

**SELTZER MANAGEMENT GROUP, INC.**

---

17633 ASHLEY DRIVE  
PANAMA CITY BEACH, FL 32413  
TEL: (850) 233-3616  
FAX: (850) 233-1429

May 29, 2014

*VIA EMAIL*

Mr. Todd Fowler  
Florida Housing Finance Corporation  
City Centre Building  
227 North Bronough Street, Suite 5000  
Tallahassee, Florida 32301-1329

RE: Glen Oaks - First Mortgage Refinancing/Subordination of HC ELIHA, HOME LURA, and HOME Loan Documents/Extension of the HOME Loan and HOME LURA  
(MMRB 1997 Series B/4% HC 1998-506C/HOME 96HR-012)

Dear Mr. Fowler:

Seltzer Management Group, Inc. ("SMG" or "Seltzer") is in receipt of correspondence from Affordable Glen Oaks, Ltd. ("Borrower"), a Banyan development, requesting that Florida Housing Finance Corporation ("FHFC" or "Florida Housing") approve the refinancing of the existing first mortgage loan, execute a Subordination Agreement of the existing HOME Loan, HOME Land Use Restriction Agreement ("LURA"), Housing Credits ("HC") Extended Low-Income Housing Agreement ("ELIHA"), and the extension of the term of the HOME Loan to be co-terminus with the new first mortgage loan, all of which are requirements of the new first mortgage lender. The Affordability Period of the HOME LURA will be extended by a length of time equal to the extension of the HOME Loan term. The Borrower intends to obtain financing from a HUD insured 223(f) program first mortgage loan originated by Prudential Capital ("Prudential"). The loan proceeds, along with a Borrower contribution, will be utilized to satisfy the existing first mortgage loan, pay any required accrued HOME interest and or principal, fund required repairs and a replacement reserve escrow account, and to pay related financing fees and closing costs.

Rule, 67-48.020(13) F.A.C., require that the refinancing of any loan superior to the HOME Loan be approved by Florida Housing's Board of Directors. The refinancing of the first mortgage will require the extension of the HOME Loan term to be co-terminus with the new first mortgage loan, the execution of Subordination Agreement(s), and the extension of the HOME LURA term equal to the additional time added to the HOME Loan term, all of which require FHFC Board approval.

On behalf of FHFC, SMG reviewed the request, performed certain due diligence, and formulated a recommendation. For purposes of this analysis, SMG reviewed the following:

- Borrower Correspondence
- Borrower Audited Financial Statements for the Year Ended December 31, 2013
- Rule 67-48.0205 and 67-48.020(13) F.A.C.
- Borrower's United States Department of Housing and Urban Development ("HUD") Application Package
- Borrower's Sources and Uses of Funds
- FHFC Past Due Report dated March 28, 2014
- FHFC Non-Compliance Report dated March 28, 2014
- Annual Compliance Review and Physical Inspection dated as of November 5, 2013

Mr. Todd Fowler  
Glen Oaks  
May 29, 2014  
Page 2

- An October 11, 2007, Credit Underwriting Letter for re-financing of first mortgage (FHFC Bonds)
- An April 10, 2013, Credit Underwriting Letter for transfer of general partnership interest

In addition, SMG has had conversations and electronic communications with FHFC staff and Borrower's representative regarding the proposed refinancing. Our findings are as follows:

### **Background**

Glen Oaks is a 256-unit Affordable Property with 13 garden-style residential buildings plus an office/clubhouse located at 2074 Midyette Road, Tallahassee, Leon County, Florida 32301. The subject development was originally financed with \$9,000,000 in FHFC 1997 Series B Multifamily Mortgage Revenue Bonds ("MMRB") issued June 1, 1997, a Florida Housing HOME Investment Partnership Program ("HOME") Loan in the amount of \$2,576,000 closed on June 24, 1997, a June 10, 1997, City of Tallahassee Affordable Housing Trust Fund Loan in the amount of \$344,976, City of Tallahassee HOME and a State Housing Initiatives Partnership ("SHIP") Loan totaling \$413,025 and Housing Credits ("HC") of \$6,376,370. HC set-asides are 11.9% of the units (30 units) at 50% or less of Area Median Income ("AMI") and 88.1% of the units (remaining units) at 60% or less of AMI for 30 years, HOME set-asides are 20% of the units (53 units) at 50% or less of AMI and 80% of the units (remaining units) at 60% or less of AMI for 50 years.

