SELTZER MANAGEMENT GROUP, INC.

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

November 25, 2014

VIA EMAIL

Mr. Todd Fowler
Florida Housing Finance Corporation
227 North Bronough Street
Tallahassee, Florida 32301

Re: Northwest Gardens I f.k.a. Alan Apartments
RFP 2009-04 Tax Credit Exchange Program ("TCEP") 2009-057X

Release and Replace Current Guarantors

Dear Mr. Fowler:

On your behalf, Seltzer Management Group, Inc. ("SMG" or "Seltzer") has reviewed a request for the Florida Housing Finance Corporation ("FHFC" or "Florida Housing") to consent to the transfer of the managing general partner interest of CDG Northwest Properties I, LLC. ("CDGNWI") to HEF-Alan, Inc. ("HEFA"). Specifically, SMG was requested to determine that HEFA, the current co-general partner of Northwest Properties I, Ltd. (the "Borrower"), has the prerequisite financial strength and experience to successfully own and operate the subject which was approved at the FHFC September 19, 2014 Board meeting. Currently, Seltzer has also been verbally asked to review the release of the current guarantors and approval of HEF Guarantor LLC ("HEFG") as the guarantor under the guaranties for the above referenced development to be effective as of the effective date of the managing general partner transfer.

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

1. Correspondence dated June 25, 2014 from Matthew S. Greer, manager of CDGNWI, requesting Florida Housing's approval of the withdrawal of CDGNWI as the managing general partner and the assumption of the role of sole general partner of the Borrower by HEFA
2. Credit Underwriting Report dated March 8, 2010 and approved at the March 17, 2010 telephonic Board meeting
3. Credit Underwriting Letter dated March 14, 2011 regarding a change in the co-developer.
4. Letter recommendation to add additional funding dated November 16, 2011 and approved at the December 9, 2011 Board meeting
5. 2013 Audited Financial Statements for the Borrower
6. Seltzer's 2014 Annual Management Review and Physical Inspection
7. 2012 and 2013 Audited Financial Statements for Housing Enterprises of Fort Lauderdale, Florida, Inc. ("HEF")
8. 2012 and 2013 Audited Financial Statements for the Housing Authority of the City of Fort Lauderdale, Florida ("HACFL" or the "Authority")

9. Master Development Agreement between HACFL and Carlisle Development Group, LLC ("CDG") for Northwest Gardens Revitalization dated January 16, 2009, as amended by the Amendment to Master Development Agreement between HACFL and CDG dated June 4, 2010 and as further amended by the Second Amendment to Master Development Agreement between HACFL and CDG dated May 25, 2011, (collectively, the "Agreement")
10. Amended and Restated Agreement of Limited Partnership of Northwest Properties I, Ltd. dated March 31, 2008 and as amended by the Second Amended and Restated Limited Partnership Agreement of Northwest Properties I, Ltd. dated May 28, 2010 and as further amended by the Third Amended and Restated Limited Partnership Agreement of Northwest Properties I, Ltd. (collectively, the "LPA")
11. TCEP loan documents dated June 3, 2010
12. FHFC Past Due Report dated September 30, 2014
13. FHFC Noncompliance Report dated September 30, 2014

In addition, SMG has had various conversations with FHFC staff concerning the transfer of the GP interest and the release and replacement of the guarantor.

Our findings are as follows:

