

Florida Housing Finance Corporation

Credit Underwriting Report

Gateway Townhomes of St. Joe

HOME Financing to be Used for Rental Developments in Rural Areas

RFA 2014-109 (2014-403H)

Section A Report Summary

Section B HOME Loan Conditions

Section C Supporting Information and Schedules

Prepared by

Seltzer Management Group, Inc.

Final Report

July 15, 2015

Gateway Townhomes of St. Joe

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Section A
Report Summary

HOME PROGRAM CREDIT UNDERWRITING REPORT

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Recommendation

Seltzer Management Group, Inc. ("SMG" or "Seltzer") recommends a HOME loan in the amount of \$5,482,633 be awarded to this development by the Florida Housing Finance Corporation ("FHFC" or "Florida Housing") for its construction and permanent financing.

DEVELOPMENT & SET-ASIDES

Development Name: Gateway Townhomes of St. Joe

Program Numbers: RFA 2014-109 2014-403H

Address: Broad St. and Clifford Sims Rd. City: Port St. Joe Zip Code: 32456

County: Gulf County Size: Small

Development Category: New Construction Development Type: Garden Style Apartments

Construction Type: Wood frame on post tension concrete slab foundation

Demographic Commitment: Elderly: No Homeless: No ELI: Units @ AMI
 Farmworker or Commercial Fish Worker: No Family: Yes Link: 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 HOME Rents	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
2.0	1.0	2	893	50%		\$580		\$155	N/A	\$425	\$385	\$385	\$385	\$9,240
2.0	1.0	14	893	65%			\$702	\$155	N/A	\$547	\$495	\$495	\$495	\$83,160
3.0	2.0	5	1119	50%		\$670		\$174	N/A	\$496	\$451	\$451	\$451	\$27,060
3.0	2.0	17	1119	65%			\$837	\$174	N/A	\$663	\$576	\$576	\$576	\$117,504
4.0	2.0	3	1291	50%		\$747		\$195	N/A	\$552	\$500	\$500	\$500	\$18,000
4.0	2.0	9	1291	65%			\$915	\$195	N/A	\$720	\$640	\$640	\$640	\$69,120
		50	54398											\$324,084

HOME Subsidy Limits: Gulf County

19	2 bedroom	\$ 90,254	\$1,714,826
18	3 Bedroom	\$116,759	\$2,101,662
13	4 Bedroom	\$128,165	<u>\$1,666,145</u>
			\$5,482,633

Note: Even though the unit mix changed to 16 two-bedrooms, 22 three-bedrooms and 12 four-bedrooms, the maximum subsidy limits were not adjusted.

Buildings: Residential - 2 Non-Residential - 0
 Parking: Parking Spaces - 105 Accessible Spaces - 7

Set Asides:	Program	% of Units	# of Units	% AMI	Term (Years)
	HOME	20.0%	10	50%	50
	HOME	80.0%	40	65%	50

HOME PROGRAM CREDIT UNDERWRITING REPORT

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PERMANENT FINANCING INFORMATION						
	1st Source	2nd Source	3rd Source	4th Source	5th Source	Other
Lien Position	First	Second				
Lender/Grantor	Hamilton	FHFC HOME	0	0	0	Gulf Co.
Amount	\$1,100,000	\$5,482,633	\$0.00	\$0.00	\$0.00	\$300,000.00
Underwritten Interest Rate	5.50%	0.00%	0.00%	0.00%	0.00%	0.00%
All In Interest Rate	5.50%	0.00%	0.00%	0.00%	0.00%	0.00%
Loan Term	19.00	20.00	0.00	0.00	0.00	0.00
Amortization	30.00					
Market Rate/Market Financing LTV	29.2%	174.6%				
Restricted Market Financing LTV	70.1%	419.3%				
Loan to Cost	15.2%	91.0%				
Debt Service Coverage	1.48	1.48				
Operating/Deficit Service Reserve	\$100,000.00					
Period of Operating Expenses/Deficit Reserve in Months	6					
Deferred Developer Fee			\$347,939			
Land Value			\$350,000			
As-Is Value (Rehabilitation)			\$0			
Market Rent/Market Financing Stabilized Value			\$3,770,000			
Rent Restricted Market Financing Stabilized Value			\$1,570,000			
Rent Restricted Favorable Financing Stabilized Value (TE)			\$0			
Projected Net Operating Income (NOI) - Year 1			\$110,745			
Projected Net Operating Income (NOI) - 15 Year			\$108,438			
Year 15 Pro Forma Income Escalation Rate			2.00%			
Year 15 Pro Forma Expense Escalation Rate			3.00%			

CONSTRUCTION/PERMANENT SOURCES:				
Source	Lender	Construction	Permanent	Perm Loan/Unit
First Mortgage	Hamilton	\$1,100,000	\$1,100,000	\$22,000
Second Mortgage	FHFC HOME	\$5,482,633	\$5,482,633	\$109,653
Grant	Gulf Co.	\$300,000	\$300,000	\$6,000
Deferred Developer Fee	Paces	\$347,939	\$347,939	\$6,959
TOTAL		\$7,230,572	\$7,230,572	\$144,611

HOME PROGRAM CREDIT UNDERWRITING REPORT

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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?	X	
Are all local government recommendations/contributions still in place at the level described in the Application?	X	
Is the Development feasible with all amenities/features listed in the Application?	X	
Do the site plans/architectural drawings account for all amenities/features listed in the Application?	X	
Does the Applicant have site control at or above the level indicated in the Application?	X	
Does the Applicant have adequate zoning as indicated in the Application?	X	
Has the Development been evaluated for feasibility using the total length of set-aside committed to in the Application?	X	
Have the Development costs remained equal to or less than those listed in the Application?	x	
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?	X	
HC ONLY: Is the rate of syndication the same as or greater than that shown in the Application?	N/A	
Is the Development in all other material respects the same as presented in the Application?		1

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

1. The Development Type has been changed from Townhouses to Garden Apartments (see Waiver Request section). In addition, the unit mix has changed from 19 two-bedroom units, 18 three-bedroom units, and 13 four-bedroom units to 16 two-bedroom units, 22 three-bedroom units, and 12 four-bedroom units. FHFC staff has approved the unit mix change.

These changes have no material impact to the loan recommendation for this development.

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

Florida Housing's Past Due Report of June 30, 2015, reflects no past due items. Florida Housing's Asset Management Noncompliance Report of June 30, 2015, reflects no noncompliance issues outside the correction period.

Strengths:

1. The appraiser estimates that the property is expected to be leased to stabilized occupancy of 94% within 30 days of construction completion.
2. The developer, general contractor and management company are experienced in affordable multifamily housing.

Other Considerations: None

Waiver Requests/Special Conditions:

1. FHFC received a Petition for Waiver of Rule 67-48.004(3)(g), Florida Administrative Code, from Applicant to change the Development Type from Townhouses to Garden Apartments. An Order Granting approval of the Waiver was approved at Florida Housing's May 8, 2015, Board of Director's meeting.
2. At Florida Housing's June 19, 2015, Board of Directors' meeting the Applicant received approval to extend the credit underwriting completion date until July 15, 2015.

Additional Information:

1. TDC: The Total Development Cost for the Subject meets the limitation set forth in RFA 2014-109 for Garden Apartments.
2. Construction Contract: The Applicant submitted an undated, unexecuted construction contract between the Applicant and RAC; however, the contract has not been executed by either party. Receipt and review of an executed construction contract with all required exhibits and reflecting terms not materially different from those already reviewed herein is a condition to this loan recommendation.

Issues and Concerns: None

Mitigating Factors: None

Recommendation:

SMG recommends a \$5,482,633 HOME loan for the construction and permanent financing of this development.

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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 Loan Conditions (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 this report.

Prepared by:

Reviewed by:



Benjamin S. Johnson
President



Cindy Highsmith
Chairman – Internal Review Committee

Overview

Construction Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
First Mortgage	Hamilton	\$1,500,000	\$1,100,000	\$1,100,000	4.75%	\$59,565
Second Mortgage	FHFC HOME	\$5,482,633	\$5,482,633	\$5,482,633	0.00%	\$0
Grant	Gulf Co.	\$300,000	\$300,000	\$300,000	0.00%	\$0
Def. Developer Fee	Paces	\$0	\$383,796	\$347,939		
Total		\$7,282,633	\$7,266,429	\$7,230,572		\$59,565

First Mortgage Loan:

The Applicant has provided a May 13, 2015, first mortgage letter of intent from Hamilton State Bank ("Hamilton") to provide up to a \$1,640,000 loan for the construction and permanent financing for the Subject; however, the Applicant intends to utilize only \$1,100,000 of the available funding during both the construction and permanent phases. Terms of the loan include a 24-month variable interest only period based on Prime plus 1.5%, with a floor of 3.0%, during the construction phase. The Prime rate is currently estimated to be 3.25%.