The subject development was acquired by Principal Owners, Jonathan Wolf, Lou Vogt and Scott Zimmerman, on January 31, 2008, who have from time to time advanced funds to the Partnership as required under an Operating Deficit Guarantee. In addition, the management company, AGPM, LLC ("AGPM"), has deferred payment of management fees due to insufficient cash flow. AGPM is a related entity owned 50% by Mr. Vogt and 50% by Mr. Zimmerman. Amounts payable for Operating Deficit Loans and Deferred Management Fees total \$130,705 and \$223,667, respectively, for the year ended December 31, 2013.

Borrower's request to transfer the general partner interest from the current owners to Decro Gamma Glen Oaks, L.L.C. ("DGGO") was approved by Florida Housing's Board of Directors at its April 2013 Board Meeting. The transfer of general partnership interest has not yet been effectuated and is subject to the requested refinancing.

The original MMRB Loan was repaid and the Florida Housing MMRB was retired on January 31, 2008, through a \$9,650,000 Federal National Mortgage Association ("Fannie Mae") First Mortgage Loan from Alliant Capital, L.L.C. ("Alliant"). Per December 31, 2013 Audit Report, the balance of the Fannie Mae First Mortgage Loan was \$8,709,841 as of that date. Interest on the Fannie Mae First Mortgage Loan is fixed at 4.72%. Monthly payments of principal and interest of \$50,165 are due until maturity, February 1, 2015, at which time all outstanding principal and interest are due.

The Florida Housing HOME Loan of \$2,576,000 was subordinated to the new Fannie Mae First Mortgage Loan, with a principal reduction of \$234,556 from loan proceeds. The HOME Loan has a balance of \$2,341,444 as of December 31, 2013 per Audit Report. Interest accrues at 3.00% and is payable annually on July 1st, with accrued interest and principal due at maturity, June 1, 2030.

The Principals and related party entities are not reported on Florida Housing's March 28, 2014, Past Due Report or its March 28, 2014, Asset Management Noncompliance Report.

As of the March 31, 2014, occupancy was reported at 91.8%. Seltzer's Annual Compliance Review and Physical Inspection dated November 5, 2013, included one item that required a written response. The response was received and deemed satisfactory and the review was closed out on January 2, 2014.

### **Refinancing Overview**

The refinancing of the existing first mortgage loan is permitted by underlying HOME Loan documents; however, FHFC Board approval is required. Rule 67-48.0205(3) F.A.C. states that the "Board shall

Mr. Todd Fowler  
Glen Oaks  
May 29, 2014  
Page 3

approve requests for mortgage loan refinancing only if Development Cash Flow is improved, the Development's economic viability is maintained, the security interest of the Corporation is not adversely affected, and the Credit Underwriter provides a positive recommendation."

SMG received and reviewed a HUD application from Prudential for first mortgage insurance through HUD's 223(f) program. Borrower applied to Prudential, a HUD approved Multifamily Accelerated Processing Lender, for first mortgage financing in the amount of \$9,563,600. Anticipated loan terms include monthly principal and interest payments based upon a fixed interest rate and a 35-year amortization period. The interest will be fixed prior to or concurrent with the loan closing. The interest rate is currently estimated to be 4.00% (inclusive of servicing fees). The term of the loan will be 35 years.

HUD conditions will require that FHFC execute a Subordination Agreement of the HOME Loan and to extend the existing HOME Loan term to be co-terminus with the new first mortgage loan. HUD will also require certain subordinate loan document amendments to conform to HUD standards. The HOME LURA and HC ELIHA must also be subordinated, as applicable, to certain HUD documents.

Prudential estimated annual debt service following refinance of the first mortgage loan will be \$551,184 based upon an interest rate lock of 4.00% and a Mortgage Insurance Premium ("MIP") at 0.45%. The new annual debt service will be \$50,796 less than the current annual debt service of \$601,980. Cash flow will be improved and the subject's economic viability will be maintained.

The HOME Loan is currently in a subordinate lien position behind a first mortgage loan with an initial outstanding balance of \$9,650,000 and a projected balance of \$8,630,968 for the closing on or around September 1, 2014. The new HUD first mortgage loan will be in the amount of \$9,563,600. Florida Housing's lien position will not be adversely affected. The amount of the new first mortgage, along with a Borrower contribution, will pay off the existing first mortgage loan, fund required repairs and a deposit to a replacement reserve escrow account, and pay related financing fees and closing costs.

**Sources and Use of Funds**

New HUD First Mortgage Loan	\$ 9,563,600
Borrower Contribution	\$ <u>335,306</u>
Total Sources	\$ <u>9,898,906</u>
Refinancing Fees and Closing Costs	\$ 345,143
HUD Required Repairs	\$ 202,985
Replacement Reserve Deposit	\$ 588,800
MMRB First Mortgage Loan Payoff	\$ 8,630,968
HOME Loan Pay Down per Exhibit A	\$ <u>131,010</u>
Total Uses	\$ <u>9,898,906</u>

Refinancing Fees and Closing Costs are estimates provided by Borrower, which figures appear reasonable at this time. See Exhibit A for Seltzer's calculation of the HOME loan pay down.

**Summary and Recommendation**

SMG concludes that conditions for refinancing approval, as set forth in Rule 67-48.205 F.A.C. have been met, subject to the conditions below. Further, proceeds of the refinancing along with a Borrower contribution will be utilized to satisfy the existing first mortgage, pay any required HOME accrued interest and or principal, fund required repairs and a replacement reserve escrow, and pay related financing fees and closing costs.

SMG therefore recommends that FHFC approve the refinancing of the existing first mortgage loan, subordination of the existing HOME Loan documents, HOME LURA and HC ELIHA (as applicable) to

Mr. Todd Fowler  
Glen Oaks  
May 29, 2014  
Page 4

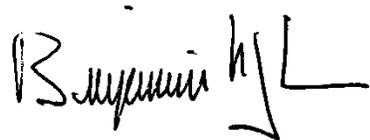
the new first mortgage loan, the extension of the HOME Loan term to be co-terminus with the new first mortgage loan, all of which meet the requirements of the new first mortgage lender, extension of the HOME LURA and modification of any other loan documents required to effectuate the refinancing, subject to the following:

1. Review of final loan terms and confirmation that all requirements set forth in F.A.C. Rule 67-48.0205 for approval have been met.
2. Extension of the HOME LURA affordability period by a length of time equal to the extension of the HOME loan term.
3. Consent of the Limited Partner, if required.
4. Satisfactory resolution of any outstanding past due and non-compliance items.
5. Payment of any outstanding arrearages to the Corporation, its legal counsel, Servicer or any agent or assignee of the Corporation for past due issues applicable to the development team (Applicant or Developer or Principal, Affiliate or Financial Beneficiary, as described in 67-48.0075 (5) F.A.C., of an Applicant or a Developer).
6. Confirmation of final loan terms and improved cash flow determination.
7. Review and approval of all loan documents consistent with the terms outlined above by Florida Housing's legal counsel.
8. Receipt of a non-refundable renegotiation fee equal to one-half of one percent of the HOME principal amount on the date of the HOME closing.
9. Prepayment of any required compliance monitoring fees.
10. Confirmation of refinancing fees and closing costs prior to closing in order to verify the HOME Loan pay down, if any.
11. Repayment of the required proportionate amount of the HOME Loan, if any.
12. The Borrower will assume the payment of the servicing and compliance monitoring fees at the end of the HOME affordability period through the termination of the LURA
13. All other due diligence required by FHFC and its legal counsel.

Please call me at (850) 233-3616, Ext. 223, if I can be of further assistance.

Sincerely,

SELTZER MANAGEMENT GROUP, INC.



---

Benjamin S. Johnson  
President

Mr. Todd Fowler  
Glen Oaks  
May 29, 2014  
Page 5

Exhibit A

Glen Oaks  
HOME Loan Pay Down Calculation

Original Balance First Mortgage Loan	\$ 9,000,000
Original Balance HOME Loan	\$ <u>2,576,000</u>
Total	\$ 11,576,000

Original HOME Loan divided by the total original MMRB first mortgage and HOME loans is 22.3%.

New HUD First Mortgage Loan	\$ 9,563,600
Projected First Mortgage Loan Payoff	\$ <u>8,630,968</u>
Increase to First Mortgage Loan	\$ 932,632
Less Refinancing Fees and Closing Costs	\$ <u>(345,143)</u>
Net Increase	\$ 587,489
Net Increase multiplied by 22.3%	\$ 131,010
HOME Loan Pay Down Required	\$ 131,010