- HEFA currently owns 51% of the general partnership interest and is an entity owned 100% by the HACFL. The Amended and Restated Limited Partnership Agreement dated March 31, 2008 reflects that HEFA was admitted to the partnership effective March 31, 2008 to replace the original co-general partner, Northwest Properties GP, Inc.
- CDGNWI owns 49% of the general partnership interest. This entity is owned 1% by 1754 MM, Inc. ("1754MM") and 99% by 1754 LLC ("1754"). Matthew Greer is the 100% principal owner of 1754MM and 1754.
- The 99.99% Limited Partner is Northwest Properties I Investor, LLC which is owned 100% by CDG.
- The subject transaction was primarily funded through the proceeds of a conventional first mortgage loan from First Housing Development Corporation of Florida in the amount of $3,700,000; a second mortgage Affordable Housing Program ("AHP") Loan from Broward County in the amount of $500,000; TCEP funds from FHFC in the amount of $18,232,500 and deferred developer fees. The loans closed June 3, 2010. Borrower's request to add additional funding via a Broward County HOME Loan in the amount of $250,000 was approved at the December 9, 2011 Board meeting.
- Northwest Gardens I was placed in service upon construction completion in 2012. Occupancy was stable as of January 2013 at 93.01%. Average occupancy for 2013 was 95.76%. Occupancy as of June 2014 is 96.50%.
- The most recent Compliance Annual Management Review and Physical Inspection for Northwest Gardens I f.k.a. Alan Apartments ("NW Properties I") was performed by the Servicer on June 10, 2014. No discrepancies were noted. The close-out letter was issued on July 7, 2014.
- Audited Financial Statements for the Borrower for the year ended December 31, 2013, do not reflect any going concerns or pending litigation. The development earned sufficient income to pay all operating expenses and to cover all debt service. As of December 31,

2013, debt service coverage for all mortgage and related fees is 1.06 to 1.00. The auditors did not identify any deficiencies in internal control over financial reporting that were considered to be material weaknesses. In addition the results of the auditor's tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

- HEFA is a Florida For-Profit Corporation registered with the State of Florida in March 2008. Officers and directors are Thomas Curnin, Ana Hernandez, Tam A. English, and Dr. Nicholas Tranakas. HEFA is a wholly owned subsidiary of HEF, a Florida non-profit corporation. The HACFL is the sole shareholder of HEF.

- HEF is a Florida Non-Profit Corporation registered with the State of Florida in March 1983. An April 17, 1995 letter from the Internal Revenue Service indicates that the exempt status of HEF is effective March 23, 1995. The Articles of Incorporation of HEF, dated March 8, 1983, have been amended March 10, 1995, March 22, 1995 and September 21, 2005. According to its December 31, 2013, audited financial statements, HEF was created to operate exclusively as an instrumentality of, and to further the purposes of HACFL and to further the mandates of the State of Florida's Housing Authorities Law contained in Chapter 421 of the Florida Statutes. As such, HEF is a blended component unit of HACFL as defined by Governmental Accounting Standards Board Statement No. 14, as amended. HEF owns and operates 24 rental properties which were acquired through funding from the City of Fort Lauderdale's HOME Investment Partnership Grant Community Housing Development Organization ("CHDO") Agreement. Through this grant, HEF purchases substandard residential properties in the Fort Lauderdale area for rehabilitation. Once the property is renovated, HEF owns and operates the property. A copy of the By-Laws dated March 22, 1995 was received by SMG.

- The December 31, 2013, audited financials for HEF were issued by Berman, Hopkins, Wright & LaHam, CPA's and Associates, LLP of Melbourne, Florida in a report dated July 18, 2014. As of December 31, 2013, total assets of $6,692,709 exceeded total liabilities of $451,472 by $6,241,237. This amount is reflected as Net Assets-Unrestricted on the December 31, 2013, audited balance sheet. During the period ended December 31, 2013, total support and revenue of $1,361,236 exceeded total expenses of $702,331 by $658,905. This amount is reflected as Change in Net Assets on the December 31, 2013, audited Statement of Activities. The auditors did not identify any deficiencies in internal control over financial reporting that were considered to be material weaknesses. In addition the results of the auditor's tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The Borrower reported that HEF has no contingent liabilities. A copy of the June 30, 2014 bank statement for HEF reflects an operating account with a balance in the low six (6) figures.

- The December 31, 2013, audited financials for HACFL were issued by Berman, Hopkins, Wright & LaHam, CPA's and Associates, LLP of Melbourne, Florida in a report dated June 27, 2014. As of December 31, 2013, total assets of $45,580,434 exceeded total liabilities of $11,429,224 by $34,151,210. This amount is reflected as Total Net Assets on the December 31, 2013, audited balance sheet. Current Assets increased by $2,173,284 largely due to the increase in cash from HUD funding and the collection of management and development fees. This was offset by the reduction in receivables from related parties. .During the period ended December 31, 2013, total operating revenue of $37,416,515 exceeded total expenses of $37,079,649 by $336,866. This amount is reflected as Operating Income on the December 31, 2013, audited Statement of