Proposed HOME Loan:

As outlined in the Permanent Financing Sources section, the Applicant has applied for a \$5,482,633 HOME loan to be issued by Florida Housing to finance this development. Please refer to that section for details of the Florida Housing loan.

Other Construction Sources of Funds:

Additional sources of funds for this development during construction are a Gulf County SHIP grant of \$300,000, and deferred developer fee.

SMG estimates that the developer will have to defer \$347,939 of developer fee after all available loan proceeds and grants have been received during the construction period.

Construction/Stabilization Period:

The construction contract requires completion within 270 days (approximately nine months) of commencement. Based on the assumption utilized in the appraisal of absorption of 12 units per month (beginning with the delivery of the first building in month six), stabilization of 94% is expected within 30 days of construction completion.

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Permanent Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt
First Mortgage	Hamilton	\$1,500,000	\$1,100,000	\$1,100,000	5.50%	30	19	\$74,948
Second Mortgage	FHFC HOME	\$5,482,633	\$5,482,633	\$5,482,633	0.00%	N/A	20	\$0
Grant	Gulf Co.	\$300,000	\$300,000	\$300,000				\$0
Def. Developer Fee	Paces	\$0	\$383,796	\$347,939				
Total		\$7,282,633	\$7,266,429	\$7,230,572				\$74,948

First Mortgage:

Per the May 13, 2015, Hamilton first mortgage letter of intent, after the initial 24-month interest only period the loan will require payments of principal and interest at a fixed rate of 5.5%, based on a 30-year amortization schedule. The loan will mature in 19 years (inclusive of the 24-month interest only construction phase) from closing with all unpaid principal and interest due and payable.

Proposed HOME Loan:

The Applicant applied for a \$5,482,633 HOME loan to be issued by Florida Housing to finance this development.

The loan will be non-amortizing and will bear 0% interest per annum with repayment of principal deferred until maturity. The loan will be 20 years. Proceeds from the HOME loan will be used to fund construction costs pursuant to Rule 67-48.019(1), F.A.C. and HUD 24 CFR Part 92. It is noted that HOME funds cannot be used for the detached community center/clubhouse. Permanent Loan Servicing fees and Compliance Monitoring fees will be required to be paid annually by the Applicant and are shown on the Operating Pro Forma herein below.

Other Permanent Sources of Funds:

Per the RFA, the HOME Match must be cash contributions from nonfederal external sources and permanently contributed to the HOME development. The Applicant has provided a Grant Form indicating that Gulf County will provide construction and permanent financing in the form of a \$300,000 SHIP Grant.

SMG also estimates that the developer will have to defer \$347,939 of developer fee for payment from development operations during the permanent phase.

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Uses of Funds

CONSTRUCTION COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HOME Ineligible Costs - CUR
Accessory Buildings					
Demolition					
Installation of Pre Fab Units					
New Rental Units	\$4,132,750	\$3,478,419	\$3,452,799	\$69,056	\$17,621
Off-Site Work					
Recreational Amenities					
Rehab of Existing Common Areas					
Rehab of Existing Rental Units					
Site Work		\$644,389	\$670,007	\$13,400	
Swimming Pool					
General Conditions	\$578,585	\$247,368	\$247,369	\$4,947	\$1,057
Overhead		\$82,456	\$82,456	\$1,649	\$352
Profit		\$247,368	\$247,369	\$4,947	\$1,057
Builder's Risk Insurance					
General Liability Insurance					
Payment and Performance Bonds					
Furniture, Fixture, & Equipment					
Total Construction Contract/Costs	\$4,711,335	\$4,700,000	\$4,700,000	\$94,000	\$20,088
Hard Cost Contingency	\$291,092	\$235,000	\$206,140	\$4,123	
Fees for LOC used as Construction Surety					
Other: P&P Bond		\$64,000	\$64,000	\$1,280	
Other:					
Other:					
Other:					
Other:					
Total Construction Costs:	\$5,002,427	\$4,999,000	\$4,970,140	\$99,403	\$20,088

Notes to the Actual Construction Costs:

- The Applicant has provided an undated, unexecuted construction contract between the Applicant and RAC. The contract is a standard form of Agreement between Owner and Contractor where the basis of payment is a Stipulated Sum. This contract includes all construction hard costs and contractor's fees consisting of a base contract sum of \$4,700,000. The contract provides for retainage of 10% until 50% completion and 5% until substantial completion which meets Florida Housing's retainage requirements. Final payment will be made when the contract has been fully performed and within 30 days after issuance of the Architect's final Certificate for Payment. The contract requires substantial completion of the entire work not later than 270 days from the date of commencement. The date of commencement is 30 days after receipt of a Notice to Proceed.

The contract provides for compliance with the Federal Labor Standards and Wage Determination requirements pursuant to the Davis-Bacon Act as well as the Section 3 Clause.

HOME Ineligible Cost include those associated with the detached picnic pavilion.

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2. General contractor fee is within 14% which meets the Rule requirement.
3. SMG has limited the hard cost contingency to an amount equal to 5.00% of the total hard costs, exclusive of general contractor fee, which is consistent with the HOME Rule.
4. SMG received a Pre-Construction Analysis /Plan and Cost Review (“PCA/PCR”) from C3 Consulting Group, Inc. (“C3”) dated June 2015. Complete results of the PCA report are provided in Section C of this report.

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GENERAL DEVELOPMENT COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HOME Ineligible Costs - CUR
Accounting Fees	\$18,000	\$18,000	\$18,000	\$360	
Appraisal	\$5,500	\$5,500	\$5,500	\$110	
Architect's and Planning Fees	\$160,000	\$190,000	\$190,000	\$3,800	
Architect's Fee - Green Initiative					
Architect's Fee - Landscape					
Architect's Fee - Site/Building Design					
Architect's Fee - Supervision	\$45,000	\$115,000	\$115,000	\$2,300	
Building Permits	\$15,000	\$15,000	\$15,000	\$300	
Builder's Risk Insurance	\$77,500	\$77,500	\$77,500	\$1,550	
Capital Needs Assessment/Rehabilitation					
Demolition paid outside Const Contract					
Engineering Fees	\$90,000	\$120,000	\$120,000	\$2,400	
Environmental Report	\$15,000	\$15,000	\$15,000	\$300	
Federal Labor Standards Monitoring					
FF&E paid outside Construction Contract	\$100,000	\$50,000	\$50,000	\$1,000	\$50,000
FHFC Administrative Fees					
FHFC Application Fee	\$3,000	\$3,000	\$3,000	\$60	\$3,000
FHFC Credit Underwriting Fee					
FHFC HC Compliance Fee (HC)	\$204,000				
FHFC Other Processing Fee(s)					
Impact Fee					
Lender Inspection Fees / Const Admin	\$15,000	\$15,000	\$15,000	\$300	
Green Building Cert. (LEED, FGBC, NAHB)					
Home Energy Rating System (HERS)					
Insurance		\$40,000	\$40,000	\$800	
Legal Fees	\$70,000	\$70,000	\$70,000	\$1,400	
Local Subsidy Underwriting Fee					
Market Study	\$5,500	\$5,500	\$5,500	\$110	
Marketing and Advertising	\$70,000	\$60,000	\$60,000	\$1,200	\$60,000
Plan and Cost Review Analysis			\$1,800	\$36	
Property Taxes	\$45,000	\$30,000	\$30,000	\$600	
Soil Test	\$10,000	\$10,000	\$10,000	\$200	
Start-Up/Lease-up Expenses					
Survey	\$52,000	\$52,000	\$52,000	\$1,040	
Tenant Relocation Costs					
Title Insurance and Recording Fees	\$50,000	\$40,000	\$40,000	\$800	
Traffic Study					
Utility Connection Fees	\$60,000	\$60,000	\$60,000	\$1,200	
Soft Cost Contingency		\$53,525	\$49,665	\$993	\$49,665
Other:					
Other:					
Other:					
Total General Development Costs:	\$1,110,500	\$1,045,025	\$1,042,965	\$20,859	\$162,665

HOME PROGRAM CREDIT UNDERWRITING REPORT

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Notes to the General Development Costs:

1. The cost of the HUD Environmental Report is paid for the non-profit applicant by FHFC. The Environmental budget shown here is for the Phase I Environmental Assessment.
2. Federal Labor Standards Monitoring fees are paid for non-profit applicants by FHFC.
3. The underwriting fee is paid for non-profit applicants by FHFC.
4. There is no Administrative Fee or HC Compliance Fee as the development will not be applying for Housing Credits.
5. Lender Inspection Fees/Construction Administration reflects construction servicing fees. The FHFC inspector is paid by the HOME program and includes Davis Bacon Federal Labor Wage Standards monitoring.
6. SMG has included the actual cost of the Plan and Cost Review of \$1,800.
7. Other General Development Costs are the Applicant's estimates, which appear reasonable.

FINANCIAL COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HOME Ineligible Costs - CUR
Construction Loan Application Fee					
Construction Loan Underwriting Fee					
Construction Loan Origination Fee	\$15,000	\$11,000	\$11,000	\$220	
Construction Loan Commitment Fee					
Construction Loan Closing Costs					
Construction Loan Interest	\$120,000	\$90,000	\$90,000	\$1,800	
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	\$15,000				
Permanent Loan Closing Costs		\$20,000	\$20,000	\$400	
Permanent Loan Interest					
Permanent Loan Servicing Fee					
Reserves - ACC Reserve					
Reserves - Operating Deficit		\$100,000	\$100,000	\$2,000	
Reserves - Debt Service Coverage					
Reserves - Required by FHFC					
Reserves - Replacement Escrow		\$15,000	\$15,000	\$300	
Other:					
Total Financial Costs:	\$150,000	\$236,000	\$236,000	\$4,720	\$0

Notes to the Financial Costs:

1. The Operating Deficit Reserve ("ODR") is equal to approximately six months of operating expenses. The reserve will either be held by Hamilton or FHFC/SMG and will be subject to Florida Housing

HOME PROGRAM CREDIT UNDERWRITING REPORT

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standard release and approval conditions. The calculation of developer fee will be exclusive of the budgeted ODR and any ODR “proposed or required by a limited partner or other lender” in excess of the amount deemed satisfactory by the credit underwriter will be a subset of developer fee. Upon expiration of the ODR, the balance in the reserve will be used to pay down any FHFC administered loan debt, if any, and if there is no FHFC administered loan debt, then the balance of the reserve shall be deposited into a replacement reserve account. In no event shall the remaining balance in said ODR be paid to the Developer of Applicant.

2. Applicant elects to pre-pay Replacement Reserves of \$15,000 at closing, representing one-half of the required Replacement Reserve deposits for years 1 and 2.
3. Other Financial Costs are the Applicant’s estimates, which appear reasonable.

NON-LAND ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HOME Ineligible Costs - CUR
Brokerage Fees - Building					
Building Acquisition Cost					
Other:					
Other:					
Other:					
Total Non-Land Acquisition Costs:	\$0	\$0	\$0	\$0	\$0

Notes to the Non-Land Acquisition Costs:

1. Since this is a new construction development, there are no non-land acquisition costs.

OTHER DEVELOPMENT COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HOME Ineligible Costs - CUR
Development Cost Before Developer Fee and Land Costs	\$6,262,927	\$6,280,025	\$6,249,105	\$124,982	\$182,753
Developer Fee on Acquisition of Buildings					
Developer Fee	\$1,002,068	\$986,404	\$981,457	\$19,629	
Developer Fee to fund Operating Debt Reserve					
Other: Brokerage Fees - Land					
Other: Consultant Fees					
Other: Excess Acquisition Costs					
Other: Excess Land Value					
Other: Guaranty Fees					
Other:					
Other:					
Other:					
Total Other Development Costs:	\$1,002,068	\$986,404	\$981,457	\$19,629	\$0

Notes to the Other Development Costs:

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- The Developer Fee has been limited to \$981,457 which is equal to 16% of total development costs exclusive of land acquisition and reserves, which is the maximum per Rule.

LAND ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HOME Ineligible Costs - CUR
Brokerage Fees - Land					
Land Acquisition Costs			\$10	\$0	
Land					
Land Lease Payment					
Land Carrying Costs					
Other:					
Other:					
Other:					
Total Acquisition Costs:	\$0	\$0	\$10	\$0	\$0

Notes to the Land Acquisition Costs:

- The Applicant submitted a Partial Assignment and Assumption of Purchase and Sale Agreement ("Assumption Agreement") dated June 25, 2014, by and between Paces, as Assignor, and Applicant, as Assignee. The underlying Purchase and Sale Agreement, dated October 10, 2013, and subsequently amended June 17, 2014, between The City of St. Joe, Seller, and Paces, Purchaser, is for a 41.96 acre parcel with a purchase price of One Dollar (\$1.00). The Assumption Agreement assigns the right to purchase a portion (8.75 acres, referenced as Phase I) of the parcel in consideration of a sum of Ten Dollars (\$10.00).

The purchase price of the Subject parcel is supported by the appraised value of \$350,000.

TOTAL DEVELOPMENT COSTS:	\$7,264,995	\$7,266,429	\$7,230,572	\$144,611	\$182,753
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HOME PROGRAM CREDIT UNDERWRITING REPORT

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Operating Pro forma

OPERATING PRO FORMA		ANNUAL	PER UNIT
INCOME	Gross Potential Rental Income	\$324,084	\$6,482
	Rent Subsidy (ODR)	\$0	\$0
	Other Income:		
	Ancillary Income-Parking	\$0	\$0
	Miscellaneous	\$9,000	\$180
	Washer/Dryer Rentals	\$0	\$0
	Cable/Satellite Income	\$0	\$0
	Rent Concessions	\$0	\$0
	Alarm Income	\$0	\$0
	Gross Potential Income	\$333,084	\$6,662
	Less:		
Economic Loss - Percentage:		\$0	
Physical Vacancy Loss - Percentage: 6.0%	(\$19,985)	(\$400)	
Collection Loss - Percentage: 1.0%	(\$3,331)	(\$67)	
Total Effective Gross Revenue	\$309,768	\$6,195	
EXPENSES	Fixed:		
	Ground Lease	\$0	\$0
	Sub-Ground Lease	\$0	\$0
	Real Estate Taxes	\$24,523	\$490
	Insurance	\$40,000	\$800
	Other	\$0	\$0
	Variable:		
	Management Fee - Percentage: 5.8%	\$18,000	\$360
	General and Administrative	\$15,000	\$300
	Payroll Expenses	\$55,000	\$1,100
	Utilities	\$12,500	\$250
	Marketing and Advertising	\$1,500	\$30
	Maintenance and Repairs	\$17,500	\$350
	Grounds Maintenance and Landscaping	\$5,000	\$100
	Resident Programs	\$0	\$0
	Contract Services	\$2,500	\$50
	Security	\$0	\$0
Other-	\$0	\$0	
Reserve for Replacements	\$7,500	\$150	
Total Expenses	\$199,023	\$3,980	
Net Operating Income	\$110,745	\$2,215	
Debt Service Payments			
DEBT SERVICE	First Mortgage	\$74,948	\$1,499
	Second Mortgage	\$0	\$0
	Third Mortgage	\$0	\$0
	Fourth Mortgage	\$0	\$0
	Fifth Mortgage	\$0	\$0
	All Other Mortgages	\$0	\$0
	Other Fees -	\$0	\$0
	Other Fees - Servicer	\$12,660	\$253
Total Debt Service Payments	\$87,608	\$1,752	
Cash Flow After Debt Service	\$23,137	\$463	

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Debt Service Coverage Ratios		
DSC - First Only (incl. Negative Arbitrage)		1.478
DSC - First and Second		1.478
DSC - All Mortgages and Fees		1.264
Financial Ratios		
Operating Expense Ratio		64.2%
Break-Even Ratio		86.1%

Notes to the Operating Pro forma and Ratios:

- The rent schedule below outlines the 2015 maximum allowable HOME rents and reflects the applicable utility allowances. These rents are net of utility allowances per a 2015 Utility Allowance Report prepared by Matern Professional Engineering, Inc., and reflect the Applicant paying for trash disposal and pest control and the resident paying for electricity, water and sewer.

The rent roll is shown below:

MSA/County: Gulf County

Bed Rooms	Bath Rooms	Units	Square Feet	AMI%	Gross HC Rent	Low HOME Rents	High HOME Rents	Utility Allow	RD/HUD Cont Rents	Net HOME Rents	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
2.0	1.0	2	893	50%		\$580		\$155	N/A	\$425	\$385	\$385	\$385	\$9,240
2.0	1.0	14	893	65%			\$702	\$155	N/A	\$547	\$495	\$495	\$495	\$83,160
3.0	2.0	5	1119	50%		\$670		\$174	N/A	\$496	\$451	\$451	\$451	\$27,060
3.0	2.0	17	1119	65%			\$837	\$174	N/A	\$663	\$576	\$576	\$576	\$117,504
4.0	2.0	3	1291	50%		\$747		\$195	N/A	\$552	\$500	\$500	\$500	\$18,000
4.0	2.0	9	1291	65%			\$915	\$195	N/A	\$720	\$640	\$640	\$640	\$69,120
		50	54398											\$324,084

- Cable television hookups are available in the units as required; however, the residents will contract directly with the cable provider for service. Therefore, no cable television income to the property is anticipated.
- Miscellaneous income reflects revenues generated from vending income, late charges, forfeited security deposits, and other additional services equal to approximately \$15 per resident per month per the appraiser's estimate.
- Vacancy Loss of 6% and Collection Loss of 1% are based on the appraiser's estimate.
- Management fees are based on the Management Agreement which reflects \$1,500 per month or 5% of monthly gross receipts, which ever is greater.
- Utilities expense reflects common area water, sewer, electric and trash removal.
- Applicant has elected to prepay Replacement Reserves of \$15,000 at closing that represents one-half of the Replacement Reserves for Years 1 and 2. It will pay into the reserve \$7,500 (\$150 per-unit-per year) for Years 1 and 2 and then begin paying \$300 per-unit per-year in Year 3, which conforms to FHFC Rule.
- The Applicant will provide Resident Programs - After School Care and Employment Assistance at no cost to the residents.

9. Other operating expense estimates are supported by the appraisal.
10. Debt service coverage ratios shown above are Seltzer's estimates for the first stabilized year of operations. A 15-year income and expense projection utilizing income increasing at an annual rate of 2% and expenses increasing at an annual rate of 3% is attached to this report as Exhibit 1.

SMG

Section B

HOME Loan Conditions

JULY 15, 2015

Special Conditions

This recommendation is contingent upon the review and approval of the following items by SMG and Florida Housing at least two weeks prior to closing. Failure to receive approval of these items within this time frame may result in postponement of the closing date.

1. An executed construction contract with all required exhibits and reflecting terms not materially different from those already reviewed herein.
2. An Operating Deficit Reserve (“ODR”) in the amount of approximately six months of operating expenses that exists for the entire 20-year term of the HOME loan is required. The calculation of developer fee will be exclusive of the budgeted ODR and any ODR “proposed or required by a limited partner or other lender” in excess of the amount deemed satisfactory by the credit underwriter will be a subset of developer fee. Upon expiration of the ODR, the balance in the reserve will be used to pay down any FHFC administered loan debt, if any, and if there is no FHFC administered loan debt, then the balance of the reserve shall be deposited into a replacement reserve account. In no event shall the remaining balance in said ODR be paid to the Developer of Applicant.

General Conditions

This recommendation is contingent upon the review and approval of the following items by SMG and Florida Housing at least two weeks prior to closing. Failure to receive approval of these items within this time frame may result in postponement of the closing date.

1. Borrower to comply with any and all recommendations noted in the pre-construction analysis which has been prepared by C3 Consulting Group, Inc.
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. The final “as permitted” (signed and sealed) site plans, building plans, and specifications showing all features and amenities committed to in the application. The Geotechnical Report must be bound within the final plans and specifications.
5. Final sources and uses of funds itemized by source and line item, in a format and in amounts approved by the Servicer. A detailed calculation of the construction interest based on the final draw schedule (see below), documentation of the closing costs, and draft loan closing statement must

HOME PROGRAM CREDIT UNDERWRITING REPORT

SMG

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. HOME Program loan proceeds shall be disbursed during the construction phase in an amount per Draw on a pro rata basis with other financing, unless otherwise approved by the Corporation or the Credit Underwriter. The closing draw shall include appropriate backup and ACH wiring instructions.
7. 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.
8. 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. 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.
9. 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.
10. Completion of a Davis Bacon Federal Labor Standards pre-construction conference.
11. Satisfactory resolution of any outstanding past due or noncompliance items prior to closing of the loan.
12. 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).

This recommendation is contingent upon the review and approval of the following items by Florida Housing and its legal counsel at least two weeks before closing. Failure to receive approval of these items, along with all other items listed on legal counsel's due diligence list, within this time frame may result in postponement of the closing date.

1. Documentation of the legal formation and current authority to transact business in Florida for the Borrower, the general partner/principal(s)/manager(s) of the 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

HOME PROGRAM CREDIT UNDERWRITING REPORT

SMG

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 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 HOME loan 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 Borrower'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.
9. Such other assignments, affidavits, certificates, financial statements, closing statements and other documents as may be reasonably requested by Florida Housing or its legal counsel in form and substance acceptable to Florida Housing or its legal counsel, in connection with the HOME Loan.
10. UCC Searches for the Borrower, its partnerships, as requested by counsel.
11. 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 and 420.5089, Florida Statutes, Rule Chapter 67-48, F.A.C., Rule Chapter 67-60, F.A.C., RFA 2014-109, HUD Rule 24 CFR Part 92 and any other local, State, and Federal requirements.
2. Acceptance by the Applicant and execution of all documents evidencing and securing the HOME Loan in form and substance satisfactory to Florida Housing, including, but not limited to, the Promissory Note, the Loan Agreement, the Mortgage and Security Agreement, and the Land Use Restriction Agreement.
3. At all times there will be un-disbursed loan funds (collectively held by Florida Housing, First Lender and any other sources) sufficient to complete the development. If at any time there are not sufficient funds (held by Florida Housing, First Lender and any other sources) to complete the Development, the Borrower will be required to expend additional equity on development costs or to deposit additional equity with Florida Housing which is sufficient (in Florida Housing's judgment) to complete the development before additional Loan funds are disbursed. This condition specifically includes escrowing at closing all syndication and other equity necessary to complete construction or another alternative acceptable to Florida Housing in its sole discretion.
4. During construction, 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 during construction, which is determined to be "developer's overhead". No more than 35% of "developer's overhead" 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.
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. This guarantee will be released upon achievement of 1.15 debt service coverage for the combined permanent first mortgage and HOME Loan, 90% Occupancy and 90% of Gross Potential Rental Income net of utility allowances, if applicable, for a period equal to twelve (12) consecutive months, all certified by an independent Certified Public Accountant ("CPA"). The calculation of the debt service coverage ratio shall be made by Florida Housing or the Servicer. 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. Closing of the first mortgage loan simultaneous with or prior to closing of the HOME loan.

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10. A mortgagee title insurance policy naming Florida Housing as the insured in the amount of the HOME 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.
11. 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.
12. Replacement Reserves in the amount of \$300 per unit per year will be required to be deposited on a monthly basis into a designated escrow account, to be maintained by the First Mortgagee or Florida Housing's loan servicing agent. However, Applicant has the option to prepay Replacement Reserves. New construction developments shall not be allowed to draw during the first five (5) years or until the establishment of a minimum balance equal to the accumulation of five (5) years of replacement reserves per unit. The reserve shall be adjusted based on a capital needs assessment ("CNA") beginning no later than the 10th year after the first residential building receives a certificate of occupancy, a temporary certificate of occupancy, or is placed in service, whichever is earlier ("Initial Replacement Date"). A subsequent CNA is required no later than the 15th year after the Initial Replacement Reserve Date and subsequent assessments are required every five years thereafter.
13. C3 Consulting Group, Inc. is to act as Florida Housing's inspector during the construction period.
14. 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 lien free completion of construction and issuance of all certificates of occupancy. The RAC general construction contract indicates a 10% retainage holdback through 50% completion then 5% retainage holdback until substantial completion, which satisfies the minimum requirement.
15. HOME funds are subject to the National Environmental Policy Act ("NEPA") of 1969 and related federal environmental authorities and regulations at 24 CFR Part 58 "Environmental Review Procedures." No HOME funds may be committed to a development before completion of the environmental review process and HUD approval of the environmental review and Request for Release of Funds.
16. Satisfactory evidence of compliance with the Davis-Bacon Act and other applicable Federal Labor Standards during the construction of this development. Evidence of compliance must be through satisfactory completion of a compliance audit by HUD and its authorized subcontractor.
17. Satisfactory completion of a pre-loan closing compliance audit conducted by Florida Housing or its Servicer, if applicable.
18. Any other reasonable requirements of the Servicer, Florida Housing or its legal counsel.

Exhibit 1
Gateway Townhomes of St. