenses. SMG considers an ODR ranging between 3-6 months of Annual Debt Service plus 3-6 months of Operating Expenses to be reasonable. Seltzer's MMRB/HOME Program Loan and Annual HC Allocation Recommendations are contingent upon:
  - a. Prior approval of ODR disbursements by FHFC.
  - b. Upon expiration of the ODR, the balance in the ODR Account will be used to pay down FHFC-administered Loan Debt, if any, with the remaining amount deposited to the Replacement Reserve Account.

Issues and Concerns:

1. The Principals to this transaction, Stuart I. Meyers, Jorge Lopez, Leon J. Wolfe and Mara S. Mades, disclosed that several of their properties have been in foreclosure proceedings, with two properties still in litigation. Disclosures by the Principals include settlements and modifications of loan terms for properties (in some cases involving principal reductions). Resolution of litigation appears to be contingent upon sale of the underlying collateral or re-development/re-marketing the properties as Affordable Rental Housing. SMG is unable to determine the impact that pending foreclosures, settlements and/or unresolved disputes may have upon the financial capacity of Mr. Meyers, Mr. Lopez, Mr. Wolfe and Ms. Mades to provide meaningful Construction Completion and Operating Deficit Guarantees.

Mitigating Factors:

1. The Principals to this transaction have been and continue to face credit issues due to failed Market-Rate Residential Communities in South Florida that have resulted in a steep decline in home values. The Principals state they are actively engaged in reaching equitable resolutions.

Mr. Meyers, Mr. Lopez, Mr. Wolfe and Ms. Mades are reported to have interests in more than 50 Affordable Housing Properties. Their portfolio represents the largest credit exposure of Florida Housing's Guarantee Program. While several of their Guarantee Program and Non-Guarantee Program properties have been experiencing negative cash flow, the Principals reported their overall portfolio generated positive cash flow of \$6.8 million in 2010 and \$5.0 million in 2009. The Principals also reported positive cash flow of \$5.8 million in 2010 and \$2.1 million in 2009 from CSM, the property management company that manages their portfolio. SMG notes the positive cash flow reported, however it does not consider the financial capacity of the Principals to provide meaningful Construction Completion and Operating Deficit Guarantees to be assured. SMG therefore recommends FHFC require Applicant to provide prior to MMRB and HOME Program Loan Closing Cash Collateral and/or Letters of Credit ("LOC's"), as follows:

- a. \$885,500 (5.0% of the \$17,710,000 Construction Contract), to be held by FHFC or the Loan Servicer and released upon 100% Lien-Free Construction Completion and receipt of all Certificates of Occupancy.
- b. \$39,689 (5.0% of \$793,777, representing a combined 6 months of Operating Expenses and Debt Service), to be held by FHFC or the Loan Servicer and released upon Permanent Loan Conversion.

SMG makes Applicant's provision of the Cash Collateral and/or LOC's as a Special Condition to this Credit Underwriting Report.

Other Considerations:

1. SMG is aware of a lawsuit filed against The Cornerstone Group and its related entities (including CMS) by the National Fair Housing Alliance, Inc., and the Coalition for Independent Living Options, Inc. The Plaintiffs allege Fair Housing Act violations at 28 Cornerstone properties across Florida including the Subject Development. The allegations against The Cornerstone Group are generally related to accessibility by handicapped persons. Although the allegations concerning most of the named properties are based upon on-site inspections, some are based upon a review of Architectural Drawings. Villa Capri is not among the 28 properties cited, however it is listed as an exhibit to the Housing Discrimination Lawsuit as being suspected of violations.

The likelihood that The Cornerstone Group, its affiliates or its Principals will sustain a loss resulting from the lawsuit, and the amount of any potential loss cannot be determined at this time. The Cash Collateral and/or LOC's referenced above help support FHFC Guarantees in the event of a loss.

Waiver Requests/Special Conditions:

None

Recommendations:

SMG recommends FHFC approve MMRB Program Loans for Villa Capri totaling \$15,700,000, in the form of \$6,800,000 in NIBP Tax-Exempt Bonds for Construction/Permanent Financing and \$8,900,000 in Market-Rate Construction Bridge Tax-Exempt Bonds for Construction Financing of the Subject Development. SMG also recommends FHFC award a Request for Proposal ("RFP") 2009-06 HOME Loan in an amount up to \$2,500,000 (currently projected at \$2,330,000) and an Annual HC Allocation in the amount of \$1,071,090 based upon the Gap Calculation.

When utilizing a 1.00 to 1.00 DSC Ratio required by the State Board of Administration in its Fiscal Sufficiency Determination, the current NOI at a the "All-In" interest rate of 4.45% would support a Tax-Exempt Bond Amount of \$10,775,000.

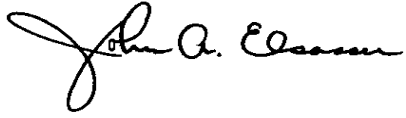
Seltzer's recommendations are based upon the assumptions detailed in the Report Summary (Section A) and the Supporting Information and Schedules (Section C). In addition, Seltzer's recommendations are subject to MMRB and HOME Loan Conditions and HC Allocation Contingencies (Section B). The reader is cautioned to refer to these sections for complete

**MMRB (NIBP), HOME AND HC PROGRAMS CREDIT UNDERWRITING REPORT**

**SMG**

information. Seltzer's recommendations are valid for 6 months from the date of this Credit Underwriting Report.

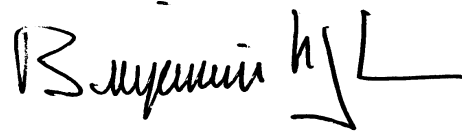
Prepared by:



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John A. Elsasser  
Credit Underwriter

Reviewed by:



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Benjamin S. Johnson  
President



**Overview**  
**Construction Financing Sources**

<b>Source</b>	<b>Lender</b>	<b>Applicant</b>	<b>Revised Applicant</b>	<b>Underwriter</b>	<b>Interest Rate</b>	<b>Construction Debt Service</b>
NIBP Tax-Exempt Bond Loan	FHFC	\$17,000,000	\$6,800,000	\$6,800,000	5.27%	\$357,464
Market-Rate Construction Bridge Loan	FHFC	\$0	\$8,900,000	\$8,900,000	4.19%	\$371,978
Subordinate NSP2 Loan	MDNSP	\$0	\$3,000,000	\$3,000,000	0.00%	\$0
Subordinate HOME Loan	FHFC	\$2,500,000	\$0	\$0	1.00%	\$0
Subordinate HODAG Loan	Miami-Dade Co.	\$2,650,000	\$2,650,000	\$2,650,000	0.00%	\$0
Subordinate SHIP Loan	Miami-Dade Co.	\$2,698,500	\$2,698,500	\$2,698,500	0.00%	\$0
Subordinate BBC Loan	Miami-Dade Co.	\$0	\$2,000,000	\$2,000,000	N/A	\$0
FHLB Subsidy	FHLB	\$0	\$1,000,000	\$1,000,000	0.00%	\$0
HC Equity	Stratford	\$6,864,000	\$1,879,000	\$1,879,000	N/A	\$0
Deferred Developer Fee	CSG	(\$1,438,054)	\$2,803,328	\$2,368,236	N/A	\$0
<b>Total</b>		<b>\$30,274,446</b>	<b>\$31,730,828</b>	<b>\$31,295,736</b>		<b>\$729,442</b>

**MMRB Loan:**

Borrower applied to FHFC for Tax-Exempt Bonds to finance the Subject Development. Per its September 12, 2011, Forward Commitment Term Letter, Subject to OGC and Fannie Mae Loan Committee approval, OGC is expected to provide Fannie Mae Credit Enhancement for \$6,800,000 in NIBP Tax Exempt Bonds. OGC's Credit Enhancement is for a maximum of 30 months with one 6-month extension available. It is to be supported by an Irrevocable Letter of Credit ("LOC") from JPChase in the amount of \$15,700,000 plus an interest component. Per JP Chase's September 12, 2011, Term Letter, its Construction LOC will have a term of 24 months, with two 6-month extensions available. Interest will be payable monthly on the outstanding bonds during the Construction Phase. SMG utilizes Applicant's projections for "All-In" underwriting interest rates of 5.27% for the \$6,800,000 NIBP Bonds (2.58% Base Rate plus 0.34% Fannie Mae Credit Enhancement Fee plus 0.35% Issuer/Trustee Fees and 2.00 LOC Fee) and 4.19% (1.50% plus 0.34% Fannie Mae Credit Enhancement Fee plus 0.35% Issuer/Trustee Fees plus 2.00% LOC Fee) for the \$8,900,000 Market-Rate Construction Bridge Bonds. The Market-Rate Construction Bridge Bonds will be retired primarily from Stratford HC Equity Installments subsequent to closing. FHFC will be secured by a First Mortgage on the Subject Development, a First Security Interest in all Personalty and an Assignment of Leases and HC. Fannie Mae will be in Second Lien Position behind FHFC. As issuer of the Construction Phase LOC, JPChase will be secured in Third Lien Position. Upon issuance of Form(s) 8609, the JPChase Third Mortgage will be released.

Construction Debt Service reflected above is Seltzer's calculation based upon an average outstanding balance of 57% of the Loan Amount during a projected 21-month Construction Phase.

Other Construction Period Sources of Funds:

Additional Sources of Funds for the Subject Development during Construction Phase include \$3,000,000 drawn on a MDNSP NSP2 Loan of \$3,750,000, a Miami-Dade County HODAG Loan of \$2,650,000, a Miami-Dade County SHIP Loan of \$2,698,500, a Miami-Dade County BBC Loan of \$2,000,000, a FHLB Subsidy of \$1,000,000, HC Equity of \$1,879,000 and Deferred Developer Fee of \$2,368,236 (see the Permanent Financing section below for details).

Note: Applicant does not plan on drawing funds against Florida Housing's \$2,330,000 HOME Loan during the Construction Phase.

Construction Stabilization Period:

Based upon demographic and market analysis (including existing and proposed developments) reflected in its Market Study dated June 1, 2011, Integra projected the Subject Development to achieve Stabilized Occupancy at 94.0% (not including a 1.0% collection loss), with absorption as an Affordable Property at a rate of 20 units per month. Stabilization should occur the sixth month following Construction Completion assuming leasing activities begin in Month 8 of an estimated 12-month Construction Period. SMG conservatively utilizes a 21-month Construction Phase for purposes of this Credit Underwriting.

## Permanent Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt Service
NIBP Tax-Exempt Bond Loan	FHFC	\$12,000,000	\$6,800,000	\$6,800,000	4.45%	35	31.75	\$383,655
Subordinate NSP2 Loan	MDNSP	\$0	\$3,750,000	\$3,750,000	0.00%	N/A	32	\$0
Subordinate HOME Loan	FHFC	\$2,500,000	\$2,500,000	\$2,330,000	1.00%	N/A	32	\$23,300
Subordinate HODAG Loan	Miami-Dade Co.	\$2,650,000	\$2,650,000	\$2,650,000	0.00%	N/A	35	\$0
Subordinate SHIP Loan	Miami-Dade Co.	\$2,698,500	\$2,698,500	\$2,698,500	0.00%	N/A	35	\$0
Subordinate BBC Loan	Miami-Dade Co.	\$0	\$2,000,000	\$2,000,000	N/A	N/A	N/A	\$0
FHLB Subsidy	FHLB	\$0	\$1,000,000	\$1,000,000	0.00%	N/A	60	\$0
Impact Fees Refund	Miami-Dade Co.	\$0	\$177,694	\$177,694	N/A	N/A	N/A	\$0
HC Equity	Stratford	\$7,626,000	\$9,987,000	\$9,889,000	N/A	N/A	N/A	\$0
Deferred Developer Fee	CSG	\$2,799,946	\$167,634	\$542	N/A	N/A	N/A	\$0
<b>Total</b>		<b>\$30,274,446</b>	<b>\$31,730,828</b>	<b>\$31,295,736</b>				<b>\$406,955</b>

### MMRB Loan:

Tax-Exempt Bonds of \$6,800,000 will be credit enhanced by OGC per its September 12, 2011, Forward Commitment Letter. OGC offers a 30-month Forward Commitment Period (with a single 6-month extension available). The Loan Term is expected to be 31.75 years (a 21-month Construction Phase followed by 30-year Permanent Period based upon a 35-year amortization and a balloon maturity). SMG utilizes OGC's "All-In" underwriting interest rate of 4.45% (2.58% Base Rate plus 1.52% Fannie Mae Credit Enhancement Fee plus 0.35% Issuer/Servicing Fees) for the NIBP Tax-Exempt Bonds. FHFC will be secured by a First Mortgage on the Subject Development, a First Security Interest in all Personalty and an Assignment of Leases and HC, with Fannie Mae in Second Lien Position behind FHFC.

OGC terms and conditions are:

1. Maximum LTV is 90% of Market Value or 85% of Appraised Value utilizing a Capitalization Rate that has been reduced by 100 basis points as a means of valuing the Tax-Exempt Financing.
2. Minimum DSC of 1.25 on the final underwritten amortizing debt service, which will be derived by a Debt Service constant calculated at the final "All-In" locked rate.
3. Replacement Reserves estimated to be \$300 per unit per year.
4. Subordinate financing is subject to approval by Fannie Mae. It must have a term at least 90 days beyond the Fannie Mae loan term. Payments must be made out of not more than 75% of Available Cash Flow ("ACF"), or, if mandatory/hard payments are required, combined DSC cannot exceed 1.10 and combined LTV cannot exceed 90%.
5. An Irrevocable LOC for the Construction Period issued for the benefit of Fannie Mae in the amount of the principal plus 200 days of interest calculated at the default rate under the Trust Indenture. The LOC will be released at Permanent Loan Conversion upon achievement of a 1.25 DSC for 90 consecutive days pursuant to Fannie Mae underwriting.

Subordinate NSP2 Program Loan:

Through OLCDC, Villa Capri has been approved for a Neighborhood Stabilization Program (“NSP”) loan of \$3,750,000 from MDNSP. Applicant states the NSP2 loan will reflect interest at 0.00% during the first 17 years and 1.00% thereafter, with accrued interest and principal due at a 32-year maturity. Set-Asides are 50% of residents at 50% or less of AMI and 50% of residents at 60% or less of AMI.

Subordinate Florida Housing Finance Corporation HOME Loan:

Applicant applied to FHFC for \$2,500,000 in HOME financing under RFP 2009-06 for Permanent Financing of the Subject Development. Due to an excess funding situation, SMG currently projects the HOME Program Loan to be \$2,330,000. It will mature 90 days following that for the MMRB First Mortgage Loan per OGC’s September 12, 2011, Fannie Mae Credit Enhancement Term Letter. The HOME Program Loan will be non-amortizing, with a base interest rate at 1.00% per annum. Annual payments of all applicable fees will be required. To the extent that Development Cash Flow is available, interest payments at the base rate of 1.00% will also be required. Payments must be made out of not more than 75% of Available Cash Flow (“ACF”) per Fannie Mae requirements. Any unpaid interest will be deferred until Development Cash Flow is available. All unpaid interest and principal will be due at maturity. SMG underwrites the Subject Development assuming the payment of interest at 1.00%.

HOME Set-Asides are 20% of the units at 50% or less of AMI (rented at the Low HOME Rent Limit less the applicable utility allowance) and 80% of the units at 60% or less of AMI (rented at the High HOME Rent Limit less the applicable utility allowance).

Subordinate Miami-Dade County Housing Development Action Grant (“HODAG”) Loan:

Per a Local Government Verification of Contribution – Loan, signed December 31, 2010, by George M. Burgess, County Manager, Miami-Dade County will extend to Villa Capri a \$2,650,000 HODAG Program Loan. The HODAG Program Loan will have terms of 0.00% interest for years 1-17 with no payments. Interest will be due monthly from Available Cash Flow (“ACF”) for years 18-35 at 0.50%. Principal will be due at the 35-year maturity. Applicant states HODAG Set-Asides are 6 units at 33% or less of AMI, 22 units at 40% or less of AMI, 82 units at 50% or less of AMI and 110 units at 60% or less of AMI.

Subordinate Miami-Dade County State Housing Initiatives Partnership (“SHIP”) Loan:

Per a Local Government Verification of Contribution – Loan, signed December 31, 2010, by George M. Burgess, County Manager, Miami-Dade County will extend to Villa Capri a \$2,698,500 SHIP Program Loan. The SHIP Program Loan will have terms of 0.00% interest for years 1-17 with no payments. Interest will be due monthly from Available Cash Flow (“ACF”) for years 18-35 at 0.50%. Principal will be due at maturity. Applicant states SHIP Set-Asides are 6 units at 33% or less of AMI, 22 units at 40% or less of AMI, 82 units at 50% or less of AMI and 110 units at 60% or less of AMI.

Subordinate Miami-Dade County BBC Loan:

Villa Capri has been approved for \$2,000,000 in funding through the issuance by Miami-Dade County of General Obligation Bonds BBC Series 2011A in the amount of \$200 million.

Miami-Dade County authorized the funding through Resolution R-53-11 for the, "Preservation of Affordable Housing Units and Expansion of Home Ownership". Applicant states this is a new Miami-Dade County program and will be in the form of a forgivable loan. The terms are not yet known. Required Set-Asides are 40% of the units at 60% or less of AMI.

FHLB Subsidy:

Through OLCDC, Villa Capri has been approved for a FHLB Subsidy of \$1,000,000 to be funded through RBC. Applicant will sign a Promissory Note and Mortgage to OLCDC (as Sponsor) with interest at 0.00% and a 60-year maturity. The borrower, however can apply to have the principal forgiven upon expiration of a successful 15-year AHP Retention Period. Applicant states the required Set-Asides will be 50% of the units at 50% or less of AMI.

Note: The order of Subordinate Mortgage Liens reflected in the above schedule was provided by Applicant. The order is subject to change, however. Any change in Lien Position for the Subordinate Mortgages is immaterial to Seltzer's MMRB, RFP 2009-06 HOME and HC Recommendations.

Impact Fees Rebate:

A partial rebate of Miami-Dade County Impact Fees in the amount of \$177,694 is shown as a Source of Funds, which figure is supported by a schedule provided by Applicant. Applicant states the rebate will be made upon successful completion of the Subject Development. If the rebate does not materialize as expected, additional Developer Fee will have to be deferred.

Syndicated HC:

Applicant applied to FHFC to receive 4% HC directly from the United States Treasury in conjunction with its MMRB Tax-Exempt Financing. A HC calculation is contained in Exhibit 4 to this Credit Underwriting Report. Per its September 9, 2011, Syndication Letter, Stratford or an affiliate will purchase a 99.99% Limited Partnership Interest. The Limited Partnership will generate a Net Equity Contribution of \$9,889,000, as follows:

<b>Capital Contributions</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>When Due</b>
1st Installment	\$1,483,000	15%	Prior to or simultaneous with Construction Loan Closing
2nd Installment	\$396,000	4%	Later of 75% Completion, 10 months after 1st Installment or October 1, 2012
3rd Installment	\$6,428,000	65%	Later of Construction Completion, C/O's, 3 months after 2nd Installment or January 1, 2013
4th Installment	\$791,000	8%	Later of Final Closing, 100% Occupancy with 12 month leases or longer, 9 months after 3rd Installment or October 1, 2013
5th Installment	\$791,000	8%	Later of Form(s) 8609, Stabilization, 3 months after 3rd Installment or January 1, 2014
<b>Total</b>	<b>\$9,889,000</b>	<b>100%</b>	

**MMRB (NIBP), HOME AND HC PROGRAMS CREDIT UNDERWRITING REPORT** **SMG**

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Annual Tax Credits per Syndication Agreement:	\$1,052,088
Total HC Syndication:	\$10,519,828
Syndication Percentage (Limited Partnership Interest):	99.99%
Calculated HC Syndication Rate (per dollar):	\$0.940
Proceeds Available During Construction:	\$1,879,000

Deferred Developer Fee:

In order to balance the Sources and Uses of Funds after all Loan Proceeds and HC Equity have been received (and assuming the Hard Cost Contingency is expended during construction), Developer Fee of \$542 must be deferred during the Permanent Period.

## Uses of Funds

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs	HC Ineligible Costs	HOME Ineligible Costs
<b>Actual Construction Costs</b>					
Construction Contract					
Site Work	\$0	\$3,354,497	\$3,354,497	\$0	\$0
New Rental Units	\$14,621,066	\$11,749,990	\$11,749,990	\$159,000	\$0
Recreation Building/Amenities	\$513,145	\$299,022	\$299,022	\$0	\$299,022
Payment and Performance Bonds	\$0	\$150,000	\$150,000	\$0	\$0
Contractor's Fee (Not to Exceed 14%)	\$2,118,789	\$2,156,491	\$2,156,491	\$0	\$41,863
Total Construction Contract	\$17,253,000	\$17,710,000	\$17,710,000	\$0	\$340,885
Other - Hard Cost Contingency	\$517,590	\$831,000	\$831,000	\$0	\$831,000
<b>Total Actual Construction Costs</b>	<b>\$17,770,590</b>	<b>\$18,541,000</b>	<b>\$18,541,000</b>	<b>\$159,000</b>	<b>\$1,171,885</b>

*Notes to the Actual Construction Costs:*

- Applicant provided SMG with a copy of a May 16, 2011, AIA Standard Form of Agreement between Owner and Contractor in the amount of \$17,710,000. The Construction Contract requires CSGConst to achieve Substantial Completion within 365 days (12 months). Retainage is 10% until the project is 50% complete, with none thereafter. The Construction Contract provides for compliance with Federal Labor Standards and Wage Determination Requirements pursuant to the Davis-Bacon Act as well as the Section 3 Clause.  
HC Ineligible Costs reflect the cost of income-producing washers and dryers,
- General Contractor Fee consists of General Requirements, Overhead and Profit. At \$2,156,491, the General Contractor Fee meets FHFC Rule.
- The Hard Cost Contingency of \$831,000 is 4.69% of the Construction Contract Amount. SMG considers the Hard Cost Contingency to be adequate.
- ConstruVision, Inc. ("CVision"), Tampa, Florida, was engaged to perform a Pre-Construction Analysis ("PCA") for the Subject Development. See Section "C" of this Credit Underwriting Report for the results of CVision's PCA.

	<b>Applicant Total Costs</b>	<b>Applicant Revised Total Costs</b>	<b>Underwriter Total Costs</b>	<b>HC Ineligible Costs</b>	<b>HOME Ineligible Costs</b>
<b>General Development Costs</b>					
Accounting Fees	\$25,000	\$45,000	\$45,000	\$0	\$0
Appraisal	\$10,000	\$20,000	\$20,000	\$0	\$0
Architect's Fee - Design	\$187,000	\$202,000	\$200,000	\$0	\$0
Architect's Fee - Supervision	\$33,000	\$40,000	\$10,000	\$0	\$0
Builder's Risk Insurance	\$176,000	\$187,000	\$187,000	\$74,800	\$0
Building Permit	\$330,000	\$330,000	\$330,000	\$0	\$0
Closing Costs - Construction Loan	\$75,000	\$0	\$0	\$0	\$0
Closing Costs - Permanent Loan	\$75,000	\$0	\$0	\$0	\$0
Engineering Fee	\$110,000	\$88,000	\$50,000	\$0	\$0
Environmental Report	\$15,000	\$12,000	\$12,000	\$0	\$0
Environmental Report (HUD NEPA)	\$0	\$7,000	\$7,837	\$0	\$0
FHFC Administrative Fee	\$88,422	\$83,235	\$89,898	\$89,898	\$0
FHFC Application Fees	\$3,500	\$11,486	\$5,000	\$5,000	\$5,000
FHFC Compliance Fee	\$0	\$0	\$0	\$0	\$0
FHFC Credit Underwriting Fees	\$22,003	\$10,779	\$23,930	\$0	\$0
Impact Fees	\$44,000	\$299,176	\$299,176	\$0	\$0
Inspection Fees	\$24,000	\$24,000	\$24,000	\$0	\$0
Legal Fees	\$200,000	\$185,000	\$185,000	\$160,000	\$0
Market Study	\$5,000	\$10,000	\$10,000	\$0	\$0
Marketing and Advertising	\$85,000	\$110,000	\$110,000	\$110,000	\$110,000
Pre-Construction Analysis	\$0	\$3,500	\$1,800	\$0	\$0
Property Taxes	\$75,000	\$150,000	\$150,000	\$135,000	\$0
Soil Test	\$10,000	\$21,000	\$21,000	\$0	\$0
Survey	\$45,000	\$50,000	\$50,000	\$0	\$0
Title and Recording Fees	\$80,000	\$140,000	\$140,000	\$112,000	\$0
Utility Connection Fees	\$11,000	\$11,000	\$11,000	\$0	\$0
Furniture, Fixtures and Equipment	\$85,000	\$85,000	\$85,000	\$0	\$0
Start-Up Costs (Operating Funds Advance)	\$0	\$40,000	\$40,000	\$40,000	\$40,000
Soft Cost Contingency	\$0	\$50,000	\$50,000	\$50,000	\$50,000
<b>Total General Development Costs</b>	<b>\$1,813,925</b>	<b>\$2,215,176</b>	<b>\$2,157,641</b>	<b>\$776,698</b>	<b>\$205,000</b>

*Notes to the General Development Costs:*

1. Architect's Fee – Design is based upon an April 22, 2010, contract with Tseng.
2. Applicant projects the cost of Building Permits for Villa Capri at \$1,500 per unit based upon its extensive experience developing Affordable Housing in Miami-Dade County.
3. Engineering Fee is based upon an August 12, 2010, contract with JCM Consultants, Inc., Palmetto Bay, Florida.
4. FHFC Administrative Fee is based upon 8.00% of Seltzer's recommended HC Allocation of \$1,123,731.



**MMRB (NIBP), HOME AND HC PROGRAMS CREDIT UNDERWRITING REPORT**

**SMG**

5. FHFC Application Fees represent \$3,000 for MMRB, \$1,500 for RFP 2009-06 Response (HOME) and \$500 for TEFRA.
6. FHFC Compliance Fee is paid as a component of the MMRB Program Loan interest rate.
7. FHFC Credit Underwriting Fees represent \$12,804 for Year 2010 MMRB, \$3,813 for (Multiple Program) 4% HC and \$3,813 for (Multiple Program) RFP 2009-06 Response (HOME) and \$3,500 for a Subsidy Layering Review.
8. Applicant provided detail calculations to support its figures for Impact Fees and Utility Connection Fees.
9. Other General Development Costs are based upon Applicant's estimates, which appear reasonable.

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs	HC Ineligible Costs	HOME Ineligible Costs
<b>Financial Costs</b>					
Credit Enhancement/Cost of Issuance	\$0	\$615,000	\$498,000	\$458,000	\$0
Construction Loan Interest	\$690,000	\$1,463,000	\$1,280,000	\$621,650	\$0
Construction Loan/LOC Commitment Fee	\$170,000	\$157,000	\$157,000	\$0	\$0
Bridge Loan Interest	\$524,000	\$0	\$0	\$0	\$0
Bridge Loan Origination Fee	\$120,000	\$0	\$0	\$0	\$0
Permanent Loan Commitment Fee	\$0	\$68,000	\$68,000	\$68,000	\$0
Operating Deficit Reserve	\$0	\$521,000	\$515,000	\$515,000	\$515,000
<b>Total Financial Costs</b>	<b>\$1,504,000</b>	<b>\$2,824,000</b>	<b>\$2,518,000</b>	<b>\$1,662,650</b>	<b>\$515,000</b>

*Notes to the Financial Costs:*

1. Applicant provided SMG a list of Credit Enhancement/Cost of Issuance Fees totaling \$598,000 exclusive of Construction Loan/LOC and Permanent Loan Commitment Fees. Currently projected at \$253,345, FHFC Costs of Issuance are included. Applicant's list generally appears reasonable based upon its estimate of FHFC Costs of Issuance and based upon costs and fees quoted in the OGC and JPChase Credit Enhancement Term Letters. Applicant's list includes, however, a Consultant Fee of \$100,000 for Judd Roth. SMG reclassifies the \$100,000 Consultant Fee as a subset of Developer Fee.
2. Applicant's Construction Loan Interest figure of \$1,463,000 is determined by a Construction Phase of 24 months. Based upon absorption projected by Integra at 20 units per month, SMG concludes a Construction Phase of 21 months and adjusts Construction Loan Interest accordingly.
3. Construction Loan/LOC Commitment Fee per JPChase is based upon 1.00% of the \$15,700,000 in Tax-Exempt Bonds to be issued by FHFC.
4. Permanent Loan Commitment Fee per OGC is based upon 1.00% of the \$6,800,000 in NIBP and Market-Rate Bonds outstanding after Permanent Loan Conversion.
5. Stratford requires Applicant to fund an ODR in the amount of \$515,000.

	<b>Applicant Total Costs</b>	<b>Applicant Revised Total Costs</b>	<b>Underwriter Total Costs</b>	<b>HC Ineligible Costs</b>	<b>HOME Ineligible Costs</b>
<b>Non-Land Acquisition Costs</b>					
Building Acquisition Costs	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0
<b>Total Non-Land Acquisition Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Notes to the Non-Land Acquisition Costs:*

1. Since Villa Capri is new construction, there are no Non-Land Acquisition Costs.

	<b>Applicant Total Costs</b>	<b>Applicant Revised Total Costs</b>	<b>Underwriter Total Costs</b>	<b>HC Ineligible Costs</b>	<b>HOME Ineligible Costs</b>
Development Cost Before Land & Developer Fee	\$21,088,515	\$23,580,176	\$23,216,641	\$2,598,348	\$1,891,885
<b>Other Development Costs</b>					
Developer Fee	\$3,795,931	\$4,150,652	\$3,979,095	\$0	\$0
Other - Consulting Fee	\$0	\$0	\$100,000	\$0	\$100,000
<b>Total Other Development Costs</b>	<b>\$3,795,931</b>	<b>\$4,150,652</b>	<b>\$4,079,095</b>	<b>\$0</b>	<b>\$100,000</b>

*Notes to the Other Development Costs:*

1. SMG limits Developer Fee to 18.00% of Development Costs exclusive of Land Acquisition, Developer Fee and Reserves, which meets FHFC Rule.
2. Consulting Fee is a \$100,000 Fee paid to Judd Roth that is reclassified from Credit Enhancement/Cost of Issuance.

	<b>Applicant Total Costs</b>	<b>Applicant Revised Total Costs</b>	<b>Underwriter Total Costs</b>	<b>HC Ineligible Costs</b>	<b>HOME Ineligible Costs</b>
Development Cost Before Land	\$24,884,446	\$27,730,828	\$27,295,736	\$2,598,348	\$1,991,885
<b>Land Acquisition Costs</b>					
Purchase Price	\$5,390,000	\$4,000,000	\$4,000,000	\$4,000,000	\$0
Other	\$0	\$0	\$0	\$0	\$0
<b>Total Land Acquisition Costs</b>	<b>\$5,390,000</b>	<b>\$4,000,000</b>	<b>\$4,000,000</b>	<b>\$4,000,000</b>	<b>\$0</b>

*Notes to the Land Acquisition Costs:*

1. Applicant provided SMG a copy of an undated Simple Form Purchase Agreement with Villa Capri, Inc., seller, in the amount of \$4,000,000. The seller is a related entity. Closing is to be on or prior to December 31, 2011.
2. Integra appraised the Development Site at an “as is” value of \$4,840,000, which supports the Purchase Price.
3. Applicant provided SMG a copy of First American Title Insurance Company Commitment for Title Insurance No. 2037-2569101 dated June 15, 2011, proposing to insure the lenders on the Subject Development including FHFC in the amounts of \$15,700,000 (MMRB Program Loans) and \$2,500,000 (HOME Program Loan applied for).

	<b>Applicant Total Costs</b>	<b>Applicant Revised Total Costs</b>	<b>Underwriter Total Costs</b>	<b>HC Ineligible Costs</b>	<b>HOME Ineligible Costs</b>
<b>Total Development Cost</b>	<b>\$30,274,446</b>	<b>\$31,730,828</b>	<b>\$31,295,736</b>	<b>\$6,598,348</b>	<b>\$1,991,885</b>

## Operating Pro forma

DESCRIPTION	ANNUAL	PER UNIT
<b>Revenue</b>		
Gross Potential Rental Revenue	\$1,892,652	\$8,603
Other Income:		
Washer/Dryer Rentals	\$56,100	\$255
Cable/Satellite Television Income	\$0	\$0
Miscellaneous Income	\$21,120	\$96
Interest Income	\$0	\$0
Gross Potential Income	\$1,969,872	\$8,954
Less:		
Vacancy Loss - 6.0%	(\$118,192)	(\$537)
Collection Loss - 1.0%	(\$19,699)	(\$90)
<b>Total Effective Gross Revenue</b>	<b>\$1,831,981</b>	<b>\$8,327</b>
<b>Expenses</b>		
Fixed:		
Taxes	\$170,500	\$775
Insurance	\$99,000	\$450
Variable:		
Management Fees - 5.0%	\$91,599	\$416
General and Administrative	\$82,500	\$375
Payroll Expenses	\$264,000	\$1,200
Utilities	\$181,500	\$825
Marketing and Advertising	\$38,500	\$175
Maintenance and Repairs	\$143,000	\$650
Contract Services (Grounds Maintenance, Security, Pest Control, etc.)	\$44,000	\$200
Replacement Reserve	\$66,000	\$300
<b>Total Expenses</b>	<b>\$1,180,599</b>	<b>\$5,366</b>
<b>Net Operating Income</b>	<b>\$651,382</b>	<b>\$2,961</b>
<b>Debt Service Payments</b>		
NIBP Tax-Exempt Bond Loan	\$383,655	\$1,744
FHFC HOME Loan	\$23,300	\$106
Other Mortgage Loans/Fees	\$0	\$0
<b>Total Debt Service Payments</b>	<b>\$406,955</b>	<b>\$1,850</b>
<b>Operating Income After Debt Service - Before Tax Cash Flow</b>	<b>\$244,427</b>	<b>\$1,111</b>

<b>Debt Service Coverage Ratios</b>		
Debt Service Coverage - NIBP Bond Loan		1.698
Debt Service Coverage - NIBP Bond and FHFC HOME Loans		1.601
Debt Service Coverage - All Mortgages and Fees		1.601
<b>Financial Ratios</b>		
Operating Expense Ratio		64.4%
Break-Even Occupancy Ratio		80.6%

*Notes to the Operating Pro forma and Ratios:*

1. Florida Housing's MMRB Program does not impose Rent Restrictions, however Villa Capri Apartments will receive HOME funding and HC (which will impose Rent Restrictions) in conjunction with the Tax-Exempt Bond Financing. The Rent Roll below compares Year 2010 Maximum HC Rents published by FHFC, less applicable Utility Allowances as required by the HC Program and applicable HOME Rents. Applicant derived the above Utility Allowances from February 8, 2011, Utility Provider Letter from Florida Power and Light Company, Miami, Florida. Management will pay for water/sewer service and trash removal for the residents of Villa Capri. No Manager/Employee units are contemplated in the Rent Roll. Integra projects the Subject Development to achieve rents in this market below the Year 2010 Maximum, and Applicant expects rents in some cases to be less than those projected by the Appraiser. SMG underwrites Villa Capri at the lesser of Maximum HC or HOME Rents, the Appraiser's projections or Management expectations.

**HMFA/County: Miami-Miami Beach-Kendall / Miami-Dade**

Bed-rooms	Baths	No. of Units	Unit Size (SF)	HOME Median Income	Gross HC Rents	Low HOME Rents	High HOME Rents	Utility Allowance	Max Net HC Rents	Appraiser Rents	Applicant Rents	Underwriter Rents	Annual Rents
1	1	1	720	33%	\$435	\$660		\$54	\$381	\$374	\$372	\$372	\$4,464
1	1	5	720	40%	\$528	\$660		\$54	\$474	\$465	\$463	\$463	\$27,780
1	1	18	720	50%	\$660	\$660		\$54	\$606	\$594	\$592	\$592	\$127,872
1	1	24	720	60%	\$792		\$838	\$54	\$738	\$675	\$675	\$675	\$194,400
2	2	4	925	33%	\$522	\$791		\$69	\$453	\$443	\$443	\$443	\$21,264
2	2	12	925	40%	\$633	\$791		\$69	\$564	\$552	\$552	\$552	\$79,488
2	2	46	925	50%	\$791	\$791		\$69	\$722	\$707	\$707	\$707	\$390,264
2	2	62	925	60%	\$949		\$1,007	\$69	\$880	\$775	\$775	\$775	\$576,600
3	2	1	1,177	33%	\$603	\$914		\$88	\$515	\$503	\$504	\$503	\$6,036
3	2	5	1,177	40%	\$731	\$914		\$88	\$643	\$629	\$630	\$629	\$37,740
3	2	18	1,177	50%	\$914	\$914		\$88	\$826	\$809	\$809	\$809	\$174,744
3	2	24	1,177	60%	\$1,097		\$1,155	\$88	\$1,009	\$875	\$875	\$875	\$252,000
<b>Totals</b>		<b>220</b>	<b>205,756</b>										<b>\$1,892,652</b>

2. Applicant plans on renting Washers and Dryers to the residents of Villa Capri. Washer/Dryer Rentals is based upon a penetration rate of approximately 85% (187 units) at \$25 per month, which appears reasonable and is supported by Integra's June 1, Appraisal.
3. Miscellaneous Income includes Application Fees, Cancellation Fees, Late Fees, Forfeitures, Vending and Other Income to total approximately \$96 per unit per year, which is supported by Restricted Rent Comparables.
4. Vacancy Loss (6.0%) and Collection Loss (1.0%) projections are supported by Integra.
5. A May 16, 2011, Management Agreement with CMS (a related entity) reflects a 5.0% Management Fee based upon Gross Collections, which Management Fee is typical for similar developments.
6. Replacement Reserves of \$300 per unit per year are required by OGC. This amount exceeds the minimum requirement of \$250 per unit per year per MMRB Rule. Stratford requires annual adjustments based upon the Consumer Price Index ("CPI"). SMG underwrites the Subject Development using an annual adjustment of 3.00%. The HOME RFP requires an updated physical needs assessment every 3-5 years.
7. Other Operating Expense estimates are supported by the Integra Appraisal and/or Market Comparables.

Note: The estimated cost associated with Resident Programs committed in Applicant's MMRB Application are de minimis and are included in General and Administrative Expense. Many Resident Programs are provided without charge by local governmental or charitable organizations.

8. A 15-year Income and Expense Projection is attached to this Credit Underwriting Report as Exhibit 1.

Note: The Subject's projected DSC of 1.601 exceeds the maximum DSC of 1.50 for the HOME Program Loan including all superior mortgages. Per FHFC Rule, however, the maximum may be exceeded under extenuating circumstances such as Deep Subsidy as provided herein by a FHLB Grant and Subordinate Mortgage Loans under favorable terms provided by Miami-Dade County and MDNSP.

**SMG**

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**Section B**

**MMRB (NIBP) and HOME Program Loan Conditions**  
**HC Allocation Contingencies**

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**SEPTEMBER 29, 2011**

## MMRB (NIBP) and HOME Program Loan Conditions

### Special Conditions

The Multifamily Mortgage Revenue Bond (“MMRB”) and Home Partnerships Investment Program (“HOME”) Loan Recommendations by Seltzer Management Group, Inc. (“SMG” or “Seltzer”) are contingent upon receipt and satisfactory review of the following items by SMG and Florida Housing Finance Corporation (“FHFC” or “Florida Housing”) at least 30 days prior to closing. Failure to receive approval of these items within this time frame may result in postponement of the Closing Date.

1. Closing of the following Subordinate Mortgage Loans prior to or simultaneous with closing of the Florida Housing MMRB and HOME Program loans:
  - a. Neighborhood Stabilization Program (“NSP”) 2 loan of \$3,750,000 from the Miami-Dade NSP Consortium.
  - b. Miami-Dade County Housing Development Action Grant (“HODAG”) Program Loan in the amount of \$2,650,000.
  - c. Miami-Dade County State Housing Initiatives Partnership (“SHIP”) Loan in the amount of \$2,698,500.
  - d. Miami-Dade County Building Better Communities (“BBC”) Loan of \$2,000,000
  - e. Federal Home Loan Bank of Atlanta (“FHLB”) Subsidy of \$1,000,000 to be funded through RBC Centura Bank, Raleigh, North Carolina.

Notes:

- a. If closing of a Subordinate Mortgage Loan(s) is delayed, Applicant must demonstrate there are sufficient funds available to complete construction of the Subject Development.
  - b. All Subordinate Mortgage Loans must mature at least 90 days beyond that of the MMRB Program Loan(s) per a requirement of the Federal National Mortgage Association (“Fannie Mae”) and Oak Grove Commercial Mortgage, L.L.C. (“OGC”), Grapevine, Texas, the Credit Enhancer.
2. Applicant to provide Cash Collateral or Letters of Credit (“LOC’s”), as follows:
    - a. \$885,500 (5.0% of the \$17,710,000 Construction Contract), to be held by FHFC or the Loan Servicer and released upon 100% Lien-Free Construction Completion and receipt of all Certificates of Occupancy.
    - b. \$39,689 (5.0% of \$793,777 representing a combined 6 months of Operating Expenses and Debt Service), to be held by FHFC or the Loan Servicer and released upon Permanent Loan Conversion.
  3. A \$515,000 Operating Deficit Reserve (“ODR”) Account Agreement between Villa Capri Associates, Ltd. (“Applicant” or “Borrower”), and Stratford Capital Group, L.L.C. (“Stratford”), Peabody Massachusetts, or its assigns, that includes the following provisions:



- a. Prior approval of ODR disbursements by FHFC.
- b. Upon expiration of the ODR, the balance in the ODR Account will be used to pay down FHFC-administered Loan Debt, if any, with the remaining amount deposited to the Replacement Reserve Account.

## **General Conditions**

Seltzer's MMRB and HOME Program Loan Recommendations are contingent upon review and approval of the following items by SMG and Florida Housing at least 30 days prior to closing. Failure to receive approval of these items within this time frame may result in postponement of the Closing Date.

1. Borrower to comply with any and all recommendations noted in the Pre-Construction Analysis ("PCA") by Construvision, Inc. ("CVision"), Tampa, Florida.
2. Signed and sealed Survey, dated within 90 days of Loan 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 Subject Development, Easements, Utilities, Roads, Means of Access to Public Streets, Total Acreage, Flood Hazard Area and any other requirements of FHFC.
3. Building Permits and any other necessary Regulatory Approvals and Permits (e.g., Final Site Plan Approval, Water Management District, Florida Department of Environmental Protection, United States Army Corps of Engineers, Florida Department of Transportation, etc.). An acceptable alternative to this requirement is receipt and satisfactory review of a letter from the Local Permitting and Approval Authority stating that the 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 such a letter is provided, copies of all Permits and Approvals will be required as a condition of the first Post-Closing Draw.
4. Final "as permitted" (signed and sealed) Site Plan plus Building Plans and Specifications showing all features and amenities committed to in the application. The Geotechnical Report must be bound within the final Plans and Specifications.
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 upon the final Draw Schedule (see below), documentation of the Closing Costs and a 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. MMRB Loan Proceeds shall be disbursed pro rata with other funding sources during the Construction Phase, unless otherwise approved by the Credit Underwriter. HOME Loan Proceeds shall be disbursed pro rata with other funding sources during the Construction Phase, unless otherwise approved by the Credit Underwriter. The Construction Draw must include appropriate Backup and ACH Wiring Instructions.

7. Evidence of General Liability, Flood (if applicable), Builders Risk and Replacement Cost Hazard Insurance as Certificates of Occupancy ("C/O's") are received, reflecting FHFC as Loss Payee/Mortgagee, with Coverages, Deductibles and Amounts satisfactory to FHFC.
8. If the Subject Development is not 100% lien-free completed, a 100% Payment and Performance ("P&P") Bond or a Letter of Credit ("LOC") in an amount not less than 25% of the Construction Contract is required in order to secure the Construction Contract between Applicant and the General Contractor. In either case, FHFC must be listed as Co-Obligee. The P&P Bond(s) must be from a company rated at least "A-" by A.M. Best & Co., with a Financial Size Category at least FSC VI. FHFC and/or its Legal Counsel must approve the Source, Amount(s) and all Terms of the P&P Bond(s) or LOC. If the LOC option is utilized, the LOC must contain "Evergreen" Language and be in a form satisfactory to the Servicer, FHFC and its Legal Counsel.
9. Architect, Construction Consultant and Borrower Certifications on forms provided by FHFC 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 requirements, as applicable.
10. Satisfactory resolution (as determined by FHFC) of any outstanding Past Due or Non-Compliance Notices applicable to the Development Team.

Seltzer's MMRB and HOME Program Loan Recommendations are contingent upon review and approval of the following items by Florida Housing and its Legal Counsel at least 30 days prior to closing. Failure to receive approval of these items, along with all other items listed on Legal Counsels Due Diligence list within this time frame may result in postponement of the Closing Date.

1. Documentation of the legal formation and current authority to transact business in Florida for the Borrower, the General Partner/Principal(s)/Manager(s) of the Borrower, the Guarantors and the Limited Partner(s) of the Borrower.
2. Signed and sealed Survey, dated within 90 days of Loan Closing, unless otherwise approved by FHFC and its Legal Counsel based upon the particular circumstances of the transaction. The Survey shall be certified to FHFC and its Legal Counsel, as well as the Title Insurance Company, and shall indicate the Legal Description, Exact Boundaries of the Subject Development, Easements, Utilities, Roads, Means of Access to Public Streets, Total Acreage, Flood Hazard Area and any other requirements of FHFC.
3. An acceptable updated Environmental Audit Report, together with a Reliance Letter to Florida Housing, prepared within 90 days of Loan Closing, unless otherwise approved by Florida Housing and its Legal Counsel, based upon the particular circumstances of the transaction. Borrower to comply with any and all recommendations noted in the Environmental Assessment(s), Updates and the Environmental Review, as deemed appropriate by Florida Housing in its sole discretion.
4. Title Insurance Pro-Forma or Commitment for Title Insurance with copies of all Schedule B exceptions in the amount of the loan naming FHFC as the insured. All Endorsements required by FHFC shall be provided.

5. Florida Housing and its Legal Counsel shall review and approve all other lenders' Closing Documents and the Limited Partnership or other applicable agreement. Florida Housing shall be satisfied in its sole discretion that all Legal and Program Requirements for the MMRB and HOME Program Loans have been satisfied.
6. Evidence of General Liability, Flood (if applicable), Builders Risk and Replacement Cost Hazard Insurance as Certificates of Occupancy ("C/O's") are received, reflecting FHFC as Loss Payee/Mortgagee, with Coverages, Deductibles and Amounts satisfactory to FHFC.
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, any Partnership or Limited Liability Company that is the General Partner of Borrower ("GP"), any Corporation, Partnership or Limited Liability Company that is the Managing General Partner of the GP and any Corporate Guarantor or any Manager or entity signing on behalf of any Corporate Guarantor;
  - b. Authorization, execution, and delivery by Borrower and 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. That Borrower's and the Guarantors' 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 Borrower is a party, or to which the Subject Development is subject to Borrower's Partnership Agreement and;
  - e. Such other matters as FHFC or its Legal Counsel may require.
8. Evidence of compliance with local Concurrency Laws.
9. Such other Assignments, Affidavits, Certificates, Financial Statements, Closing Statements and other Documents as may be reasonably requested by FHFC or its Legal Counsel, in form and substance acceptable to FHFC or its Legal Counsel, in connection with the MMRB and HOME Program Loans.
10. Uniform Commercial Code ("UCC") Searches for Borrower and its Partnerships, as requested by FHFC and its Legal Counsel.
11. Any other reasonable conditions established by FHFC and its Legal Counsel.

### **Additional Conditions**

Seltzer's MMRB and HOME Loan Recommendations are also contingent upon the following additional conditions:

1. Compliance with all applicable provisions of Section 42 of the Internal Revenue Code, as amended, United States Department of Housing and Urban Development ("HUD") Rule 24 CFR Part 92 and all related Federal Regulations, plus Sections 420.507 and 420.509, Florida Statutes, Rule Chapter 67-21, F.A.C. (MMRB Program Loan) Florida Statutes and

Administrative Rules, including but not limited to Rule Chapter 67-48, F.A.C., Rule Chapter 67-53, F.A.C., and RFP 2009-06.

2. Acceptance by the Borrower and execution of all documents evidencing and securing the MMRB and HOME Program Loans in form and substance satisfactory to Florida Housing, including but not limited to the Promissory Note(s), the Loan Agreement(s), the Mortgage and Security Agreement(s), the Compliance, Financial Monitoring and Servicing Agreement, the Land Use Restriction Agreement and the Extended Low Income Housing Agreement.
3. MMRB Program Loan: All amounts necessary to complete construction, must be deposited with the Bond Trustee prior to MMRB Program Loan Closing, or any phased HC Equity pay-in amount necessary to complete construction shall be contingent upon an obligation of the entity providing payments, regardless of any default under any documents relating to the HC, as long as the MMRB First Mortgage Program Loan continues to be funded. Notwithstanding the foregoing, at least 15% of all HC Equity (but not less than that provided for in the Syndication Agreement or such higher amount as recommended by the Credit Underwriter) shall be deposited with the Bond Trustee at MMRB Program Loan Closing unless a lesser amount is approved by FHFC prior to closing. If Bridge Loan Proceeds are used in lieu of HC Equity funding during construction, said loan must close simultaneously or prior to the MMRB Loan, and sufficient amounts will be drawn from the Bridge Loan at MMRB Program Loan Closing in order to satisfy the 15% requirement.
4. HOME Program Loan: At all times there will be un-disbursed loan funds (collectively held by Florida Housing, the First Mortgage Lender and any other sources) sufficient to complete the Subject Development. If at any time there are not sufficient funds (held by Florida Housing, the First Mortgage Lender and any other sources) to complete the Subject Development, 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 Subject Development before additional Loan Funds are disbursed. This condition specifically includes escrowing at Loan Closing all syndication and other Equity necessary to complete construction or another alternative acceptable to Florida Housing in its sole discretion.
5. Developer is only allowed to draw a maximum of 50% of the total Developer Fee during Construction/Rehabilitation, but in no case can it be more than the payable Developer Fee, which is determined to be "Developer's Overhead". No more than 35% of "Developer's Overhead" during Construction/Rehabilitation will be allowed to be disbursed at closing. The remainder of "Developer's Overhead" will be disbursed during Construction/Rehabilitation on a pro rata basis, based on the Percentage of Completion of the Subject Development, as approved and reviewed by FHFC and Servicer. The remaining unpaid Developer Fee shall be considered attributable to "Developer's Profit" and may not be funded until the Subject Development has achieved 100% Lien-Free Completion, and Retainage has been released.
6. If applicable, receipt and satisfactory review of Financial Statements from all Guarantors dated within 90 days of Loan Closing.
7. Guarantors to provide standard FHFC Construction Completion Guarantees, to be released upon Lien-Free Completion as approved by the Servicer.

8. MMRB Program Loan: Guarantors to provide standard FHFC Operating Deficit Guarantees, to be released upon achievement of an average 1.15 Debt Service Coverage (“DSC”) ratio on the MMRB First Mortgage Program Loan, 90% Occupancy and 90% of Gross Potential Rental Revenue, all for twelve (12) consecutive months certified by an independent Certified Public Accountant (“CPA”) and verified by the Loan Servicer.
9. HOME Program Loan: Guarantors to provide standard FHFC Operating Deficit Guarantees, to be released upon achievement of an average 1.15 DSC Ratio for a minimum of twelve (12) consecutive months on the combined MMRB First Mortgage and HOME Program Loans.
10. Guarantors to provide standard FHFC Environmental Indemnity Guarantees.
11. Guarantors to provide standard FHFC Guarantees of Recourse Obligations.
12. Closing of the MMRB First Mortgage Program Loan(s) simultaneous with closing of the FHFC HOME Program Loan.
13. A Mortgagee Title Insurance Policy naming FHFC as the insured, in the amount of the MMRB and HOME Program Loans is to be issued immediately after Loan Closing. Any exceptions to the Title Insurance Policy must be acceptable to FHFC and/or its Legal Counsel. All Endorsements required by FHFC are to be issued and the form of the Title Policy must be approved prior to Loan Closing.
14. Property Tax and Hazard Insurance Escrow(s) to be established and maintained by the First Mortgage Lender or the Servicer. In the event the Reserve Account(s) are held by Florida Housing’s Loan Servicing Agent, the release of funds shall be at Florida Housing’s sole discretion.
15. Replacement Reserves in the amount of \$300 per unit per year will be required to be deposited on a monthly basis into a designated Escrow Account, to be maintained by the First Mortgagee or Florida Housing’s Loan Servicing Agent per the requirements of OGC and Stratford. Applicant, however, has the option to prepay Replacement Reserves. It is currently estimated that Replacement Reserves will be funded in the amount of \$300 per unit per year for Years 1 and 2, followed by \$300 per unit per year beginning in Year 3. An inflation factor based upon the Consumer Price Index (“CPI”) will be applied to the Replacement Reserve deposit beginning in Year 10, unless waived or reduced in the event Obligor provides a Physical Needs Assessment prepared by an independent third party acceptable to FHFC that evidences an increase in the deposit is excessive or unnecessary. RFP 2009-06 for HOME Financing requires a Physical Needs Assessment every 3-5 years. Stratford requires annual adjustments based upon the CPI. SMG therefore underwrites the Subject Development using an annual adjustment of 3.00%.
16. CVision to act as Florida Housing’s inspector during the Construction Phase, if applicable.
17. A minimum of 10% Retainage Holdback will be required on all Construction Draws until the Subject Development is 50% complete and 0% thereafter. Retainage will not be released until successful Construction Completion and issuance of all Certificates of Occupancy. The May 16, 2011, Construction Contract between Applicant and CSG Construction, L.L.C., Hollywood, Florida, a related entity, provides for Retainage Holdback at 10% until the Subject Development is 50% complete and none thereafter, which meets FHFC Rule.

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18. Completion of a Davis-Bacon Federal Labor Standards Pre-Construction Conference.
  19. Satisfactory evidence of compliance with the Davis-Bacon Act and other applicable Federal Labor Standards during construction of the Subject Development. Evidence of compliance must be through satisfactory completion of a compliance audit by FHFC and its authorized subcontractor.
  20. Receipt and satisfactory review of a Joint Funding Agreement between Applicant and Stratford (or an affiliate) that requires funding of all HC Equity Installments during construction, even if Borrower is in default under the Limited Partnership Agreement.
  21. Any other reasonable requirement(s) of the FHFC, its Legal Counsel or its Servicer.

## **Housing Credit Allocation Recommendation**

SMG recommends an Annual Housing Credit (“HC”) Allocation in the amount of \$1,071,090 based upon the Gap Calculation. Please see HC Allocation Calculation in Exhibit 4 of this Credit Underwriting Report for further details.

## **Contingencies**

Seltzer’s HC Allocation Recommendation is contingent upon confirmation or the receipt and satisfactory review of the following by SMG and FHFC by the deadline established in the Preliminary Determination. Failure to submit these items within this time frame may result in forfeiture of the HC Allocation.

1. Closing of the Florida Housing MMRB and HOME Program Loans consistent with the assumptions of this Credit Underwriting Report.
2. Purchase of the HC by Stratford or affiliated entity, under terms consistent with the assumptions within this Credit Underwriting Report.
3. Satisfactory resolution (as determined by FHFC) of any outstanding Past Due or Non-Compliance notices applicable to the Development Team by MMRB/HOME Loan Closing.
4. Any other reasonable requirements of FHFC, its Legal Counsel or its Loan Servicer.

**Exhibit 1**

**Villa Capri**  
**RFP 2009-06-02-05/2010A-216B**  
**15 Year Income and Expense Projection**

<b>DESCRIPTION</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>	<b>Year 11</b>	<b>Year 12</b>	<b>Year 13</b>	<b>Year 14</b>	<b>Year 15</b>
<b>Revenue</b>															
Gross Potential Rental Revenue	\$1,892,652	\$1,930,505	\$1,969,115	\$2,008,497	\$2,048,667	\$2,089,641	\$2,131,434	\$2,174,062	\$2,217,543	\$2,261,894	\$2,307,132	\$2,353,275	\$2,400,340	\$2,448,347	\$2,497,314
Other Income:															
Washer/Dryer Rentals	\$56,100	\$57,222	\$58,366	\$59,534	\$60,724	\$61,939	\$63,178	\$64,441	\$65,730	\$67,045	\$68,386	\$69,753	\$71,148	\$72,571	\$74,023
Cable Television Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous Income	\$21,120	\$21,542	\$21,973	\$22,413	\$22,861	\$23,318	\$23,785	\$24,260	\$24,745	\$25,240	\$25,745	\$26,260	\$26,785	\$27,321	\$27,867
Interest Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Potential Income	\$1,969,872	\$2,009,269	\$2,049,455	\$2,090,444	\$2,132,253	\$2,174,898	\$2,218,396	\$2,262,764	\$2,308,019	\$2,354,179	\$2,401,263	\$2,449,288	\$2,498,274	\$2,548,239	\$2,599,204
Less:															
Vacancy Loss - 6.0%	(\$118,192)	(\$120,556)	(\$122,967)	(\$125,427)	(\$127,935)	(\$130,494)	(\$133,104)	(\$135,766)	(\$138,481)	(\$141,251)	(\$144,076)	(\$146,957)	(\$149,896)	(\$152,894)	(\$155,952)
Collection Loss - 1.0%	(\$19,699)	(\$20,093)	(\$20,495)	(\$20,904)	(\$21,323)	(\$21,749)	(\$22,184)	(\$22,628)	(\$23,080)	(\$23,542)	(\$24,013)	(\$24,493)	(\$24,983)	(\$25,482)	(\$25,992)
<b>Total Effective Gross Revenue</b>	<b>\$1,831,981</b>	<b>\$1,868,621</b>	<b>\$1,905,993</b>	<b>\$1,944,113</b>	<b>\$1,982,995</b>	<b>\$2,022,655</b>	<b>\$2,063,108</b>	<b>\$2,104,370</b>	<b>\$2,146,458</b>	<b>\$2,189,387</b>	<b>\$2,233,175</b>	<b>\$2,277,838</b>	<b>\$2,323,395</b>	<b>\$2,369,863</b>	<b>\$2,417,260</b>
<b>Expenses</b>															
Fixed:															
Taxes	\$170,500	\$175,615	\$180,883	\$186,310	\$191,899	\$197,656	\$203,586	\$209,693	\$215,984	\$222,464	\$229,138	\$236,012	\$243,092	\$250,385	\$257,897
Insurance	\$99,000	\$101,970	\$105,029	\$108,180	\$111,425	\$114,768	\$118,211	\$121,758	\$125,410	\$129,173	\$133,048	\$137,039	\$141,150	\$145,385	\$149,746
Variable:															
Management Fees - 5.0%	\$91,599	\$93,431	\$95,300	\$97,206	\$99,150	\$101,133	\$103,155	\$105,219	\$107,323	\$109,469	\$111,659	\$113,892	\$116,170	\$118,493	\$120,863
General and Administrative	\$82,500	\$84,975	\$87,524	\$90,150	\$92,854	\$95,640	\$98,509	\$101,465	\$104,509	\$107,644	\$110,873	\$114,199	\$117,625	\$121,154	\$124,789
Payroll Expenses	\$264,000	\$271,920	\$280,078	\$288,480	\$297,134	\$306,048	\$315,230	\$324,687	\$334,427	\$344,460	\$354,794	\$365,438	\$376,401	\$387,693	\$399,324
Utilities	\$181,500	\$186,945	\$192,553	\$198,330	\$204,280	\$210,408	\$216,720	\$223,222	\$229,919	\$236,816	\$243,921	\$251,238	\$258,776	\$266,539	\$274,535
Marketing and Advertising	\$38,500	\$39,655	\$40,845	\$42,070	\$43,332	\$44,632	\$45,971	\$47,350	\$48,771	\$50,234	\$51,741	\$53,293	\$54,892	\$56,539	\$58,235
Maintenance and Repairs	\$143,000	\$147,290	\$151,709	\$156,260	\$160,948	\$165,776	\$170,749	\$175,872	\$181,148	\$186,583	\$192,180	\$197,945	\$203,884	\$210,000	\$216,300
Contract Services (Grounds Maintenance, Security, Pest Control, etc.)	\$44,000	\$45,320	\$46,680	\$48,080	\$49,522	\$51,008	\$52,538	\$54,114	\$55,738	\$57,410	\$59,132	\$60,906	\$62,733	\$64,615	\$66,554
Replacement Reserve	\$66,000	\$67,980	\$70,019	\$72,120	\$74,284	\$76,512	\$78,807	\$81,172	\$83,607	\$86,115	\$88,698	\$91,359	\$94,100	\$96,923	\$99,831
<b>Total Expenses</b>	<b>\$1,180,599</b>	<b>\$1,215,101</b>	<b>\$1,250,620</b>	<b>\$1,287,185</b>	<b>\$1,324,829</b>	<b>\$1,363,582</b>	<b>\$1,403,478</b>	<b>\$1,444,551</b>	<b>\$1,486,836</b>	<b>\$1,530,367</b>	<b>\$1,575,184</b>	<b>\$1,621,323</b>	<b>\$1,668,823</b>	<b>\$1,717,726</b>	<b>\$1,768,073</b>
<b>Net Operating Income</b>	<b>\$651,382</b>	<b>\$653,520</b>	<b>\$655,373</b>	<b>\$656,928</b>	<b>\$658,166</b>	<b>\$659,073</b>	<b>\$659,630</b>	<b>\$659,819</b>	<b>\$659,622</b>	<b>\$659,019</b>	<b>\$657,991</b>	<b>\$656,515</b>	<b>\$654,571</b>	<b>\$652,136</b>	<b>\$649,187</b>
<b>Debt Service Payments</b>															
NIBP Tax-Exempt Bond Loan	\$383,655	\$383,655	\$383,655	\$383,655	\$383,655	\$383,655	\$383,655	\$383,655	\$383,655	\$383,655	\$383,655	\$383,655	\$383,655	\$383,655	\$383,655
FHFC HOME Loan	\$23,300	\$23,300	\$23,300	\$23,300	\$23,300	\$23,300	\$23,300	\$23,300	\$23,300	\$23,300	\$23,300	\$23,300	\$23,300	\$23,300	\$23,300
Other Mortgage Loans/Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Debt Service Payments</b>	<b>\$406,955</b>	<b>\$406,955</b>	<b>\$406,955</b>	<b>\$406,955</b>	<b>\$406,955</b>	<b>\$406,955</b>	<b>\$406,955</b>	<b>\$406,955</b>	<b>\$406,955</b>	<b>\$406,955</b>	<b>\$406,955</b>	<b>\$406,955</b>	<b>\$406,955</b>	<b>\$406,955</b>	<b>\$406,955</b>
<b>Operating Income After Debt Service - Before Tax Cash Flow</b>	<b>\$244,427</b>	<b>\$246,565</b>	<b>\$248,419</b>	<b>\$249,973</b>	<b>\$251,212</b>	<b>\$252,118</b>	<b>\$252,675</b>	<b>\$252,864</b>	<b>\$252,668</b>	<b>\$252,065</b>	<b>\$251,036</b>	<b>\$249,561</b>	<b>\$247,617</b>	<b>\$245,182</b>	<b>\$242,232</b>
<b>Debt Service Coverage Ratios</b>															
Debt Service Coverage - NIBP Bond Loan	1.698	1.606	1.610	1.614	1.617	1.620	1.621	1.621	1.621	1.619	1.617	1.613	1.608	1.602	1.595
Debt Service Coverage - NIBP Bond and FHFC HOME Loans	1.601	1.606	1.610	1.614	1.617	1.620	1.621	1.621	1.621	1.619	1.617	1.613	1.608	1.602	1.595
Debt Service Coverage - All Mortgages and Fees	1.601	1.606	1.610	1.614	1.617	1.620	1.621	1.621	1.621	1.619	1.617	1.613	1.608	1.602	1.595
<b>Financial Ratios</b>															
Operating Expense Ratio	64.4%	65.0%	65.6%	66.2%	66.8%	67.4%	68.0%	68.6%	69.3%	69.9%	70.5%	71.2%	71.8%	72.5%	73.1%
Break-Even Occupancy Ratio	80.6%	80.7%	80.9%	81.0%	81.2%	81.4%	81.6%	81.8%	82.1%	82.3%	82.5%	82.8%	83.1%	83.4%	83.7%



Villa Capri  
RFP 2009-06-02-05/2010A-216B  
Features/Amenities and Resident Programs

**A.** The Subject Development will consist of:

220 units located in 11 Residential Buildings

Unit Mix:

- |                         |       |   |
|-------------------------|-------|---|
| Forty-eight             | (48)  | One-Bedroom/One-Bath units containing 720 sq. ft., of heated and cooled living area; and    |
| One hundred twenty-four | (124) | Two-Bedroom/Two-Bath units containing 925 sq. ft., of heated and cooled living area; and    |
| Forty-eight             | (48)  | Three-Bedroom/Two-Bath units containing 1,177 square feet of heated and cooled living area. |

220 Total Units

The Subject Development is to be constructed in accordance with the final plans and specifications approved by the appropriate city or county building or planning department or equivalent agency, and approved as reflected in the Pre-Construction Analysis prepared for Florida Housing Finance Corporation ("FHFC" or "Florida Housing") or its Servicer, unless a change has been approved in writing by Florida Housing or its Servicer. The Subject Development will conform to requirements of local, state & federal laws, rules, regulations, ordinances, orders and codes, Federal Fair Housing Act and Americans with Disabilities Act ("ADA"), as applicable.

**B.** Each unit will be fully equipped with the following:

1. Air conditioning in all units (window units are not allowed; however, through-wall units are permissible for rehabilitation).
2. Window treatments for each window and glass door inside each unit.
3. Termite prevention and pest control throughout the entire affordability period.
4. Peephole on all exterior doors.
5. Exterior lighting in open and common areas.

6. Cable or satellite TV hook-up in all units.
  7. Full-size range, oven and refrigerator in all units.
  8. At least two full bathrooms in all 3 bedroom or larger new construction units.
  9. Bathtub with shower in at least one bathroom in at least 90% of the new construction non-Elderly units.
- C.** Applicant has committed to the following amenities in the Subject Development:
1. 30 Year expected life roofing on all buildings.
  2. Marble window sills in all units.
  3. Steel exterior door frames for all units.
  4. At least 1.5 bathrooms (one full bath and one with at least a toilet and sink) in all 2 bedroom new construction units.
  5. Double compartment kitchen sink in all units.
  6. Dishwasher in all new construction units.
  7. Garbage disposal in all new construction units.
- D.** Applicant has committed to the following amenities in the Subject Development:
1. Exercise room with appropriate equipment.
  2. Community center or clubhouse.
  3. Swimming pool.
  4. Playground/tot lot, accessible to children with disabilities (must be sized in proportion to Development's size and expected resident population with age-appropriate equipment.)
  5. Library consisting of a minimum of 100 books and 5 current magazine subscriptions.
  6. Computer lab on-site with minimum one computer per 50 units, with basic word processing, spreadsheets and assorted educational and entertainment software programs and at least one printer.

7. Each unit wired for high speed internet.
  8. Laundry facilities with full-size washers and dryers available in at least one common area on site.
- E.** Applicant has committed provide the following energy conservation features for all buildings in the Subject Development:
1. Air conditioning with a minimum SEER rating of 15.
  2. Wall insulation of a minimum of R-7.
  3. Attic insulation of R-30 or better.
  4. All windows single-pane with shading coefficient of .67 or better.
  5. Energy Star certified refrigerator and dishwasher in each unit.
  6. Ceiling fans in all bedrooms and living area in each unit.
- F.** Applicant has committed to provide the following Green Building options:
1. Programmable thermostats in each unit.
  2. Energy Star rated reversible ceiling fans in all bedrooms and living areas.
  3. Showerheads that use less than 2.5 gallons of water per minute.
  4. Faucets that use 2 gallons of water per minute or less in the kitchen and all bathrooms.
  5. Energy Star qualified lighting in all open and common areas.
  6. Motion detectors on all outside lighting that is attached to the units.
  7. Low VOC paint (less than 50 grams per gallon) in all units and common areas.
  8. Energy Star rating for all refrigerators, dishwashers and washing machines that are provided by the Applicant.
  9. Carpet and Rug Institute Green Label certified carpet and pad for all carpeting provided.
  10. Install daylight sensors or timers on all outdoor lighting.

- G.** Applicant has committed to provide the following Resident Programs:
1. Welfare to Work or Self-Sufficiency Type Programs - Applicant commits to actively seek residents who are participating in or who have successfully completed the training provided by these types of programs.
  2. Financial Assistance with Purchase of a Home – Applicant commits to provide a financial incentive which includes the following provisions:
    - The incentive must be applicable to the home selected by the resident and may not be restricted to or enhanced by the purchase of homes in which Applicant, Developer, or other related party has an interest
    - The incentive must be not less than 5 percent of the rent for the resident’s unit during the resident’s entire occupancy (Note: Resident will receive the incentive for all months for which the resident is in compliance with the terms and conditions of the lease. Damages to the unit in excess of the security deposit will be deducted from the incentive.);
    - The benefit must be in the form of a gift or grant and may not be a loan of any nature;
    - The benefits of the incentive must accrue from the beginning of occupancy;
    - The vesting period can be no longer than 2 years of continuous residency; and
    - No fee, deposit or any other such charge can be levied against the resident as a condition of participation in this program.
  3. First Time Homebuyer Seminars - Applicant or its Management Agent must arrange for and provide, at no cost to the resident, in conjunction with local realtors or lending institutions, semiannual on-site seminars for residents interested in becoming homeowners.
  4. Job Training – Applicant or its Management Agent must provide, at no cost to the resident, regularly scheduled classes in keyboarding, computer literacy, secretarial skills or other useful job skills, which will be provided at least once each quarter. If the training is not provided on-site, transportation at no cost to the resident must be provided.
  5. Health Care – At least quarterly visits by health care professionals such as nurses, doctors, or other licensed care providers. At a minimum, the following services must be provided: health screening, flu shots, visions and hearing tests. Regularly scheduled is defined as not less than once each quarter. On-site

space must be provided. Service must be provided at no cost to the residents, with the exception that the resident may be charged for medications.

6. Health and Nutrition Classes – At least eight hours per year, provided on-site at no cost to the residents.
7. Resident Activities - These specified activities are planned, arranged, provided and paid for by Applicant or its Management Agent. These activities must be an integral part of the management plan. Applicant must develop and execute a comprehensive plan of varied activities that brings the residents together and encourages community pride. The goal here is to foster a sense of community by bringing residents together on a regularly scheduled basis by providing activities such as holiday and special occasion parties, community picnics, newsletters, children’s special functions, etc.
8. Financial Counseling - This service must be provided by the Applicant or its Management Agent, at no cost to the resident, and must include the following components: must be regularly scheduled at least once each quarter; must include tax preparation assistance by qualified professionals; must include educational workshops on such topics as “Learning to Budget”, “Handling Personal Finances”, “Predatory Lending”, or “Comparison Shopping for the Consumer”. Electronic media, if used, must be used in conjunction with live instruction.

## COMPLETENESS AND ISSUES CHECKLIST

**DEVELOPMENT NAME:** Villa Capri

**DATE:** September 29, 2011

In accordance with applicable Program Rule(s), the Applicant 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 Applicant 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.

<b>CREDIT UNDERWRITING REQUIRED ITEMS:</b>	<b>STATUS</b>	<b>NOTE</b>
	<b>Satis. / Unsatis.</b>	
1. The development's final "as submitted for permitting" plans and specifications.  Note: Final "signed, sealed, and approved for construction" plans and specifications will be required thirty days before closing.	Satis.	
2. Final site plan and/or status of site plan approval.	Satis.	
3. Permit Status.	Satis.	
4. Pre-construction analysis ("PCA").	Satis.	
5. Survey.	Satis.	
6. Complete, thorough soil test reports.	Satis.	
7. Full or self-contained appraisal as defined by the Uniform Standards of Professional Appraisal Practice.	Satis.	
8. Market Study separate from the Appraisal.	Satis.	
9. Environmental Site Assessment – Phase I and/or Phase II if applicable (If Phase I and/or II disclosed environmental problems requiring remediation, a plan, including time frame and cost, for the remediation is required). If the report is not dated within one year of the application date, an update from the assessor must be provided indicating the current environmental status.	Satis.	
10. Audited financial statements for the most recent fiscal year ended or acceptable alternative as stated in the Rule for credit enhancers, applicant, general partner, principals, guarantors and general contractor.	Satis.	

**MMRB (NIBP), HOME AND HC PROGRAMS CREDIT UNDERWRITING REPORT**

**SMG**

11. Resumes and experience of applicant, 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

Section 179e Qualified Basis Calculation:	
Development Cost	\$31,295,736
Less Land Cost	(\$4,000,000)
Less Federal Funds	\$0
Less Other Ineligible Cost	(\$2,598,348)
Less Disproportionate Standard	\$0
Total Qualified Basis	\$24,697,388
Applicable Fraction	100.00%
DDA/QCT Basis Credit	130.00%
Qualified Basis	\$32,106,604
Housing Credit Percentage	3.50%
Annual HC Allocation	\$1,123,731

1. Other Ineligible Costs consist primarily of FHFC Administrative and Application Fees, Marketing/Advertising, Soft Cost Contingency, Start Up Costs/Operating Funds Advance, the Operating Deficit Reserve required by the HC Syndicator, and portions of Builders Risk Insurance, Property Taxes, Legal Fees, Title and Recording Fees, Costs of Issuance, Permanent Loan Origination Fee, Construction Loan Interest and Operating Deficit Reserve. See the HC Ineligible Costs column of the Uses of Funds schedule within Section A of this Credit Underwriting Report.
2. The Subject Development has a 100.00% Set-Aside; the Applicable Fraction is therefore 100.00%.
3. This Subject Development is located in Miami-Dade County, a Difficult Development Area ("DDA"). The 130.00% DDA basis credit has therefore been applied.
4. Per FHFC Rule, 15 basis points are added to the actual percentage (3.35%) reported for April 2010, consistent with an April 2010 Invitation to Credit Underwriting (at the Developer's risk) for MMRB and 4% HC. An HC Percentage of 3.50% is applied.



<b>Section II: Gap Calculation</b>	
Total Development Cost (Including Land and Ineligible Costs)	\$31,295,736
Less Mortgages/Loans	(\$18,228,500)
Less Grants	(\$3,000,000)
Equity Gap	\$10,067,236
Percentage to Investment Entity	99.99%
HC Pricing	\$0.940
HC Required to Meet Gap	\$10,710,897
Annual HC Required	\$1,071,090

*Notes to the Gap Calculation:*

1. Mortgages/Loans are Florida Housing's \$6,800,000 NIBP Tax-Exempt Bond Issue, a \$3,750,000 Neighborhood Stabilization Program NSP2 Program Loan from the Miami-Dade NSP Consortium, Florida Housing's \$2,330,000 Home Partnerships Investment Program ("HOME") Loan, a \$2,650,000 Housing Development Action Grant ("HODAG") Program Loan from Miami-Dade County, a \$2,698,500 State Housing Initiatives Partnership ("SHIP") Program Loan from Miami-Dade County and a \$2,000,000 Building Better Communities ("BBC") that is also from Miami-Dade County.
2. Grants are represented by a \$1,000,000 Federal Home Loan Bank of Atlanta Subsidy.
3. HC Syndication Pricing and Percentage to Investment Partnership are based upon a September 9, 2011 Term Letter from Stratford Capital Group, Peabody, Massachusetts. See Permanent Financing Sources in Section A of this Credit Underwriting Report.

<b>Section III: Tax-Exempt Bond 50% Test</b>	
Total Depreciable Cost	\$24,697,388
Plus Land Cost	\$4,000,000
Aggregate Basis	\$28,697,388
Tax-Exempt Bond Amount	\$15,700,000
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	\$15,700,000
Proceeds Divided by Aggregate Basis	54.71%

*Notes to 50% Test:*

1. SMG estimates Florida Housing's Tax-Exempt MMRB Program Loan(s) to be 54.71% of Depreciable Development Cost plus Land Acquisition Cost. If, at the time of Final Cost Certification, the Tax-Exempt Bond Amount(s) totals less than 50.00%, Developer Fee 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.

<b>Section IV: Summary</b>	
HC per Applicant Request	\$1,052,088
HC per Qualified Basis	\$1,123,731
HC per Gap Calculation	\$1,071,090
Preliminary Annual HC Recommended	\$1,071,090

*Notes to the Summary:*

1. Seltzer's Annual HC Recommendation is based upon the Gap Calculation.