Revenues, Expenses and Changes in Net Position. Total Operating Revenue increased by $2,269,910 due to a large increase in HUD funding related to the increase in the number of vouchers funded. The Authority is primarily dependent upon HUD for the funding of its Low Rent Public Housing, Housing Choice Voucher and Capital Fund programs. Therefore, the Authority is affected more by the federal budget than by local economic conditions. Blended component units of HACFL include HEF and HEFA. HEF is included in the basic financial statements of HACFL and consists of a legally separate entity for which the Authority is financially accountable and has a voting majority of the governing board. HEFA is a related Florida Corporation created as an instrumentality of the Authority for the purpose of providing and developing affordable housing opportunities. HEFA is included in the basic financial statements of the Authority and HACFL is financially accountable and has a voting majority of its governing board. The auditors did not identify any deficiencies in internal control over financial reporting that were considered to be material weaknesses. In addition the results of the auditor's tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. A schedule of contingent liabilities reported no contingent liabilities. A copy of the June 30, 2014 bank statement for HACFL reflects an operating account with a balance in the mid six (6) figures. Liz Jackson is the Director of the HACFL.

- FHFC Noncompliance Report dated September 30, 2014 did not reflect any instances of noncompliance for the principals.
- FHFC Past Due Report dated September 30, 2014, lists no past due items for the principals.

The current management company for NW Properties I is Carlisle Property Management, Inc. ("CPM"). The Authority has advised that beginning January 1, 2015, HEF Management, LLC ("HEFM") will be the new management company. HEFM is a Florida Limited Liability Company organized June 26, 2013 to conduct any and all lawful business. The sole member of HEFM is HEF. It is anticipated that the closing of the change in the general partner interest and the proposed change in the guarantors will occur in December 2014. Seltzer's recommendation is contingent upon receipt and satisfactory review of the approval of the selection of the management company by FHFC of the management company for NW Properties I. Seltzer's recommendation is further conditioned upon receipt and satisfactory review of the approval of the management company for NW Properties I by the Limited ("LP") and all other lenders.

Seltzer notes that the LPA of Northwest Properties I, Ltd. is inconsistent regarding the ownership interests of CDGNWI and HEFA. The LPA appears to indicate that CDGNWI is the managing general partner and owns 49% of the general partner and HEFA is the co-general partner and owns 51% of the general partner. The LPA indicates that the co-general partner will assume the 51% interest of the managing general partner. Seltzer has been advised by the Authority that HEFA intends to assume 100% ownership of the general partner and that the percentage owned by each co-general partner is not material.

The Agreement dated November 15, 2007 between the Authority and CDG for Northwest Gardens Revitalization indicates that the Authority or an affiliate may elect to manage the Subject Development provided that the Authority and CDG agree that the Authority or affiliate should manage the Subject Development and the investor approves of the change. Seltzer's notes that the sole member of the investor limited partner, Northwest Properties I, Investor, LLC ("NWInvestor") is 1754 whose sole member is Matthew S. Greer. Seltzer's recommendation is contingent upon receipt and satisfactory review, prior to the closing of the General Partner Transfer, of the approval of CDG, NWInvestor, 1754 and Matthew Greer to the transfer of the management of the Subject Development.

- Borrower has requested that HEFG, a Florida Limited Liability Company formed July 23, 2014, act as Guarantor for the HACFL and assume the Completion and Operating Deficit Guaranty.

  The Agreement reflects that CDG or a CDG affiliated entity is granted a 51% interest in the general partner of the Borrower through "Project Stabilization" defined as (i) the completion of the construction; (ii) leasing and occupancy of all units, and (iii) the release of all completion and lease-up guarantees by lenders and investors. Seltzer notes that the LPA appears to reflect that the CDG interest is 49% instead of 51%. In addition, HACFL and/or an affiliate of the Authority may assume the 51% interest of CDG or its affiliate in consideration of HACFL assuming the guarantees in the manner described in the Agreement and provided that HACFL and/or an affiliate of HACFL shall become the management agent for the Subject Development.

  The Agreement further stipulates that HACFL will assume all guarantees provided that any operating deficit guarantee shall be limited to and secured by a reserve funded from investor equity prior to the Authority's assumption of such guarantee. Such reserve shall be limited to the lesser of (i) six months of operating expenses and six months of debt service, or (ii) $200,000.

  Seltzer notes that the Guaranty by HACFL or its affiliate is not in compliance with the requirements of the TCEP Completion and Operating Deficit Guaranty for NW Properties I dated June 3, 2010 (the "Guaranty"). The Guaranty reflects that Northwest Properties I, Ltd., CDGNWI, Northwest Properties I Development, LLC, CDG, NWInvestor, 1754, 1754MM, and Matthew S. Greer jointly and severally are the Guarantors for TCEP (the "original Guarantors"). As such, the original Guarantors agreed to (i) advance any funds required to fund Operating Deficits for the Guaranty Period; (ii) guaranty lien-free completion of the Development in accordance with approved plans by the Completion Date; and (iii) advance all amounts in excess of the Fixed Price Cost which are required to complete the Development. Operating Deficits are defined as the excess of Development Expenses (or a portion thereof) plus the payment of principal and interest due and payable on all outstanding loans, including the TCEP Loan (the "Loan") over the Borrower's cash revenues of every kind from the Borrower's operation of the Development for such fiscal period (excluding extraordinary cash proceeds and capital contributions and excluding amounts drawn from a reserve account). Guaranty Period is defined as the period commencing with the date of the Loan closing and ending on the last day of the first fifteen (15) years of the Compliance Period. Completion Date is defined as meaning August 31, 2011 subject, however, to the provisions of the Construction Loan Agreement related thereto. Fixed Price Cost is defined as eleven million, five hundred seventy-five thousand, three hundred eighty-four dollars and 00/100 ($11,575,384). In addition, Guaranteed Obligations are defined to mean each and every obligation of the Guarantors under and pursuant to the Guaranty, including, without limitation, the obligations specified above.

  Borrower has requested that HEFG be permitted to act as a Guarantor for the Completion and Operating Deficit Guaranty, the Environmental Indemnity and the Continuing, Absolute and unconditional Guaranty of Recourse Obligations. HACFL, via a written and signed letter, has advised that HEFG has no assets, no credit history, no contingent liabilities, no financial statements, no tax returns and no deposit accounts. The Authority advised that, HEFG will establish a deposit account in an amount to be determined but that the account will be at least $2,000,000. Seltzer's recommendation is contingent upon receipt and satisfactory review, prior to the closing of the General Partner Transfer, of a statement from the applicable financial institution reflecting a deposit account in the name of HEFG in an amount equal to at least $2,000,000. In addition, Seltzer recommends releasing CDGNWI, CDG, 1754, 1754MM and Matthew S. Greer as the current Guarantors as specified in the Guaranties.

Conclusion

Seltzer's review indicates that HEFA through its affiliated entities has the prerequisite financial strength and experience to successfully own and operate the subject.

Therefore, SMG recommends that FHFC consent to the replacement of the CDG related entities and individuals of the current guarantor by HEFG, subject to the following:

- Borrower, HEFA, HEFG and CDGNWII to execute any assignment and assumption documents FHFC deems necessary to effectuate the replacement of the CDG related entities and individuals as guarantors by HEFG.
- Receipt and satisfactory review, prior to the closing of the General Partner Transfer, of a statement from the applicable financial institution reflecting a deposit account in the name of HEFG and in an amount of at least $2,000,000.
- Upon approval by Seltzer and FHFC of HEFG to act as a Guarantor, execution by HEFG of the guaranties.
- 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).
- Review and approval of all documents by FHFC and its legal counsel consistent with the terms outlined above.
- Satisfactory resolution of any noncompliance or past due items.
- Prepayment of any required compliance monitoring fees and servicing fees, as applicable.
- Any other requirement of FHFC, its legal counsel and servicer.

I hope this correspondence has been helpful and please do not hesitate to contact me if I can be of further assistance.

Sincerely,

SELTZER MANAGEMENT GROUP, INC.

Wanda Greggo

Wanda Greggo
Credit Underwriter