Florida Housing Finance Corporation

Credit Underwriting Report

Crossings at Indian Run

MMRB, SAIL and 4% Non-Competitive Housing Credits

2014-131B / 97S-003

Section A Report Summary

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Prepared by

Seltzer Management Group, Inc.

Final Report

October 21, 2014

CROSSINGS AT INDIAN RUN

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Section A

Report Summary

Recommendation

Seltzer Management Group, Inc. ("SMG" or "Seltzer") recommends a Multifamily Mortgage Revenue Bond ("MMRB" or "bond") loan in the amount of $24,000,000, a SAIL assumption and renegotiation in the approximate amount of $10,016,905 and a Housing Credit ("HC") allocation in the annual amount of $1,680,529 be awarded to this development by Florida Housing Finance Corporation ("FHFC" or "Florida Housing").

DEVELOPMENT & SET-ASIDES

Development Name: Crossings at Indian Run

Program Numbers: 2014-131B 97S-003

Address: 3800 S. E. Gatehouse Circle City: Stuart Zip Code: 34994

County: Martin County Size: Small

Development Category: Acquisition/Rehab Development Type: Garden Style Apartments

Construction Type: Wood frame with asphalt shingles

Demographic Commitment: Elderly: No Homeless: No ELI: 0 Units @ ____ AMI
Farmworker or Commercial Fish Worker: No Family: Yes Link: 0 Units

Bed Rooms	Bath Rooms	Units	Square Feet	AMI%	Gross HC Rent	Low HOME Rents	High HOME Rents	Utility Allow	RD/HUD Cont Rents	Net HC Rent	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
1.0	1.0	72	731	60%	$641			$86		$555	$555	$555	$555	$479,520
2.0	2.0	96	953	60%	$769			$97		$672	$672	$672	$672	$774,144
3.0	2.0	40	1072	60%	$888			$115		$773	$773	$773	$773	$371,040
3.0	2.0	136	1031	60%	$888			$115		$773	$773	$773	$773	$1,261,536
		344	**327216**											**$2,886,240**

Buildings: Residential - 22 Non-Residential - 2
Parking: Parking Spaces - 679 Accessible Spaces - 43

Set Asides:

Program	% of Units	# of Units	% AMI	Term (Years)
MMRB	100.0%	344	60%	30
HC	100.0%	344	60%	30
SAIL	100.0%	344	60%	50

Absorption Rate 0 units per month for 0 months.

Occupancy Rate at Stabilization: Physical Occupancy 97.00% Economic Occupancy 97.00%
Occupancy Comments As projected by Appraiser

DDA?: Yes QCT?: No
Site Acreage: 53.458 Density: 6.4350 Flood Zone Designation: X
Zoning: RPUD, Residential Planned Unit Development Flood Insurance Required?: No

DEVELOPMENT TEAM		
Applicant/Borrower:	SP Crossings LLC	% Ownership
Managing Member	SP Crossings Manager LLC	0.0100%
Member	J. David Page to be replaced by the Syndicator at closing	99.9900%
Construction Completion		
Guarantor(s):	SP Crossings LLC	
	SP Crossings Manager LLC	
	J. David Page	
Operating Deficit		
Guarantor(s):	SP Crossings LLC	
	SP Crossings Manager LLC	
	J. David Page	
Developer:	Southport Development, Inc.	
Principal 1	J. David Page	
Principal 2	Stephen W. Page	
General Contractor 1:	Vaughan Bay Construction, Inc.	
Management Company:	Cambridge Management, Inc.	
Const. Credit Enhancer:	Freddie Mac	
Perm. Credit Enhancer:	Freddie Mac	
Syndicator:	Boston Financial Investment Management, LP	
Tax Exempt Bond Issuer:	FHFC and RBC-CM Municipal Finance as Bond Underwriter in anticipation of a negotiated offering	
Architect:	Architectonics Studio, Inc.	
Market Study Provider:	Novogradac & Company LLP	
Appraiser:	Novogradac & Company LLP	

PERMANENT FINANCING INFORMATION						
	1st Source	**2nd Source**	**3rd Source**	**4th Source**	**5th Source**	**Other**
Lien Position	First	Second	Third			
Lender/Grantor	Freddie Mac/Oak Grove	FHFC	0	0		0
Amount	$17,000,000	$10,016,905	$0.00	$0.00	$0.00	$0.00
Underwritten Interest Rate	5.23%	3.26%	0.00%	0.00%	0.00%	0.00%
All In Interest Rate	5.23%	3.26%	0.00%	0.00%	0.00%	0.00%
Loan Term	14.50	15.00	0.00	0.00	0.00	0.00
Amortization	35.00					
Market Rate/Market Financing LTV	33.5%					
Restricted/ Favorable Financing LTV	31.3%					
Loan to Cost	36.6%	10.6%				
Debt Service Coverage	1.224	1.06				
Operating/Deficit Service Reserve	$680,000					
Period of Operating Expenses/Deficit Reserve in Months	180					

Deferred Developer Fee	$4,255,295
Land Value	$574,712.36
As-Is Value (Rehabilitation)	$26,300,000.00
Market Rent/Market Financing Stabilized Value	$50,800,000.00
Rent Restricted Market Financing Stablized Value	$23,700,000.00
Rent Restricted Favorable Financing Stablized Value	$54,400,000.00
Projected Net Operating Income (NOI) - Year 1	$1,296,625
Projected Net Operating Income (NOI) - 15 Year	$1,396,905
Year 15 Pro Forma Income Escalation Rate	2.00%
Year 15 Pro Forma Expense Escalation Rate	3.00%
Bond Structure	Cash Collateralized Tax-Exempt Fixed Rate
Housing Credit Syndication Price	$0.97
Housing Credit Annual Allocation	$1,680,529

CONSTRUCTION/PERMANENT SOURCES:				
Source	**Lender**	**Construction**	**Permanent**	**Perm Loan/Unit**
First Mortgage	FHFC/Freddie Mac/Oak Grove*	$24,000,000	$17,000,000	$49,419
Second Mortgage	FHFC - SAIL	$10,016,905	$10,016,905	$29,119
Bridge Loan	BFIM	$3,200,000	$0	$0
HC Equity	BFIM	$2,000,000	$15,173,000	44,108
Additional Equity-NOI	Southport	$760,181	$0	$0
Deferred Developer Fee	Southport	$6,468,114	$4,255,295	$12,396
TOTAL		**$46,445,200**	**$46,445,200**	**$135,042**

*$17,000,000 taxable loan from Freddie Mac/Oak Grove plus $7,000,000 in bridge loan proceeds from BFIM; $24,000,000 MMRB from FHFC (please see the narrative on pages A-13 and A-14 of this report).

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?		2
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?		3
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	X	

Application?		
Is the Development in all other material respects the same as presented in the Application?	X	

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

1. The Applicant applied for a $17,000,000 in FHFC tax-exempt bonds. The Application also included a commitment for a $17,000,000 Freddie Mac tax-exempt note plus $7,000,000 gap loan to be collateralized by $7,000,000 in tax-exempt bonds. Applicant has increased the amount of the requested FHFC tax-exempt cash collateralized bonds to $24,000,000. The MMRB loan will be a second mortgage behind a Freddie Mac taxable fixed-rate first mortgage in the amount of $17,000,000 through Oak Grove Capital (Oak Grove). The MMRB loan will be paid in full prior to conversion to permanent financing and the Freddie Mac loan will remain as the first mortgage.

   Boston Financial Investment Management, LP ("BFIM") will be the Syndicator of the HC in the total amount of $15,173,000. The Application reflects Raymond James Tax Credit Fund, Inc., which was reflected as the HC Syndicator with HC in the amount of $14,645,535. BFIM will provide a Bridge loan in the amount of $10,200,000. A portion of the Bridge loan proceeds in the amount of $7,000,000 (along with the $17,000,000 provided by Oak Grove/Freddie Mac) will be used to cash collateralize the MMRB. The remaining $3,200,000 in bridge loan proceeds will be used to pay costs during construction. The bridge loan will be converted to equity with equity proceeds paid after rehabilitation is 100% complete.

   The amount of the SAIL assumption has changed from a second mortgage comprised of the SAIL outstanding principal balance in the amount of $4,947,342 and a third mortgage comprised of the SAIL accrued interest in the amount of $4,859,741 to a second mortgage in the approximate amount of $10,016,905 comprised of the SAIL outstanding principal balance in the amount of $4,947,342 plus the SAIL accrued interest in the amount of $5,069,563.04. There is no third mortgage.

2. When the subject was built in 1998, it was zoned as a Residential Planned Unit Development ("RPUD"). A Florida Department of Transportation ("FDOT") Order of Taking (the "Taking") was issued February 24, 2011 for a right-of-way along County Road 714, also known as S.E. Indian Street, for the purpose of constructing the Indian Street Bridge. The Taking resulted in impacts to the site that required Administrative Variances to restore the property to its configuration prior to the Taking and provide relief through a minor alteration to the RPUD site plan. The Administrative Variances were granted subject to final inspection and approval by the City of Stuart Development Department. Completion of all alterations by the current owner and receipt of the approval by the City of Stuart Development Department is a condition of the Purchase and Sale Agreement. Seltzer's recommendation is conditioned upon satisfactory receipt and review by FHFC, its legal counsel and SMG, prior to loan closing, of the final inspection and approval by the City of Stuart Development Department.

3. Development costs have increased from $43,390,960 in the application to $46,445,200 primarily due to increases in rehabilitation costs of the existing rental units and the associated increase in the general contractor's fee; the addition of an Operating Deficit Reserve Account and a Debt Service Coverage Reserve; the addition of a FHFC HC Compliance Fee not originally included by the Applicant; and the addition of a soft cost contingency.

These changes have no substantial material impact to the MMRB/HC recommendation for this development.

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

Florida Housing's Past Due Report dated September 30, 2014 reflects the following past due item: None

The Asset Management Noncompliance Report dated August 22, 2014, reflects the following noncompliance issue:

- Southport Financial Services, Inc.: Palms West – failure to meet Uniform Physical Condition standards for units because vacated units are undergoing rehabilitation.

This recommendation is subject to satisfactory resolution (as determined by FHFC) of any outstanding past due or noncompliance issues. Failure to correct such deficiencies could reflect poorly on the development team's past performance which may cause the recommended HC to be in jeopardy.

Strengths:

1. The subject's renovation will be conducted with its existing tenants in place and little turnover is anticipated due to the fact that the current set asides will remain the same and the rents will decrease due to the removal upon sale of the hold harmless provision that allowed rents up to the 2010 maximum allowable level. Stabilized occupancy of 97% is projected. As of July 2014, occupancy at the Subject is 96.22%.
2. The Principals, Developer, General Contractor and the Management Company are experienced in affordable multifamily housing.
3. The Principals have substantial financial resources to develop, renovate and operate the proposed Development.
4. The scope of renovations are significant and will enhance the Subject enabling it to continue to compete with new and/or existing affordable housing rental stock in the primary market area.

Other Considerations: None

Mitigating Factors: None

Waiver Requests/Special Conditions: None

Additional Information:

1. The FHFC tax-exempt MMRB will be cash collateralized and repaid at the completion of rehabilitation when the development is Placed in Service. This is expected to occur within twelve (12) to eighteen (18) months of issuance. FHFC is not involved in the permanent first mortgage loan which will be provided by Oak Grove via a Freddie Mac taxable fixed rate loan.
2. Seltzer notes that the purchase price is based on $4,100,000 in cash plus the payoff of the first mortgage and the assumption of the second mortgage SAIL and is currently estimated to be $26,264,355. Any change in the payoff of the first mortgage or the second mortgage SAIL will result in a change in the amount of the purchase price. The appraiser advises that the sales price is not based on the market value of the Development and any change to the purchase price will not affect

the appraised value. Should the sales price increase to an amount in excess of value, the excess will be paid from developer fee. Seltzer's recommendation is based on receipt and satisfactory review, prior to loan closing, of the actual payoff of the first mortgage and the second mortgage for the purpose of establishing the actual sales price.

3. Applicant provided Old Republic National Title Insurance Company title commitment number 14056554BJ1 dated July 22, 2014 with an effective date of June 16, 2014 which includes numerous Schedule B, Section I and Section II exceptions including encroachments pertain to Buildings 1, 8, 9 and 21. In addition, Applicant's legal counsel sent a letter dated August 5, 2014 to the seller and the seller's legal counsel requesting that the seller cooperate with the buyer to satisfy the following exceptions contained in Schedule B-1 of the above referenced title commitment: (i) Items 2, 3(a) and 3(l); (ii) item 3(b); (iii) items 3(c) through 3(k); and the following exceptions contained in Schedule BII of the above referenced title commitment: (i) exceptions 1-5 and 7; (ii) item 11. Seltzer's recommendation is contingent upon receipt and satisfactory review by Florida Housing's legal counsel prior to closing of the title commitment and approval by Florida Housing's counsel of any remaining Schedule B, Sections I & II exceptions.

Issues and Concerns: None

Recommendation:

SMG recommends FHFC approve MMRB tax-exempt bonds in the amount of $24,000,000, a SAIL assumption and renegotiation in the approximate amount of $10,016,905, extension of the SAIL to a period that is six months beyond the maturity of the Freddie Mac loan via Oak Grove, the SAIL LURA will be extended for the same number of years as the SAIL note or 50 years total from the closing of this refinancing. assumption of the current HC Extended Low Income housing Agreement ("ELIHA") and a $1,680,529 annual allocation of HC be awarded for the rehabilitation and permanent financing of Crossings at Indian Run.

When utilizing a 1.00 to 1.00 debt service coverage ratio required by the State Board of Administration in their fiscal sufficiency determination, the current net operating income at the current interest rate would support a tax-exempt bond amount of $41,270,000 rounded to the nearest $5,000.

This recommendation is based upon the assumptions detailed in the Report Summary (Section A) and Supporting Information and Schedules (Section C). In addition, this recommendation is subject to the MMRB and HC Allocation Contingencies (Section B). The reader is cautioned to refer to these sections for complete information.

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

Prepared by:	Reviewed by:
Wanda Greggo	Cindy Highsmith
Wanda C. Greggo	Cindy Highsmith
Credit Underwriter	Credit Underwriting Manager

Overview

Construction Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
MMRB Mortgage	FHFC	$17,000,000	$24,000,000	$24,000,000	0.550%	$112,860
Third - SAIL (Assumption)	FHFC	$4,947,342	$4,947,342	$10,016,905	3.259%	$241,851
Fourth - SAIL (Assumption)	FHFC	$4,859,741	$4,859,741	$0	0.000%	$0
Bridge Loan	BFIM	$0	$0	$3,200,000	0.000%	$0
HC Equity	BFIM	$11,350,000	$8,173,000	$2,000,000		
Additional Equity-NOI	Southport	$0	$0	$760,181		
Deferred Developer Fee	Southport	$5,233,877	$3,675,180	$6,468,114		
Total		**$48,250,701**	**$45,655,263**	**$46,445,200**		**$354,711**

Tax Exempt MMRB:

The Applicant applied for $17,000,000 in tax-exempt bonds to be issued by Florida Housing for the acquisition and rehabilitation of this Development but subsequently increased the request to $24,000,000. A taxable first mortgage in favor of Freddie Mac or its DUS Lender, Oak Grove ("Freddie Mac/Oak Grove") in the amount of $17,000,000 will be used to partially cash collateralize the tax-exempt MMRB (see discussion below). The taxable mortgage will require payments of interest only for the first twelve (12) to eighteen (18) months at 5.230% followed by amortization on a 35-year schedule. Interest on the taxable mortgage will be paid from NOI currently estimated at $760,181 for the entire eighteen (18) month MMRB term.

Rehabilitation period debt service for the tax-exempt bonds is calculated based upon a fixed interest rate of 0.55%. Issuer, Servicing, Compliance and Trustee fees on the MMRB will be paid from net operating income ("NOI") during the rehabilitation / stabilization phase until the MMRB are redeemed. The MMRB will be dated November 1, 2014 with interest accruing from the closing date, currently anticipated to be on or before November 26, 2014. The bonds and the requisite documents/agreements will be subordinate to the Freddie Mac/Oak Grove first mortgage.

MMRB Cash Collateralization:

The MMRB are anticipated to be secured by a cash source at all times.

The MMRB will be cash collateralized by funds held in escrow by the Trustee. As each dollar of tax exempt MMRB proceeds is disbursed to pay project costs, an equal amount of "replacement proceeds" must be simultaneously deposited in escrow with the Trustee to insure the MMRB remain 100% cash collateralized at all times. It is noted that the Freddie Mac/Oak Grove proposal states the MMRB cannot be secured by any interest in the development, the Applicant/Borrower, or by any membership interest in the Applicant/Borrower; however, pursuant to Chapter 67-21, F.A.C., the MMRB must be secured by a mortgage and Freddie Mac/Oak Grove has verbally agreed, subject to Freddie Mac approval, that the MMRB loan may be in second lien position and secured by a mortgage. Upon completion of the scheduled improvements and the Placed in Service Date, the MMRB are anticipated to be redeemed. The MMRB maturity date is currently projected to be June 1, 2016 (approximately 18 months from projected closing); however, the MMRB may be redeemed on any date on or after December 1, 2015 (approximately 12 months from projected closing).

In addition to the $17,000,000 Freddie Mac/Oak Grove first mortgage, $7,000,000 of the $10,200,000 Bridge loan (see Permanent Financing Section below) will also be used to cash collateralize the MMRB during construction.

Other Construction Sources of Funds:

Additional sources of funds for this development during rehabilitation are an assumed and renegotiated SAIL loan in the approximate amount of $10,016,905, a bridge loan in the amount of $10,200,000; housing credit equity of $2,000,000, NOI in the amount of $760,181 and deferred developer fees. See the Permanent Financing section below for further details. The bridge loan will bear interest of 0.00% interest, will not be subject to an origination fee and will be converted to equity as a portion of the 2nd equity installment after rehabilitation is 100% complete and the development is placed in service.

Construction/Stabilization Period:

The subject's renovation will be conducted with its existing tenants in place and little turnover is anticipated. The property is currently reporting an occupancy rate of 96.22%. Due to the fact that the current set asides will remain the same and the rents will decrease, the appraiser conservatively projects a stabilized physical occupancy of 97% post renovation. The construction contract requires substantial completion of the rehabilitation within 18 months based on the maximum term of the MMRB.

Permanent Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt
First Mortgage	Freddie Mac/Oak Grove	$17,000,000	$17,000,000	$17,000,000	5.230%	35	14.5	$1,059,679
Second - SAIL (Assumption)	FHFC	$4,947,342	$4,947,342	$10,016,905	3.259%	N/A	15	$161,219
Third		$4,859,741	$4,859,741	$0	0.000%	0	0	$0
HC Equity	BFIM	$14,645,535	$15,173,000	$15,173,000				
Def Developer Fee	Southport	$1,938,342	$3,675,180	$4,255,295				
Total		**$43,390,960**	**$45,655,263**	**$46,445,200**				**$1,220,898**

Taxable First Mortgage:

The Applicant has submitted a proposal dated October 3, 2014, from Oak Grove for financing by providing a fixed rate taxable loan through the Freddie Mac Multifamily Affordable Housing DUS Loan program. The loan amount is based on pro forma NOI, and subject to a minimum as-rehabilitated, as-stabilized appraised value of $20,000,000, an 85% loan to value, an 85% loan to cost, and a minimum 1.15 debt service coverage. The loan has a construction/permanent term of 16 years and will be amortized over a 35–year schedule. The interest rate will be fixed at closing. For purposes of the MMRB/HC underwriting, SMG has utilized an “all-in” interest rate equal to the ten-year treasury rate of 2.55% plus investor spread of 2.50%, and Oak Grove Servicing fees of 0.15% plus Trustee fees of 0.03% totaling 5.230%**.** Other fees payable at closing include a construction monitoring fee of $15,000, an Oak Grove legal counsel fee of $27,500, a Freddie Mac 0.10% application fee, a construction loan commitment fee of 0.75% of the loan and a permanent loan commitment fee of 0.75% of the loan. The permanent loan will be secured by a first mortgage lien on the Crossings at Indian Run development and a first security interest in all personalty of the development.

As previously noted, upon completion of the scheduled improvements and the Placed in Service Date, the MMRB are anticipated to be redeemed. The Applicant projects that it will redeem the MMRB in full at or prior to permanent conversion. Therefore, the interest rate shown above for the permanent period does not include any FHFC Issuer fees, Servicer fees or Compliance fees. However, Compliance fees are still due, and in the event the MMRB are redeemed and the Loan paid in full prior to the end of the development’s Qualified Project Period (“QPP”), Applicant shall pay to FHFC the full amount of the compliance monitoring fees due through the end of the QPP and the HC affordability period. The HC compliance monitoring fee will be calculated using the fee schedule in effect at the time the fee is paid, and FHFC will make payment to the Compliance Monitoring Agent.

SAIL Loan:

Based upon a letter dated September 16, 2014 from Florida Housing, Applicant will assume the existing SAIL debt and accrued interest of the Development. The terms of the assumed SAIL are expected to be a loan balance of approximately $10,016,905 which includes the existing SAIL principal balance of $4,947,342 plus accrued interest in the amount of $5,069,563. Interest shall be payable subject to 75% of available cash flow (Freddie Mac requirement) at 3.00% interest plus fees for a total “all in” interest rate of 3.259% only on the $4,947,342 principal balance component. Interest shall accrue at 0% on the accrued interest component and no principal payments shall be due until maturity. Applicant will be required to pay all of the accrued 3% base interest in the current estimated amount of $968,715.32 at closing. The term of the assumed SAIL loan will be coterminous with the term of the senior first mortgage plus six months. The principal and unpaid interest is due at maturity. The SAIL LURA term will be extended for the same number of years as the SAIL mortgage or 50 years from closing. The SAIL LURA will be subordinated to the Freddie Mac/Oak Grove loan. An assumption fee of 1/10 of 1% and a renegotiation fee of ½ of 1% of the loan principal balance will be due at closing.

Housing Credits Equity Investment:

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

Based upon an October 2, 2014 proposal**,** Boston Financial Investment Management, LP ("BFIM"), or an affiliate, will provide HC equity as follows:

Capital Contributions	Amount	Percent of Total	When Due
1st Installment	$2,000,000	13.2%	Closing
2nd Installment	$12,973,000	85.5%	Later of (i) 100% initial qualified occupancy confirmed by resident file review; (ii) final closing; (iii) tax credit determination; or (iv) 2/28/2016
3rd Installment	$200,000	1.3%	Later of stabilization , receipt of 8609s and 4/1/2016
Total	$15,173,000	100%	

Annual Tax Credits per Syndication Agreement: $1,568,451

Total HC Syndication: $15,682,942

Syndication Percentage (limited partner interest): 99.990%

Calculated HC Exchange Rate (per dollar): $0.9675

Proceeds Available During Construction: $2,000,000

Bridge Loan: $10,200,000

Proceeds Available During Construction Including Bridge Loan: $12,200,000

BFIM has committed to provide $1,900,000 of the $10,200,000 bridge loan plus the 1st installment of $2,000,000 at closing which complies with the requirement to provide 15% of equity at or prior to closing. The remaining $8,300,000 of the bridge loan will be provided during rehabilitation. The initial $7,000,000 in bridge loan proceeds will be used to cash collateralize the MMRB. The remaining bridge loan proceeds in the amount of $3,200,000 will be used to pay rehabilitation costs. The bridge loan will be converted to equity as a portion of the proceeds of the 2nd installment. The bridge loan will not be secured by a mortgage or other real property interest.

The above calculations are based upon the Applicant setting aside 100% of the units at 60% of AMI or less.

Other Permanent Sources of Funds:

The developer will have to defer $4,255,295 of developer fees for payment from development operations after all loan proceeds and capital contributions have been received.

Uses of Funds

CONSTRUCTION COSTS:		Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Accessory Buildings						
Demolition						
Installation of Pre Fab Units						
New Rental Units						
Off-Site Work						
Recreational Amenities						
Rehab of Existing Common Areas						
Rehab of Existing Rental Units		$7,000,000	$7,645,411	$7,645,411	$22,225	
Site Work						
Swimming Pool						
General Conditions			$152,908	$152,908	$445	
Overhead			$458,724	$458,724	$1,334	
Profit		$980,000	$458,724	$458,724	$1,334	
Builder's Risk Insurance						
General Liability Insurance						
Payment and Performance Bonds						
Furniture, Fixture, & Equipment						
Total Construction Contract/Costs		$7,980,000	$8,715,767	$8,715,767	$25,337	$0
Hard Cost Contingency		$1,188,000	$764,541	$764,541	$2,223	
Fees for LOC used as Construction Surety						
Other:	Payment and Performance Bonds		$165,000	$165,000	$480	
Other:						
Other:						
Other:						
Other:						
	Total Construction Costs:	**$9,168,000**	**$9,645,308**	**$9,645,308**	**$28,039**	**$0**

Notes to the Actual Construction Costs:

1. Applicant has provided a construction contract between the Applicant and Vaughn Bay Construction, Inc., where the basis for payment is a Stipulated Sum in the amount of $8,715,767. The date of commencement shall be November 30, 2014. The contract requires the contractor to achieve substantial completion of the entire work not later than December 31, 2015. Retainage is limited to 10% until 50% completion. Final payment will be made when the contract has been fully performed and the Architect has submitted a final application for payment. The Owner’s final payment to the Contractor shall be made no later than 30 days after the issuance of the Architect’s final Certificate of Payment. Payments due and unpaid under the contract will bear interest from the date payment is due at the rate of 6% per annum, or in the absence thereof, at the legal rate prevailing from time to time at the place where the Development is located.
2. General contractor fees are within the 14% maximum per Rule.

3. The Hard Cost Contingency for this development is equal to or less than 15% of the construction hard costs.
4. Payment and Performance Bonds are paid outside of the GC Contract.
5. Oak Grove ordered a Capital Needs Assessment from Orange Consulting, LLC ("Orange"). Complete results are set forth in Section C of this credit underwriting report. A Pre-Construction Plan and Cost Review/Analysis ("PCA") was ordered from Orange by Oak Grove and its results are also set forth in Section C. hereof.

GENERAL DEVELOPMENT COSTS:		Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Accounting Fees		$25,000	$40,000	$40,000	$116	
Appraisal		$10,000	$11,000	$11,000	$32	
Architect's and Planning Fees						
Architect's Fee - Green Initiative						
Architect's Fee - Landscape						
Architect's Fee - Site/Building Design		$135,000	$120,000	$120,000	$349	
Architect's Fee - Supervision		$20,000	$25,000	$25,000	$73	
Building Permits		$95,000	$100,000	$100,000	$291	
Builder's Risk Insurance		$50,000	$17,405	$17,405	$51	
Capital Needs Assessment/Rehabilitation						
Demolition paid outside Const Contract						
Engineering Fees						
Environmental Report		$35,000	$29,784	$29,784	$87	
Federal Labor Standards Monitoring						
FF&E paid outside Construction Contract						
FHFC Administrative Fees		$77,056	$138,394	$134,442	$391	$134,442
FHFC Application Fee		$3,500	$3,000	$3,000	$9	$3,000
FHFC Credit Underwriting Fee		$18,500	$17,845	$17,845	$52	
FHFC HC Compliance Fee (HC)			$187,016	$189,314	$550	$189,314
FHFC Other Processing Fee(s)						
Impact Fee						
Lender Inspection Fees / Const Admin		$20,000	$35,000	$35,000	$102	
Green Building Cert. (LEED, FGBC, NAHB)						
Home Energy Rating System (HERS)						
Insurance		$160,000	$174,066	$174,066	$506	$97,033
Legal Fees		$175,000				
Local Subsidy Underwriting Fee						
Market Study		$5,000	$5,000	$5,000	$15	
Marketing and Advertising		$50,000	$50,000	$50,000	$145	$50,000
Plan and Cost Review Analysis			$7,800	$7,800	$23	
Property Taxes		$50,000	$150,000	$150,000	$436	$87,500
Soil Test						
Start-Up/Lease-up Expenses						
Survey		$20,000	$20,000	$20,000	$58	
Tenant Relocation Costs						
Title Insurance and Recording Fees		$120,000	$150,000	$150,000	$436	$15,000
Traffic Study						
Utility Connection Fees						
Soft Cost Contingency			$50,000	$50,000	$145	
Other:	Capital Needs Assessment	$10,000				
Other:	Mold Report		$375	$375	$1	
Other:	Zoning Report		$540	$540	$2	
Other:						
Other:						
Total General Development Costs:		**$1,079,056**	**$1,332,225**	**$1,330,571**	**$3,868**	**$576,289**

Notes to the General Development Costs:

1. The FHFC Administrative Fee is based on 8% of the recommended annual allocation of HC. The FHFC Application Fee is reflective of the 2013 Non-Competitive application fee. The FHFC Underwriting Fee reflects $17,845 for the MMRB and HC underwriting. Compliance monitoring fees reflect the fees due for the remaining QPP. The fees for the HC affordability period after the QPP ending date for the new 4% HC will be paid prior to receiving Forms 8609.
2. Existing properties undergoing rehabilitation with minimal new construction do not typically require impact fees, utility connection fees, or soil tests.
3. The Applicant anticipates property taxes and property insurance during renovation to be paid from operations; however, shows the capitalized portion as a development use.
4. The Applicant anticipates rehabilitation to occur with tenants remaining in place with minimal turnover, therefore, no tenant relocation budget is provided. However, the scope of work contains a notation that the construction contract will include labor to move furnishings. A gift card allowance in the amount of $13,760 is also included for the use of the residents. Each gift card will be in the amount of $40 to be used by a resident, if necessary, for a meal while the resident's kitchen is under renovation.
5. Soft cost contingency is less than the 15% allowed for rehabilitation.
6. Other General Development Costs are based on the Applicant's estimates, which appear reasonable.

FINANCIAL COSTS:		Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Construction Loan Application Fee						
Construction Loan Underwriting Fee						
Construction Loan Origination Fee		$180,000	$127,500	$127,500	$371	
Construction Loan Commitment Fee						
Construction Loan Closing Costs		$10,000	$10,000	$10,000	$29	
Construction Loan Interest		$500,000	$198,000	$760,181	$2,210	
Construction Loan Servicing Fees						
Permanent Loan Application Fee						
Permanent Loan Underwriting Fee						
Permanent Loan Subsidy Layering Review						
Permanent Loan Commitment Fee						
Permanent Loan Origination Fee		$180,000	$127,500	$127,500	$371	$127,500
Permanent Loan Closing Costs		$10,000	$10,000	$10,000	$29	$10,000
Permanent Loan Interest						
Permanent Loan Servicing Fee						
FHFC Bond Application Fee						
FHFC Bond Underwriting Fee						
FHFC Bond Subsidy Layering Review						
FHFC Bond Origination Fee						
FHFC Bond Commitment Fee						
FHFC Bond Trustee Fee						
FHFC Bond Credit Enhancement Fee		$24,000	$17,000	$17,000	$49	$8,500
FHFC Bond Rating Fee						
FHFC Bond Closing Costs (COI)			$269,191	$273,201	$794	$273,201
FHFC Bond Interest				$198,000	$576	
FHFC Bond Servicing Fee						
Negative Arbitrage						
Reserves - ACC Reserve						
Reserves - Operating Deficit			$680,000	$680,000	$1,977	$680,000
Reserves - Debt Service Coverage			$90,000	$90,000	$262	$90,000
Reserves - Required by Lender						
Reserves - Required by Syndicator						
Reserves - Required by FHFC						
Reserves - Replacement Escrow						
Financial Advisor Fee						
Legal Fees - Bond Counsel						
Legal Fees - Borrower's Counsel			$130,000	$130,000	$378	
Legal Fees - Issuer's Counsel			$20,000			
Legal Fees - Lender's Counsel			$27,500	$27,500	$80	$13,750
Legal Fees - Underwriter's Counsel						
Other:	SAIL assumption fee		$4,947	$4,947	$14	$4,947
Other:	SAIL renegotiation fee		$24,737	$24,737	$72	$24,737
Other:	FHFC Short Term Bond Fee			$74,400	$216	
	Total Financial Costs:	**$904,000**	**$1,736,375**	**$2,554,966**	**$7,427**	**$1,232,635**

Notes to the Financial Costs:

1. Construction Loan Interest is the interest anticipated to be paid through NOI during the construction period for the $17,000,000 taxable Freddie Mac/Oak Grove first mortgage. Applicant has included an additional construction loan interest reserve for payment of the MMRB interest. Seltzer has moved this interest to FHFC Bond Interest.
2. The Construction Loan Commitment Fee is 0.75% of the loan amount per the Oak Grove proposal.
3. The Permanent Loan Commitment Fee is 0.75% of the loan amount per the OGC proposal. Freddie Mac also charges a 0.10% application fee which is reflected as the FHFC Bond Credit Enhancement fee.
4. Bond Closing Costs ("COI") include, but are not limited to, fees and expenses of the Issuer, Real Estate Counsel, Bond Counsel, Disclosure Counsel, and the Trustee as well as the Fiscal Sufficiency Determination, and TEFRA fees.
5. FHFC Bond interest represents the Borrower's anticipated interest amount payable on the $24,000,000 MMRB for eighteen (18) months.
6. The Operating Deficit Reserve of $680,000 is required by the HC Investor to be paid from the equity installment payable after rental achievement, permanent loan conversion and Forms 8609. The reserve will be held by BFIM throughout the HC compliance period.
7. Reserves –Debt Service Coverage represents the amount required by Oak Grove.
8. Estimated amounts to be deposited into the Tax and Insurance Escrow accounts at closing as required by OGC are included in the Insurance and property tax line items under General Development costs above.
9. A SAIL assumption fee of one-tenth of one percent of the existing SAIL loan principal balance plus a renegotiation fee of one-half of one percent of the existing SAIL loan principal balance.

NON-LAND ACQUISITION COSTS		Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Brokerage Fees - Building						
Building Acquisition Cost (Cash)		$24,959,904	$25,723,305	$14,704,023	$42,744	
Other:	SAIL Interest to be paid (3%)			$968,715	$2,816	
Other:	SAIL loan (assumption)			$10,016,905	$29,119	
Other:						
Total Non-Land Acquisition Costs:		**$24,959,904**	**$25,723,305**	**$25,689,643**	**$74,679**	**$0**

Notes to the Non-Land Acquisition Costs:

1. The Applicant submitted a Purchase and Sale Agreement (the "PSA") between Indian Run Limited Partnership, a Florida limited partnership, as Seller, and Southport Financial Services, Inc., a Washington corporation, as Purchaser, dated June 26, 2014. The PSA provides for the purchase of Crossings at Indian Run (344 units) for a purchase price equal to:
   - The cash purchase comprised of:

  - The outstanding principal balance of the current first mortgage loan from Amerisphere Multifamily Finance, L.L.C. ("Amerisphere") as of the closing date; plus
  - Four million one hundred thousand dollars ($4,100,000)
- Plus the non-cash purchase
  - The outstanding principal balance of the existing second mortgage SAIL together with all interest accrued thereon as of the closing date.

The PSA specifies a closing date on or before October 31, 2014. The PSA also contains a provision allowing extension of the closing date by Buyer to November 30, 2014 upon written notice to the seller accompanied by payment of a $100,000 extension deposit to be paid on or before five (5) days prior to the initial closing date. The extension payment is nonrefundable when paid and shall be credited toward the purchase price. The Buyer has exercised the extension.

An Assignment and Assumption of Purchase and Sale Agreement dated September 8, 2014 assigns to the Applicant, SP Crossings LLC, all right, title and interest in the PSA and Applicant accepts all obligations thereunder.

The appraisal estimated a current "as is" value of the property and improvements using restricted HC rents of $26,300,000, which supports the purchase price.

2. The appraisal estimated the "as if vacant" market value of the land at $1,000,000. The Martin County Property Appraiser website lists the land value as $4,300,000. The "as is" value subject to market conditions is $45,700,000, resulting in a discounting value of 0.5747123632. This percentage has been applied to the total purchase price, to determine the allocated land value of $574,712. Subtracting the allocated land value from the purchase price results in a total non-land acquisition price of $25,689,643, which Seltzer has apportioned among cash, SAIL interest and SAIL assumption to reflect the intent of the Purchase and Sale Agreement. The appraiser advises that the sales price is not based on the market value of the Development and any change to the purchase price will not affect the appraised value. Should the sales price increase to an amount in excess of value, the excess will be paid from developer fee. Seltzer's recommendation is based on receipt and satisfactory review, prior to loan closing, of the actual payoff of the SAIL for the purpose of establishing the actual sales price.
3. The non-land acquisition price is comprised of the cash component and a non-cash component as described in one above. The non-cash component is comprised of Other: SAIL interest to be paid (3%) and Other: SAIL loan assumption.

OTHER DEVELOPMENT COSTS		Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Development Cost Before Developer Fee and Land Costs		$36,110,960	$38,437,213	$39,220,488	$114,013	$1,808,924
Developer Fee on Acquisition of Buildings						
Developer Fee		$6,280,000	$6,650,000	$6,650,000	$19,331	
Reserve						
Other:	Brokerage Fees - Land					
	Consultant Fees					
	Excess Acquisition Costs					
	Excess Land Value					
	Guaranty Fees					
Other:						
	Total Other Development Costs:	**$6,280,000**	**$6,650,000**	**$6,650,000**	**$19,331**	**$0**

Notes to the Other Development Costs:

1. Developer Fees shown above are within the Rule for tax exempt bond transactions.

LAND ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Brokerage Fees - Land					
Land Acquisition Costs					
Land	$1,000,000	$568,050	$574,712	$1,671	$574,712
Land Lease Payment					
Land Carrying Costs					
Other:					
Total Acquisition Costs:	**$1,000,000**	**$568,050**	**$574,712**	**$1,671**	**$574,712**

Notes to the Land Acquisition Costs:

1. As noted above in the Notes to the Non-Land Acquisition Costs, the allocated land value is $574,712.

TOTAL DEVELOPMENT COSTS:	**$43,390,960**	**$45,655,263**	**$46,445,200**	**$135,015**	**$2,383,636**

Operating Pro forma

	OPERATING PRO FORMA			ANNUAL	PER UNIT
INCOME	Gross Potential Rental Income			$2,886,240	$8,390
	Rent Subsidy (ODR)			$0	$0
	Other Income:				
		Ancillary Income-Parking		$0	$0
		Miscellaneous		$318,200	$925
		Washer/Dryer Rentals		$0	$0
		Cable/Satellite Income		$0	$0
		Rent Concessions		$0	$0
		Alarm Income		$0	$0
	Gross Potential Income			$3,204,440	$9,315
	Less:				
		Economic Loss - Percentage:		$0	$0
		Physical Vacancy Loss - Percentage:	3.0%	($96,133)	($279)
		Collection Loss - Percentage:	1.0%	($32,044)	($93)
Total Effective Gross Revenue				$3,076,262	$8,943
EXPENSES	Fixed:				
		Ground Lease		$0	$0
		Sub-Ground Lease		$0	$0
		Real Estate Taxes		$277,568	$807
		Insurance		$154,800	$450
		Other		$0	$0
	Variable:				
		Management Fee - Percentage:	5.0%	$153,813	$447
		General and Administrative		$137,600	$400
		Payroll Expenses		$404,600	$1,176
		Utilities		$281,456	$818
		Marketing and Advertising		$0	$0
		Maintenance and Repairs		$146,200	$425
		Grounds Maintenance and Landscaping		$120,400	$350
		Resident Programs		$0	$0
		Contract Services		$0	$0
		Security		$0	$0
		Other-Painting & Decorating		$0	$0
	Reserve for Replacements			$103,200	$300
Total Expenses				$1,779,637	$5,173
Net Operating Income				$1,296,625	$3,769
Debt Service Payments					
DEBT SERVICE		First Mortgage		$1,059,679	$3,080
		Second Mortgage		$161,219	$469
		Third Mortgage		$0	$0
		Fourth Mortgage		$0	$0
		Fifth Mortgage		$0	$0
		All Other Mortgages		$0	$0
		Other Fees		$0	$0
		Other Fees		$0	$0
Total Debt Service Payments				$1,220,898	$3,549
Cash Flow After Debt Service				$75,727	$220

Debt Service Coverage Ratios	
DSC - First Only (incl. Negative Arbitrage)	1.224
DSC - First and Second	1.062
DSC - First, Second and Third	1.062
DSC - First, Second, Third, and Fourth	1.062
DSC - First, Second, Third, Fourth, and Fifth	1.062
DSC - All Other Mortgages	1.062
DSC - All Mortgages and Fees	1.062

Financial Ratios	
Operating Expense Ratio	57.9%
Break-Even Ratio	93.6%

Notes to the Operating Pro forma and Ratios:

1. The MMRB and SAIL programs do not impose any rent restrictions. However, this development will be utilizing Housing Credits in conjunction with the tax exempt bond and SAIL financing, which will impose rent restrictions. The rent schedule is based upon the 2014 maximum HC restricted rents published by Florida Housing less utility allowances as required by the HC Program based on the most current utility allowance letters from the respective utility providers plus a utility allowance chart from the Stuart Housing Authority effective as of April 2014. The utility allowance reflects the resident paying electricity and water and the Applicant paying sewer, trash disposal and pest control. No manager/employee units are anticipated. The rent roll is shown below:

MSA/County: Port Saint Lucie MSA / Martin

Bed Rooms	Bath Rooms	Units	Square Feet	AMI%	Gross HC Rent	Low HOME Rents	High HOME Rents	Utility Allow	RD/HUD Cont Rents	Net HC Rent	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
1.0	1.0	72	731	60%	$641			$86		$555	$555	$555	$555	$479,520
2.0	2.0	96	953	60%	$769			$97		$672	$672	$672	$672	$774,144
3.0	2.0	40	1072	60%	$888			$115		$773	$773	$773	$773	$371,040
3.0	2.0	136	1031	60%	$888			$115		$773	$773	$773	$773	$1,261,536
		344	**327216**											**$2,886,240**

2. Miscellaneous income includes vending income, late fees, pet deposits, and forfeited security deposits as well as additional rent income in the form of option packages. Washer/ dryer hookups are provided in the units and washer/ dryer rentals are offered to residents from the Landlord and included in the various option packages. The Landlord has a bulk purchase agreement with the cable television provider and this service is offered to residents in the various option packages. Therefore, individual other income estimates for these services were not projected by the appraiser. Miscellaneous Income is based on the Appraiser's estimate of $925 per unit per year.

3. The appraiser estimates a vacancy rate of 3% and collection loss of 1% and stabilized occupancy of 97% excluding collection loss which is utilized herein for underwriting purposes.

4. Real estate tax expense is based on the appraiser's estimate. It is noted that they are higher than historical assessments due to the sale of the property to a new owner resulting in a loss of the 10% per year cap on tax increases for non-homestead properties.

5. Management Fees of 5% are based upon the Property Management Agreement effective October 1, 2014 between Applicant and Cambridge Management, Inc. The management fee is limited to 5% by the BFIM commitment.
6. The cost of Resident Programs are included in the General and Administrative line item.
7. Other operating expense estimates are based on either market comparables or historical operations at the Subject and are supported by the appraisal.
8. 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, consistent with Florida Housing's 4% HC requirements. Per the BFIM proposal, replacement reserves will be $300 per unit per year to be increased annually by 3%.
9. A 15-year income and expense projection shows increasing debt service coverage. This projection is attached to this report as Exhibit 1.

Section B

Loan Conditions

HC Allocation Recommendation and Contingencies

Special Conditions

This recommendation is contingent upon the review and approval of the following items by SMG and Florida Housing and its legal counsel at least 30 days prior to real estate loan closing. Failure to receive approval of these items within this time frame may result in postponement of the bond pricing date. For competitive bond sales, these items must be reviewed and approved prior to issuance of the Notice of Bond Sale.

1. Final inspection and approval by the City of Stuart Development Department of the Administrative Variance restorative work requirements
2. The actual payoff of the first mortgage and the second mortgage for the purpose of establishing the actual sales price
3. Receipt of a non-refundable assumption fee equal to one-tenth of one percent of the existing SAIL principal amount on the date of the SAIL closing.
4. Receipt of a non-refundable renegotiation fee equal to one-half of one percent of the existing SAIL principal amount on the date of the SAIL closing.
5. The SAIL LURA will be extended for the same number of years as the SAIL Note or fifty (50) years total from the closing of this refinancing.
6. Payment of all base accrued and unpaid interest currently outstanding on the existing SAIL at closing.

General Conditions

This recommendation is contingent upon the review and approval of the following items by SMG and Florida Housing at least 30 days prior to real estate loan closing. Failure to receive approval of these items within this time frame may result in postponement of the bond pricing date. For competitive bond sales, these items must be reviewed and approved prior to issuance of the Notice of bond Sale.

1. Borrower to comply with any and all recommendations noted in the capital needs assessment and in the plan and cost review
2. Signed and sealed survey, dated within 90 days of closing, unless otherwise approved by Florida Housing, and its legal counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to Florida Housing and its legal counsel, as well as the title insurance company, and shall indicate the legal description, exact boundaries of the Development, easements, utilities, roads, and means of access to public streets, total acreage and flood hazard area, and any other requirements of Florida Housing.
3. Building permits and any other necessary approvals and permits (e.g., final site plan approval, water management district, Department of Environmental Protection, Army Corps of Engineers, Department of Transportation, etc.). Acceptable alternatives to this requirement are receipt and satisfactory review of a letter from the local permitting and approval authority that the above referenced permits and approvals will be issued upon receipt of applicable fees (with no other conditions), or evidence of 100% lien-free completion, if applicable. If a letter is provided, copies of all permits will be required as a condition of the first post-closing draw.

4. Final "as permitted" (signed and sealed) Civil Engineering Plans, Architectural Site Plan and Building Plans and Specifications. The Geotechnical Report must be bound within the final Plans and Specifications. The final Plans and Specifications shall reflect all Features/Amenities committed to by Applicant/Borrower.
5. Final sources and uses of funds itemized by source and line item, in a format and in amounts approved by the Servicer. A detailed calculation of the construction interest based on the final draw schedule (see below), documentation of the closing costs, and draft loan closing statement must also be provided. The sources and uses of funds schedule will be attached to the Loan Agreement as the approved development budget.
6. A final construction draw schedule showing itemized sources and uses of funds for each monthly draw. MMRB Program Loan Proceeds shall be disbursed pro rata with other funding sources during the construction or rehabilitation phase, unless otherwise approved by the Credit Underwriter. The closing draw shall include appropriate backup and ACH wiring instructions.
7. During construction / rehabilitation, the developer is only allowed to draw a maximum of 50% of the total developer fee, but in no case 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 the "developer's overhead" will be disbursed during construction / rehabilitation on a pro rata basis, based on the percentage of completion of the development, as approved and reviewed by FHFC and Servicer. The remaining unpaid developer fee shall be considered attributable to "developer's profit" and may not be funded until the development has achieved 100% lien free completion, and retainage has been released.
8. Evidence of general liability, flood (if applicable), builder's risk and replacement cost hazard insurance (as certificates of occupancy are received) reflecting Florida Housing as Loss Payee / Mortgagee, with coverages, deductibles and amounts satisfactory to Florida Housing.
9. If the development is not 100% lien-free completed, 100% Payment and Performance ("P&P") Bonds 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 the general contractor and the Borrower. In either case, Florida Housing must be listed as co-obligee, when possible. The P&P bonds must be from a company rated at least "A-"by A.M. Best & Co. with a financial size category of at least FSC VI. Florida Housing and/or legal counsel must approve the source, amount(s) and all terms of the P&P bonds 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.
10. Architect, Construction Consultant, and Borrower certifications on forms provided by Florida Housing will be required for both design and as-built with respect to Section 504 of the Rehabilitation Act, the Americans with Disabilities Act, and Federal Fair Housing Act requirements, as applicable.
11. A copy of an Amended and Restated Limited Partnership Agreement reflecting purchase of the HC under terms consistent with the assumptions contained within this Credit Underwriting Report. The Amended and Restated Limited Partnership Agreement shall be in a form and of financial substance satisfactory to Servicer and to FHFC and its Legal Counsel.

12. Assignment and Assumption of the existing SAIL and SAIL Land Use Restriction Agreement (97S-003) on the property, which will be subordinate to the MMRB loan and first mortgage, if required, and will be amended to incorporate the Freddie Mac rider, as required.
13. Satisfactory resolution of any outstanding past due or noncompliance notices applicable to the development team by closing of the loan(s).
14. Prepayment of any required 4% Housing Credit, SAIL or MMRB compliance monitoring fees, if any.
15. Assignment and assumption of the existing ELIHA and current MMRB LURA on the property, if any. The existing ELIHA and MMRB LURA will be subordinated to the Freddie Mac/Oak Grove mortgage.

This recommendation is contingent upon the review and approval of the following items by Florida Housing and its legal counsel <u>at least 30 days prior to real estate loan closing</u>. Failure to receive approval of these items within this time frame may result in postponement of the bond pricing date. For competitive bond sales, these items must be reviewed and approved prior to issuance of the Notice of Bond Sale.

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 Applicant, the guarantors, and any limited partners of the Applicant.
2. Signed and sealed survey, dated within 90 days of closing, unless otherwise approved by Florida Housing, and its legal counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to Florida Housing and its legal counsel, as well as the title insurance company, and shall indicate the legal description, exact boundaries of the Development, easements, utilities, roads, and means of access to public streets, total acreage and flood hazard area, and any other requirements of Florida Housing.
3. An acceptable updated Environmental Audit Report, together with a reliance letter to Florida Housing, prepared within 90 days of closing, unless otherwise approved by Florida Housing, and legal counsel, based upon the particular circumstances of the transaction. Borrower to comply with any and all recommendations noted in the Environmental Assessment(s) and Update and the Environmental Review, if applicable.
4. Title insurance pro-forma or commitment for title insurance with copies of all Schedule B exceptions, in the amount of the MMRB 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 Loans have been satisfied.
6. Evidence of general liability, flood (if applicable), builder's risk, and replacement cost hazard insurance (as certificates of occupancy are received) reflecting Florida Housing as Loss Payee / Mortgagee, with coverages, deductibles and amounts satisfactory to Florida Housing.
7. Receipt of a legal opinion from the Applicant's legal counsel acceptable to Florida Housing addressing the following matters:

a. The legal existence and good standing of the Borrower and of any partnership or limited liability company that is the general partner of the Borrower (the "GP") and of any corporation or partnership that is the managing general partner of the GP, of any corporate guarantor and any manager.;
b. Authorization, execution, and delivery by the Borrower and the guarantors, of all Loan documents;
c. The Loan documents being in full force and effect and enforceable in accordance with their terms, subject to bankruptcy and equitable principles only;
d. The Borrower's and the guarantor's execution, delivery and performance of the loan documents shall not result in a violation of, or conflict with, any judgments, orders, contracts, mortgages, security agreements or leases to which the Borrower is a party or to which the Development is subject to the Borrower’s Partnership Agreement and;
e. Such other matters as Florida Housing or its legal counsel may require.

8. Evidence of compliance with local concurrency laws, as applicable.
9. UCC Searches for the Borrower, its partnerships, as requested by counsel.
10. Any other reasonable conditions established by Florida Housing and its legal counsel.

Additional Conditions

This recommendation is also contingent upon the following additional conditions:

1. Compliance with all provisions of Sections 420.507, 420.509 and 420.5089 Florida Statutes, Rule Chapter 67-21, F. A. C. (MMRB Program Loan and Non-Competitive Housing Credits), Sections 420.507(22) and 420.5087, Florida Statutes, Rule Chapter 67-53, F.A.C., Section IRC (Housing Credits), Rule Chapter 67-48, F.A.C. (SAIL Program) and any other State and Federal requirements.
2. Acceptance by the Borrower and execution of all documents evidencing and securing the MMRB Loan 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), and the Land Use Restriction Agreement(s), and existing Extended Low Income Housing Agreements
3. If MMRB funds are used for construction or rehabilitation, all amounts necessary to complete construction must be deposited with the Bond Trustee prior to Loan Closing, or any phased pay-in of amount necessary to complete construction shall be contingent upon an unconditional obligation, through a Joint Funding Agreement or other mechanism acceptable to Florida Housing, of the entity providing HC Equity payments or bridge loan proceeds (and evidence that 100% of such amount is on deposit with such entity at Loan Closing) to pay, regardless of any default under any documents relating to the HC as long as the MMRB Mortgage continues to be funded.
4. If applicable, receipt and satisfactory review of Financial Statements from all Guarantors dated within 90 days of Real Estate Closing.
5. If applicable, Guarantors are to provide the standard FHFC Construction Completion Guarantee, to be released upon lien free completion as approved by the Servicer.
6. Guarantors are to provide the standard FHFC Operating Deficit Guarantee to be released upon achievement of an average 1.15 DSC on the combined First Mortgage, Second Mortgage (MMRB

Program Loan) and SAIL loan as determined by FHFC or its agent, 90% Occupancy and 90% of Gross Potential Rental Revenue net of utility allowances, if applicable, all for twelve (12) consecutive months certified by an independent Certified Public Accountant ("CPA") and verified by the credit underwriter. The calculation of the debt service shall be made by FHFC or its agent. Notwithstanding the above, the Operating Deficit Guarantee shall not terminate earlier than three years following the final certificate of occupancy.

7. Guarantors are to provide the standard FHFC Environmental Indemnity.

8. Guarantors are to provide the standard FHFC Guaranty of Recourse Obligations.

9. A mortgagee title insurance lender's policy naming Florida Housing and the Trustee as the insured second mortgage holder in the amount of the Loan is to be issued immediately after closing. Any exceptions to the title insurance policy must be acceptable to Florida Housing or its legal counsel. All endorsements that are required by FHFC are to be issued and the form of the title policy must be approved prior to closing.

10. Property tax and hazard insurance escrows are to be established and maintained by the First Lender or the Servicer. In the event the reserve account is held by Florida Housing's loan servicing agent, the release of funds shall be at Florida Housing's sole discretion.

11. 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(s) servicing agent. However, Applicant has the option to prepay Replacement Reserves, as allowed per Rule 67-21 F.A.C., in the amount of $103,200 (one-half of the required Replacement Reserves for Years 1 and 2), in order to meet the applicable DSC loan requirements. Applicant can waive this election, if at closing of the loan(s), the required DSC is met without the need to exercise the option. It is currently estimated that Replacement Reserves will be funded from Operations in the amount of $300 per unit per year for years 1 and 2, followed by $300 per unit per year thereafter. The initial replacement reserve will have limitations on the ability to be drawn. Rehabilitation Developments (with or without acquisition) shall not be allowed to draw until the start of the scheduled replacement activities as outlined in the pre-construction capital needs assessment ("CNA") report subject to the activities completed in the scope of rehabilitation, but not sooner than the third year. The amount established as a replacement reserve shall be adjusted based on a CNA to be received by the Corporation or its servicers, prepared by an independent third party and acceptable to the Corporation and its servicer at the time the CNA is required, beginning no later than the tenth year after the first residential building in the development receives a certificate of occupancy, a temporary certificate of occupancy, or is placed in service, whichever is earlier ("initial replacement reserve date"). A subsequent CNA is required no later than the 15th year after the initial Replacement Reserve Date and subsequently every five (5) years thereafter consistent with Florida Housing's 4% HC requirement. Per the Oak Grove proposal, replacement reserves will be no less than what is required in the Limited Partnership Agreement or Regulatory Agreement. Per the BFIM proposal, replacement reserves will be $300 per unit per year to be increased annually by 3%.

12. Orange Consulting, LLC or other construction inspector acceptable for Florida Housing, is to act as Florida Housing's inspector during the construction period.

13. A minimum of 10% retainage holdback on all construction draws until the Development is 50% completed, and 0% retainage thereafter is required. Retainage will not be released until successful completion of construction and issuance of all certificates of occupancy.
14. Satisfactory completion of a pre-loan closing compliance audit conducted by Florida Housing or its Servicer, if applicable.
15. Payment of any outstanding arrearages to the Corporation, its legal counsel, Servicer or any agent or assignee of the Corporation for past due issues applicable to the development team (Applicant or Developer or Principal, Affiliate or Financial Beneficiary, as described in 67-21.0025 (5) and 67-48.0075 (5) F.A.C., of an Applicant or Developer.
16. Any other reasonable requirements of the Servicer, Florida Housing or its legal counsel.

Housing Credit Allocation Recommendation

Seltzer Management Group, Inc. recommends a preliminary annual Housing Credit allocation of $1,680,529. Please see the HC Allocation Calculation section of this report for further details.

Contingencies

The HC allocation recommendation is contingent upon the receipt and satisfactory review of the following items by SMG and the Florida Housing Finance Corporation by the deadline established in the Preliminary HC Allocation. Failure to submit these items within this time frame may result in forfeiture of the HC Allocation.

1. All items listed under the Special Conditions section of the Loan Conditions to Close.
2. Receipt and satisfactory resolution (as determined by FHFC) of any outstanding past due items or noncompliance issues according to the latest FHFC Past Due and/or Noncompliance Reports.
3. Any reasonable requirements of Florida Housing and/or SMG.

Exhibit 1
Crossings at Indian Run
15 Year Income and Expense Projection

FINANCIAL COSTS:		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
OPERATING PRO FORMA																
Gross Potential Rental Income		$2,886,240	$2,943,965	$3,002,844	$3,062,901	$3,124,159	$3,186,642	$3,250,375	$3,315,383	$3,381,690	$3,449,324	$3,518,310	$3,588,677	$3,660,450	$3,733,659	$3,808,332
Rent Subsidy (ODR)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Income:																
Ancillary Income-Parking		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Miscellaneous		$318,200	$324,564	$331,055	$337,676	$344,430	$351,319	$358,345	$365,512	$372,822	$380,278	$387,884	$395,642	$403,555	$411,626	$419,858
Washer/Dryer Rentals		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Cable/Satellite Income		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Rent Concessions		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Alarm Income		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Potential Income		$3,204,440	$3,268,529	$3,333,899	$3,400,577	$3,468,589	$3,537,961	$3,608,720	$3,680,894	$3,754,512	$3,829,602	$3,906,194	$3,984,318	$4,064,005	$4,145,285	$4,228,191
Less:																
Economic Loss - Percentage:																
Physical Vacancy Loss - Percentage:	3.0%	($96,133)	($98,056)	($100,017)	($102,017)	($104,058)	($106,139)	($108,262)	($110,427)	($112,635)	($114,888)	($117,186)	($119,530)	($121,920)	($124,359)	($126,846)
Collection Loss - Percentage:	1.0%	($32,044)	($32,685)	($33,339)	($34,006)	($34,686)	($35,380)	($36,087)	($36,809)	($37,545)	($38,296)	($39,062)	($39,843)	($40,640)	($41,453)	($42,282)
Total Effective Gross Revenue		$3,076,262	$3,137,788	$3,200,543	$3,264,554	$3,329,845	$3,396,442	$3,464,371	$3,533,659	$3,604,332	$3,676,418	$3,749,947	$3,824,946	$3,901,445	$3,979,473	$4,059,063
Fixed:																
Ground Lease		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sub-Ground Lease		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Real Estate Taxes		$277,568	$285,895	$294,472	$303,306	$312,405	$321,777	$331,431	$341,374	$351,615	$362,163	$373,028	$384,219	$395,746	$407,618	$419,847
Insurance		$154,800	$159,444	$164,227	$169,154	$174,229	$179,456	$184,839	$190,384	$196,096	$201,979	$208,038	$214,279	$220,708	$227,329	$234,149
Other		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Variable:																
Management Fee - Percentage:	5.0%	$153,813	$156,889	$160,027	$163,228	$166,492	$169,822	$173,219	$176,683	$180,217	$183,821	$187,497	$191,247	$195,072	$198,974	$202,953
General and Administrative		$137,600	$141,728	$145,980	$150,359	$154,870	$159,516	$164,302	$169,231	$174,308	$179,537	$184,923	$190,471	$196,185	$202,070	$208,132
Payroll Expenses		$404,600	$416,738	$429,240	$442,117	$455,381	$469,042	$483,114	$497,607	$512,535	$527,911	$543,749	$560,061	$576,863	$594,169	$611,994
Utilities		$281,456	$289,900	$298,597	$307,555	$316,781	$326,285	$336,073	$346,155	$356,540	$367,236	$378,253	$389,601	$401,289	$413,328	$425,727
Marketing and Advertising		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Maintenance and Repairs		$146,200	$150,586	$155,104	$159,757	$164,549	$169,486	$174,570	$179,808	$185,202	$190,758	$196,481	$202,375	$208,446	$214,700	$221,141
Grounds Maintenance and Landscaping		$120,400	$124,012	$127,732	$131,564	$135,511	$139,577	$143,764	$148,077	$152,519	$157,095	$161,808	$166,662	$171,662	$176,811	$182,116
Resident Programs		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Contract Services		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Security		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other-Pest Control		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Reserve for Replacements		$103,200	$106,296	$109,485	$112,769	$116,153	$119,637	$123,226	$126,923	$130,731	$134,653	$138,692	$142,853	$147,139	$151,553	$156,099
Total Expenses		$1,779,637	$1,831,488	$1,884,864	$1,939,809	$1,996,372	$2,054,598	$2,114,537	$2,176,241	$2,239,762	$2,305,152	$2,372,469	$2,441,768	$2,513,108	$2,586,551	$2,662,158
Net Operating Income		$1,296,625	$1,306,300	$1,315,680	$1,324,745	$1,333,474	$1,341,845	$1,349,834	$1,357,417	$1,364,570	$1,371,266	$1,377,478	$1,383,178	$1,388,336	$1,392,922	$1,396,905
Debt Service Payments																
First Mortgage		$1,059,679	$1,059,679	$1,059,679	$1,059,679	$1,059,679	$1,059,679	$1,059,679	$1,059,679	$1,059,679	$1,059,679	$1,059,679	$1,059,679	$1,059,679	$1,059,679	$1,059,679
Second Mortgage		$161,219	$161,219	$161,219	$161,219	$161,219	$161,219	$161,219	$161,219	$161,219	$161,219	$161,219	$161,219	$161,219	$161,219	$161,219
Third Mortgage		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Fourth Mortgage		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Fifth Mortgage		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
All Other Mortgages		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Fees -		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Fees - Agency/Trustee/Servicer		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Debt Service Payments		$1,220,898	$1,220,898	$1,220,898	$1,220,898	$1,220,898	$1,220,898	$1,220,898	$1,220,898	$1,220,898	$1,220,898	$1,220,898	$1,220,898	$1,220,898	$1,220,898	$1,220,898
Cash Flow After Debt Service		$75,727	$85,401	$94,781	$103,847	$112,576	$120,946	$128,936	$136,519	$143,672	$150,368	$156,580	$162,280	$167,438	$172,024	$176,007
Debt Service Coverage Ratios																
DSC - First Only (incl. Negative Arbitrage)		1.224	1.233	1.242	1.250	1.258	1.266	1.274	1.281	1.288	1.294	1.300	1.305	1.310	1.314	1.318
DSC - First and Second		1.062	1.070	1.078	1.085	1.092	1.099	1.106	1.112	1.118	1.123	1.128	1.133	1.137	1.141	1.144
DSC - First, Second and Third		1.062	1.070	1.078	1.085	1.092	1.099	1.106	1.112	1.118	1.123	1.128	1.133	1.137	1.141	1.144
DSC - First, Second, Third, and Fourth		1.062	1.070	1.078	1.085	1.092	1.099	1.106	1.112	1.118	1.123	1.128	1.133	1.137	1.141	1.144
DSC - First, Second, Third, Fourth, and Fifth		1.062	1.070	1.078	1.085	1.092	1.099	1.106	1.112	1.118	1.123	1.128	1.133	1.137	1.141	1.144
DSC - All Other Mortgages		1.062	1.070	1.078	1.085	1.092	1.099	1.106	1.112	1.118	1.123	1.128	1.133	1.137	1.141	1.144
DSC - All Mortgages and Fees		1.062	1.070	1.078	1.085	1.092	1.099	1.106	1.112	1.118	1.123	1.128	1.133	1.137	1.141	1.144
Financial Ratios																
Operating Expense Ratio		57.9%	58.4%	58.9%	59.4%	60.0%	60.5%	61.0%	61.6%	62.1%	62.7%	63.3%	63.8%	64.4%	65.0%	65.6%
Break-Even Ratio		93.6%	93.4%	93.2%	92.9%	92.8%	92.6%	92.4%	92.3%	92.2%	92.1%	92.0%	91.9%	91.9%	91.9%	91.8%

CROSSINGS AT INDIAN RUN
2014-131B

DESCRIPTION OF FEATURES AND AMENITIES

Crossings at Indian Run consists of 344 units in 22 residential buildings.

Unit Mix:

72 One bedroom/one bath units consisting of 731 square feet of heated and cooled living area

96 Two bedroom/two bath units consisting of 953 square feet of heated and cooled living area

40 Three bedroom/two bath units consisting of 1,072 square feet of heated and cooled living area

136 Three bedroom/two bath units consisting of 1,031 square feet of heated and cooled living area

344 Total Units

The 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 or its Servicers, unless a change has been approved in writing by Florida Housing or its Servicer. The Development will conform to requirements of local, state and federal laws, rules, regulations, ordinances, orders and codes, Federal Fair Housing Act and Americans with Disability Act (”ADA”), as applicable.

Applicant commits to provide the following:

Optional Features and Amenities for All Developments:

- 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 (2 points)
- Car care area (for car cleaning/washing/vacuuming) (1 point)
- Each unit wired for high speed internet (1 point)
- Two outside recreation facilities – shuffleboard court and appropriate equipment; full basketball court (2 points)

Green Building Features:

- Programmable thermostat in each unit
- Energy Star exhaust fans in bathrooms
- Energy Star rating for all windows
- FL Yards and Neighborhoods certification on all landscaping
- Low-flow water fixtures in bathrooms – WaterSense labeled products or the following specifications:
  - Toilets: 1.6 gallons/flush or less; and
  - Faucets: 1.5 gallons/minute or less; and
  - Showerheads: 2.2 gallons/minute or less.

Resident Programs:

- Health and Nutrition Classes: At least 8 hours per year, provided on site at no cost to the residents. Classes must be held between the hours of 8:00 a.m. and 7:00 p.m. and electronic media, if used, must be used in conjunction with live instruction. If the Development cocsists of Scattered Sites, this resident program must be provided on the Scattered Site with the most units.

COMPLETENESS AND ISSUES CHECKLIST

DEVELOPMENT NAME: Crossings at Indian Run
DATE: October 21, 2014

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.

CREDIT UNDERWRITING REQUIRED ITEMS:	STATUS	NOTE
	Satis. /Unsatis.	
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.	N/A	
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.	
11. Resumes and experience of Applicant, general contractor and management	Satis.	

agent.		
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.	1

NOTES AND APPLICANT’S RESPONSES:

1. A Termite Inspection report was provided that indicated termite damage and no prior treatment. Seltzer’s recommendation is conditioned upon treatment for termites and a termite bond covering the development prior to loan closing.

   Applicant’s Response: Documentation will be provided prior to loan closing.

HC Allocation Calculation

Section I: Qualified Basis Calculation	
Development Cost	$46,445,200
Less Land Cost	($574,712)
Less Federal Funds	$0
Less Other Ineligible Cost	($1,808,924)
Less Disproportionate Standard	$0
Acquisition Eligible Basis	$25,689,643
Rehabilitation Eligible Basis	$18,371,921
Total Qualified Basis	$44,061,564
Applicable Fraction	100.00%
DDA/QCT Basis Credit	130.00%
Acquisition HC Percentage	3.39%
Rehabilitation HC Percentage	3.39%
Annual HC on Acquisition	$870,879
Annual HC on Rehabilitation	$809,651
Annual Housing Credit Allocation	$1,680,529

Notes to the Qualified Basis Calculation:

1. Other Ineligible Costs primarily include FHFC administrative, application and HC compliance fees; legal fees; marketing and advertising; insurance and property taxes paid after rehabilitation is completed; title insurance in connection with the land purchase; permanent loan origination fees and closing costs; Freddie Mac permanent loan application fee; bond costs of issuance; SAIL assumption and renegotiation fees and all escrows/reserves.
2. The Applicant committed to a set aside of 100%. Therefore, SMG has utilized an Applicable Fraction of 100.00%.
3. This development is located in a Difficult Development Area (“DDA”). Therefore, the 130.00% basis credit has been applied to the Rehabilitation Qualified Basis.
4. Per Florida Housing Rule, 15 basis points are added to the actual percentage (3.24%) reported as of the date of invitation to credit underwriting for 4% Housing Credits. For purposes of this report, a Housing Credit Percentage of 3.39% is applied.

Section II: Gap Calculation	
Total Development Cost (Including Land and Ineligible Costs)	$46,445,200
Less Mortgages	($27,016,905)
Less Grants	$0
Equity Gap	$19,428,295
Percentage to Investment Partnership	99.99%
HC Syndication Pricing	$0.9675
HC Required to Meet Gap	$20,082,933
Annual HC Required	$2,008,293

Notes to the Gap Calculation:

1. Mortgages are the taxable Freddie Mac first mortgage and the assumed SAIL loan.
2. HC Syndication Pricing and Percentage to Investment Partnership are based upon the October 2, 2014, proposal from BFIM.

Section III: Tax-Exempt Bond 50% Test	
Total Depreciable Cost	$44,061,564
Plus Land Cost	$574,712
Aggregate Basis	$44,636,276
Tax-Exempt Bond Amount	$24,000,000
Less Debt Service Reserve	($90,000)
Less Proceeds Used for Costs of Issuance	$0
Plus Tax-exempt GIC earnings	$0
Tax-Exempt Proceeds Used for Building and Land	$23,910,000
Proceeds Divided by Aggregate Basis	53.57%

Notes to 50% Test:

1. SMG estimates the Tax-Exempt MMRB loan amount to be 53.57% of Depreciable Development Costs plus Land Acquisition Costs. If, at the time of Final Cost Certification, the Tax-Exempt Bond Amount is less than 50%, developer fees will have to be reduced by an amount to ensure compliance with the 50% Test. That may, in turn, result in a reduction to HC Equity.

Section IV: Summary	
HC per Qualified Basis	$1,680,529
HC per Gap Calculation	$2,008,293
Annual HC Recommended	$1,680,529

Notes to the Summary:

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