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To:	Ken Reecy, Multifamily Director Florida Housing Finance Corporation
From:	Thais S. Pepe, Senior Credit Underwriter First Housing Development Corporation
Date:	October 16, 2014
Subject:	Tuscan Isle Apartments f/k/a Heron Cove (MMRB 2002 Series 01 and 02 / GUAR 93 / 4% HC 2002-534C / SMI – 26) RFA 2014-108-01 for Extremely Low Income ("ELI") Households Transfer of Ownership / 1st Mortgage Refinance

The Applicant, Creative Choice Homes XIV, Ltd., of the above referenced transaction submitted a proposal for RFA 2014-108 (the "RFA"). For consideration for funding under the RFA, the subject development must have a mortgage note guaranteed by the Florida Affordable Housing Guarantee Program ("GF") that closed prior to June 30, 2004, and Applicant must commit to provide additional ELI set-aside units. At Florida Housing's September 19, 2014, Board of Directors Meeting, the subject transaction received a preliminary commitment of up to $3,975,000 of SAIL ELI funding, subject to credit underwriting and pursuant to RFA 2014-108 and Rule Chapter 67-60, Florida Administrative Code (F.A.C.). The requested SAIL ELI funding amount is within the maximum amount of $4,000,000, limited to $75,000 per new ELI Unit converted from a unit at or above 60% Area Median Income ("AMI") to applicable ELI AMI level for the county, or 33% AMI for Collier County, for a minimum term of 15 years.

The Applicant has agreed to set aside approximately 17.7% of the total units or 53 units as new ELI units at 33% of the AMI, which is less than 20% of the total number of units as required by the RFA. The Applicant has also agreed to set aside 50% of the new ELI units (27 units) for Special Needs Households, which does not exceed 10% of the Development's total units per the RFA.

At the request of Florida Housing Finance Corporation ("FHFC"), First Housing has also reviewed a request from Creative Choice Homes XIV, Ltd. ("Current Borrower"), to sell the General Partnership and Limited Partnership interest to Tuscan Isle GP, LLC and Tuscan Isle ILP, LLC respectively. The new General and Limited Partners are entities affiliated with The Vestcor Companies, Inc. ("Developer"). This transfer is occurring in conjunction with the payment in full of the FHFC Guarantee Fund loan. Specifically, First Housing has been requested to determine if the Borrower has the prerequisite financial strength and experience to successfully own and operate the subject Development.

The scope of the analysis includes the following items:

- Overview
- Current Ownership Structure
- Proposed Ownership Structure/Background
- Financial Capability of Proposed General Partner
- Sources and Uses of Funds / Refinancing of First Mortgage
- Proposed Management/Leasing Agent
- Status of Development Compliance
- Recommendation
- Conditions

This report shall address each of the items in turn following a brief synopsis of the transaction.

Overview

Tuscan Isle Apartments consists of 298 units in Naples, Florida. Creative Choice Homes XIV, Ltd. is a Florida limited partnership formed October 14, 1997, to develop and operate this development. The subject property consists of twelve (12) three-story garden style apartment buildings and an office/clubhouse building. The development consists of 70 one-bedroom one-bathroom units, 168 two-bedroom two-bathroom units and 60 three-bedroom two-bathroom units.

A recorded MMRB Land Use Restriction Agreement ("LURA") dated December 4, 2002 requires the following set asides for a term of fifty (50) years:

- 80% of the units (239 units) set aside at or below 60% Area Median Income ("AMI")

A Housing Credit ("HC") Extended Low-Income Housing Agreement ("ELIHA") dated October 15, 2004 requires the following set asides for a term of thirty (30) years:

- 3% of the units (9 units) set aside at or below 35% AMI
- 18% of the units (54 units) set aside at or below 50% AMI
- 79% of the units (remaining units) set aside at or below 60% AMI

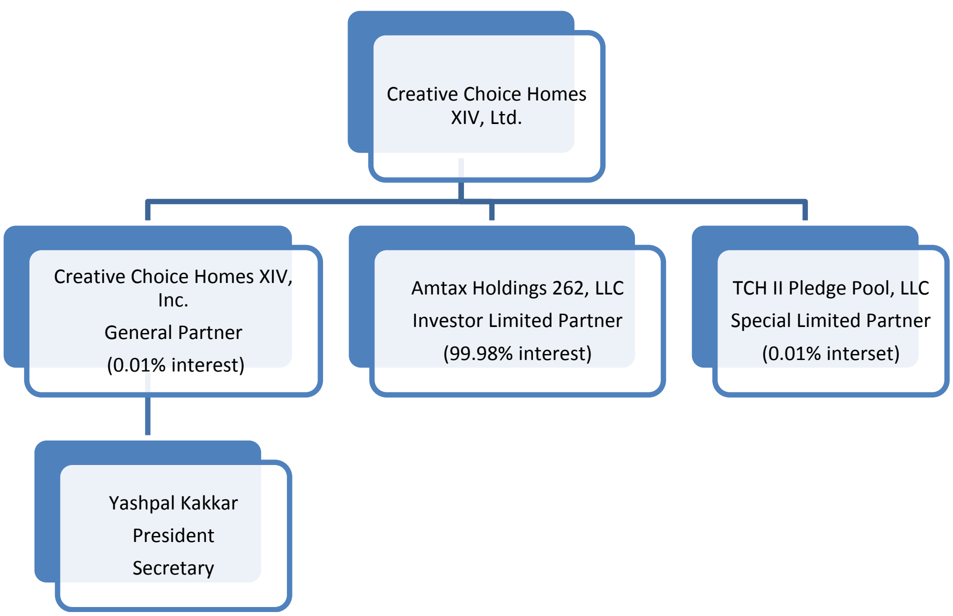
The Development was originally financed in 2002 via a first mortgage with Florida Housing Finance Corporation in the amount of $18,550,000 ("Promissory Note"), and an annual allocation of non-competitive housing credits. In addition, deferred developer fees were provided as a source of funding at the closing on December 1, 2002. The Bonds were issued in two series (Tax-Exempt Multifamily Mortgage Revenue Bonds ("MMRB"), 2002 Series O-1 - $15,900,000, and Taxable Multifamily Mortgage Revenue Bonds, 2002 Series O-2 -

$2,650,000) by FHFC totaling $18,550,000. The subject is credit enhanced by the FHFC Guarantee Fund with HUD Risk Sharing. There will be approximately $16,535,000 in MMRB outstanding in principal after the sinking fund call on November 1, 2014, or $55,487/unit, which is greater than $50,000/unit or more required under the RFA.

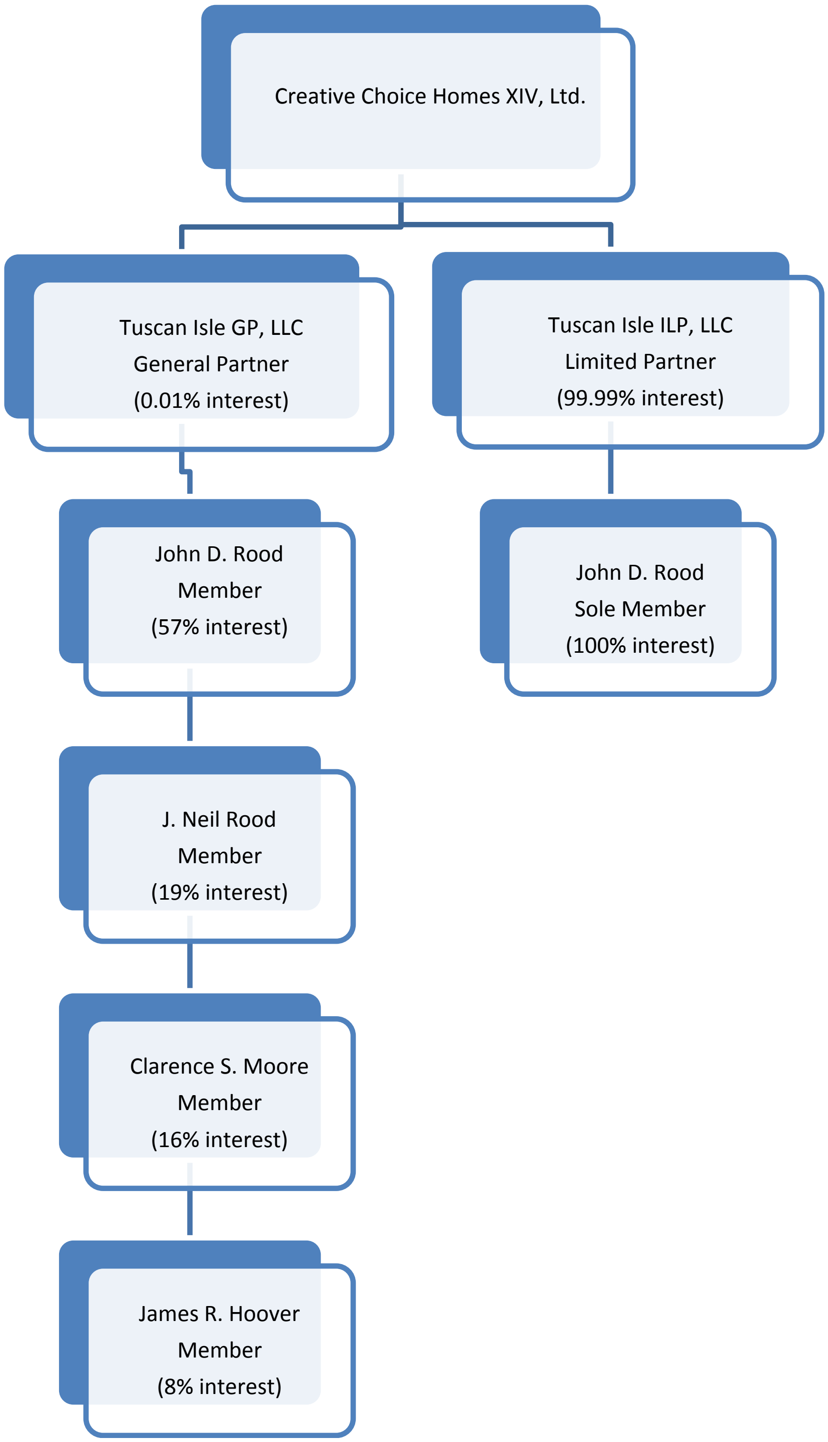
Currently this Development has a second mortgage note, payable to Collier County for $200,000, which is non-interest bearing. All principal is due on November 1, 2018. This note will be subordinate to the new first mortgage.

This development has been classified as Priority 1, based on the criteria outlined in the RFA. Average occupancy for the four month period of January 2014 through April 2014 for the subject was 32%. As of May 2014, the property was 52% occupied, below the 93% as required in Priority 1. Debt Service Coverage ("DSC") for the year ended December 31, 2013 could not be determined due to a negative NOI as calculated by FHDC on the submitted audited financial statements, which meets the required DSC of less than 0.80x (refer to Exhibit B for detailed Proforma).

Current Ownership Structure



Proposed Ownership Structure/Background



The General Partner will be the one with operating rights to the Development. Tuscan Isles GP, LLC was formed on June 10, 2014; John D. Rood has 57% ownership interest in the General Partner.

John D. Rood founded The Vestcor Companies in 1983. As the managing partner for over 71 investment partnerships, Mr. Rood is responsible for acquisition or development, management and disposition of properties in the portfolio. A total of fifty-seven communities, consisting of over 10,000 units, have been acquired or developed by partnerships managed by Mr. Rood.

Over the last 30 years, Vestcor has built a reputation of excellence in all areas of multifamily investment services. Since formation, they have developed or acquired in excess of 11,000 multifamily units, consisting of retirement, affordable, luxury and student apartment communities. Their team has the experience to successfully complete all phases of a real-estate investment, from initial concept through long-term management of the asset.

The contact person for the proposed transfer of ownership of Tuscan Isles Apartments is as follows:

Steve Moore
The Vestcor Companies
3030 Hartley Road, Suite 310
Jacksonville, FL 32257
T: 904.288.7778
F: 904.260.9031
moore@vestcor.com

Financial Capability of Proposed General Partners

First Housing has reviewed a satisfactory credit report dated October 2, 2014, and financials dated June 30, 2014 for John D. Rood. The underwriter also reviewed a Contingent Liabilities Statement dated June 30, 2014, which shows three properties with total contingent liabilities of $36,337,079.

Sources and Uses of Funds / Refinancing of First Mortgage

Sources		Uses	
1st Mortgage Loan	$13,000,000	Bond Redemption	$16,535,000
SAIL ELI	$3,975,000	Closing Costs	$240,000
		Interest Reserves	$200,000
Total Sources	**$16,975,000**	**Total Uses**	**$16,975,000**

The refinancing of the existing first mortgage loan is permitted by proposed underlying SAIL ELI Loan documents. FHFC Board approval is required, however. Rule 67-48 F.A.C. states that the Board shall 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.

First Housing reviewed a term sheet to provide first mortgage financing in the amount of $13,000,000 from First Florida Integrity Bank, dated August 28, 2014. The loan shall be interest only for the first year, then amortize over twenty-five (25) years with a balloon payment and maturity of the note at ten (10) years from the date of closing. The rate will equal a spread of 290 bps over the 30-day LIBOR, but with a minimum interest rate of 3.06%. The current "all in" indicative rate is 3.06%, based on 30-day LIBOR as of October 2, 2014.

The SAIL ELI loan will be non-amortizing with a 0% interest rate and a term of 15-years. The principal balance will be forgiven at maturity provided the ELI set-asides have been maintained for the 15-year term. At the conclusion of the 15-year term, the ELI Set-Aside units may convert to serve residents at or below 60% AMI.

There were approximately 82 vacant units (28.37%) at the subject as of August 22, 2014. The Developer expects that once the refinance transaction is closed, the 53 ELI units in the Development will lease quickly and should be stabilized in mid 90% occupancy range by 12/31/2014. The current and pro forma rents are presented in Exhibit A. Setting aside the 53 ELI units is anticipated to decrease gross potential rental income by $238,452, from $2,946,708 to $2,708,256.

Proposed Management/Leasing Agent

The underwriter reviewed a Management Agreement between Creative Choice Homes XIV, Ltd. (the "Owner") and WRH Realty Services, Inc. (the "Manager"). This Agreement was effective beginning December 11, 2013. The compensation for Manager's Service shall be the greater of (a) Six Thousand Dollars ($6,000) or (b) four and one half percent (4.5%) of the gross collected income at the Premises.

Mark Rutledge is the president of WRH Realty Services, Inc. and is responsible for initiating and directing WRH and its associates. Mr. Rutledge has been with the firm since 1991 during its formation. WRH Realty Services, Inc. is one of the largest privately owned full-service multifamily property management companies in the southeastern United States, with properties in Florida, Georgia, South Carolina, North Carolina, Tennessee and Texas. WRH reaches beyond industry standards to provide a full scope of property management and advisory services to its clients. WRH's diverse portfolio includes nearly 16,000 units including luxury, conventional, affordable, high rise and senior properties.

The management company has a significant amount of experience in the management of affordable multi-family housing and is currently an approved management company of the FHFC's Asset Management Department. Continued approval is subject to ongoing satisfactory performance.

The management contact person is:

Cynthia A. Haines
WRH Realty Services, Inc.
3030 Hartley Road, Suite 320
Jacksonville, Florida 32257
T: 904.260.6200
D: 904.562.7912
chaines@wrhrealty.com

Status of Development Compliance

First Housing is currently the Compliance Monitoring agent for the referenced property. An Annual Management Review and Physical Inspection was performed on June 30, 2014. Based upon the results of this review the property was found to be in non-compliance.

- Tuscan Isle – MMRB, HC & SMI ongoing covenant default due to Borrower's failure to meet uniform physical condition standards for units, common areas and building systems including health and safety standards. Failure to provide required tenant programs and services. Failure to properly recertify eligibility. Failure to document tenant eligibility upon initial occupancy.

The August 22, 2014 Florida Housing Asset Management Noncompliance Report shows no non-compliance items in connection to the development team or WRH Realty Services, Inc.

The August 22, 2014 Florida Housing Past Due Report shows the following past due item in connection to the development team or Vestcor Development Corporation:

- Foreclosure Report: Riley Chase - 9/28/09 FHFC II was successful bidder at the foreclosure sale. Sold on January 29, 2010. HUD Settlement docs submitted February

25, 2010; received final HUD approval for 50/50 split of Net Claim Amount ($3,493,402.26), resulting in a loss to the Guarantee Program of approximately $1,746,701. A supplemental settlement was acknowledged by HUD in the amount of $65,720.06 (additional income) decreasing the Net Claim Amount to $3,427,682.20.

Recommendation

It is First Housing's opinion that there is sufficient demand for the new ELI units. The utilization of the SAIL ELI funds together with the refinance of the FHFC first mortgage loan will result in a reduced debt burden which will stabilize the property. First Housing recommends that the SAIL ELI funds be awarded to the Applicant, subject to the conditions in this report.

First Housing concludes that conditions for refinancing approval as set forth in RFA 2014-108 and have been met, subject to the conditions below. Further, proceeds of the refinancing along with the equity provided by the Borrower will be utilized to satisfy the existing MMRB first mortgage loan guaranteed by the Guarantee Program, and pay related financing costs.

First Housing recommends approval of the proposed transfer of ownership, based upon the review of the information submitted, and within the scope of this analysis as described herein. The proposed General and Limited Partners and its principals have the prerequisite financial strength and experience to successfully own and operate the development. Furthermore, this transfer is subject to the refinance of the FHFC MMRB first mortgage loan guaranteed by the FHFC Guarantee Program, which will reduce FHFC's exposure to an underperforming asset. Modifications of any other loan documents are required to effectuate the refinancing.

Conditions

Closing of the transaction is subject to the following conditions:

1. Borrower shall agree that through the regulatory period, Florida Housing and their Compliance Monitoring agent shall have access to the property to perform their management review and physical inspection during the remaining affordability period.

2. First Housing received bank and trade reference forms from the Borrower, with no response at this time from the references. Receipt of satisfactory bank and trade references is a condition to closing.

3. Borrower shall agree to maintain all set-asides and other requirements of the Bond's LURA, SAIL ELI loan documents and Housing Credit's ELIHA for the period originally specified.

4. Tuscan Isle GP, LLC and Tuscan Isle ILP, LLC to execute any and all assignment and assumption documents that FHFC deems necessary to effectuate the transfer including but not limited to an Environmental Indemnity, Guaranty of Recourse Obligations and any other existing guarantees as determined by FHFC.

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. The form of the Borrower and of the members of the Borrower shall be acceptable to Florida Housing, its legal counsel and the Servicer.

7. Verification that all Insurance Certificates are current and acceptable to Servicer and FHFC.

8. Closing of the SAIL ELI loan must occur simultaneously with the refinancing of the first mortgage including, full repayment of the Guarantee Fund loan, and the proposed transfer of ownership.

9. Execution of a SAIL ELI Loan Agreement reflecting ELI set-asides with at least 50 percent of the New ELI units but not more than 10% of the development’s total units for Special Needs Households that are referred by at least one Special Needs Households Referral Agency(s), recognized by Florida Housing, in the subject development’s county, for a period of 15 years.

10. Execution of a SAIL ELI Loan Agreement reflecting a requirement that the subject development must have an executed Memorandum of Understanding ("MOU") for Special Needs Housing Services, approved by Florida Housing, with each Special Needs Household Referral Agency that refers Special Needs Households to set aside ELI units.

11. Execution of a SAIL ELI Loan Agreement reflecting a commitment to register all of the developments within Applicant's portfolio on the FHFC Locator at www.floridahousingsearch.org on a continuing basis for the remainder of the applicable extended use period(s).

12. Evidence that re-financing of the existing first mortgage is acceptable under the bond documents and any fees associated with such are payable by the Applicant.

13. Consent of the HC Equity Provider and subordinate lender(s), where applicable.

14. Based on the Developer, the Subordinate Mortgage Initiative (“SMI”) loan in amount of $780,000 was paid in full on September 15, 2014. Verification of the payoff is a condition to the recommendation contained in this credit underwriting report.

15. Review and approval of all loan documents by Florida Housing and its legal counsel.

16. Receipt of a non-refundable transfer and assumption fee equal to one-tenth of one percent of the SAIL ELI (RFA 2014-108-01) principal balance on the date of closing.

17. Review and approval of all loan documents consistent with the terms outlined above by Florida Housing and its legal counsel.

18. Prepayment of any required compliance monitoring fees if applicable.

19. Confirmation of refinancing fees and closing costs prior to closing.

20. Satisfactory resolution of any noncompliance or past due items for the Borrower and its related parties.

21. Payment of a non-refundable MMRB transfer and assumption fee of $2,500.

22. Any other requirement of FHFC, its legal counsel or Servicer.

Sincerely,

Prepared by:	Reviewed by:
Thais Pepe	Ed Busansky
Thais Pepe	Ed Busansky
Senior Credit Underwriter	Senior Vice President

Exhibit A

Current Rents

Collier County (Naples – Marco Island MSA) – HERA Special Limits

Bed Rooms	Bath Rooms	Units	Square Feet	AMI%	Gross HC Rent	Utility Allow	Net HC Rent	Applicant Rents	CU Rents	Annual Rental Income
1	1.0	3	672	35%	$482	$54	$428	$428	$428	$15,408
1	1.0	18	672	50%	$688	$54	$634	$634	$634	$136,944
1	1.0	49	672	60%	$826	$54	$772	$725	$725	$426,300
2	2.0	4	916	35%	$578	$64	$514	$514	$514	$24,672
2	2.0	19	916	50%	$826	$64	$762	$762	$762	$173,736
2	2.0	145	916	60%	$991	$64	$927	$860	$860	$1,496,400
3	2.0	2	1095	35%	$668	$75	$593	$593	$593	$14,232
3	2.0	17	1095	50%	$954	$75	$879	$879	$879	$179,316
3	2.0	41	1095	60%	$1,145	$75	$1,070	$975	$975	$479,700
		298					**$14,593**			**$2,946,708**

Notes:

1. The rents reflected are based on the FHFC 2014 HERA Special Rent Limits for the respective number of bedrooms at 35%, 50% and 60% AMI levels for the Naples-Marco Island MSA less the most current utility allowances dated September 1, 2014.

Proposed Rents

Collier County (Naples – Marco Island MSA) – HERA Special Limits

Bed Rooms	Bath Rooms	Units	Square Feet	AMI%	Gross HC Rent	Utility Allow	Net HC Rent	Applicant Rents	CU Rents	Annual Rental Income
1	1.0	11	672	33%	$454	$54	$400	$400	$400	$52,800
1	1.0	3	672	35%	$482	$54	$428	$428	$428	$15,408
1	1.0	18	672	50%	$688	$54	$634	$634	$634	$136,944
1	1.0	38	672	60%	$826	$54	$772	$725	$725	$330,600
2	2.0	33	916	33%	$545	$64	$481	$481	$481	$190,476
2	2.0	4	916	35%	$578	$64	$514	$514	$514	$24,672
2	2.0	19	916	50%	$826	$64	$762	$762	$762	$173,736
2	2.0	112	916	60%	$991	$64	$927	$860	$860	$1,155,840
3	2.0	9	1095	33%	$629	$75	$554	$554	$554	$59,832
3	2.0	2	1095	35%	$668	$75	$593	$593	$593	$14,232
3	2.0	17	1095	50%	$954	$75	$879	$879	$879	$179,316
3	2.0	32	1095	60%	$1,145	$75	$1,070	$975	$975	$374,400
		298					**$8,014**			**$2,708,256**

Notes:

1. The rents reflected are based on the FHFC 2014 HERA Special Rent Limits for the respective number of bedrooms at 33%, 35%, 50% and 60% AMI levels for the Naples-Marco Island MSA less the most current utility allowances dated September 1, 2014.

2. At the 95% occupancy level and 4% collection loss, as expected by the Developer, the annual rental revenue equals $2,564,513.

Exhibit B

Operating Proforma

FINANCIAL COSTS:	Proforma	Per Unit	FHFC 2013	2013 Per Unit	FHFC 2012	2012 Per Unit
OPERATING PRO FORMA						
INCOME:						
Gross Potential Rental Income	$2,708,256	$9,088	$3,017,458	$10,126	$2,846,157	$9,551
Interest Income	$65,000	$218	$15	$0	$0	$0
Miscellaneous	$0	$0	$48,593	$163	$105,220	$353
Washer/Dryer Rentals	$20,000	$67	$18,984	$64	$0	$0
Cable/Satellite Income	$15,000	$50	$0	$0	$265	$1
Gross Potential Income	$2,808,256	$9,424	$3,085,050	$10,353	$2,951,642	$9,905
Less:						
Physical Vac. Loss Percentage: 5.00%	$135,413	$454	$1,999,418	$6,709	$828,083	$2,779
Collection Loss Percentage: 4.00%	$108,330	$364	$184,227	$618	$201,430	$676
Rent Concessions Percentage: 0.00%	$0	$364	$160,941	$540	$487,263	$1,635
Non-Revenue Units Percentage: 0.00%	$0	$364	$22,194	$74	$29,022	$97
Total Effective Gross Income	$2,564,513	$8,606	$718,270	$3,025	$1,405,844	$6,450
EXPENSES:						
Fixed:						
Real Estate Taxes	$125,000	$419	$97,915	$329	$137,360	$461
Insurance	$85,000	$285	$154,634	$519	$151,507	$508
Variable:						
Management Fee Percentage: 4.50%	$115,403	$387	$78,000	$262	$82,539	$277
General and Administrative	$60,000	$201	$59,858	$201	$82,190	$276
Payroll Expenses	$300,000	$1,007	$178,244	$598	$143,216	$481
Utilities	$190,000	$638	$201,367	$676	$236,352	$793
Marketing and Advertising	$15,000	$50	$5,604	$19	$2,955	$10
Maintenance and Repairs/Pest Control	$233,274	$783	$435,684	$1,462	$119,764	$402
Grounds Maintenance and Landscaping	$120,000	$403	$32,231	$108	$249,576	$838
Security	$10,000	$34	$0	$0	$0	$0
Reserve for Replacements	$89,400	$300	$59,600	$200	$59,600	$200
Total Expenses	$1,343,077	$4,507	$1,303,137	$4,373	$1,265,059	$4,245
Net Operating Income	$1,221,436	$4,099	-$584,867	-$1,348	$140,785	$2,205
Debt Service Payments						
First Mortgage -	$744,647	$2,499	$1,139,890	$3,825	$1,149,986	$3,859
Other Fees -	$0	$0	$151,536	$509	$152,353	$511
Total Debt Service Payments	$854,515	$2,867	$1,291,426	$4,334	$1,302,339	$4,370
Cash Flow after Debt Service	$366,921	$1,231.28	-$1,876,293	-$5,682	-$1,161,554	-$2,165
	Annual	Per Unit	Annual	Per Unit	Annual	Per Unit
Debt Service Coverage Ratios						
DSC - All Mortgages and Fees	1.43		(0.45)		0.11	
Financial Ratios						
Operating Expense Ratio	52.37%		181.43%		89.99%	
Break-even Economic Occupancy Ratio (all debt)	78.25%		84.10%		86.98%	

Notes:

1. The Gross Potential Revenue is based on the addition of the proposed ELI set-aside rents and 95% occupancy as estimated by the Developer. According to the FHFC's occupancy report, January - June 2014, occupancy ranged between 24.50% and 61.07%. As of August 22, 2014, the property was approximately 71.63% occupied.

2. Replacement Reserves have been increased to reflect $300/unit.

3. The refinance of the existing first mortgage bond loan has the potential to increase the debt service coverage ratio to 1.43.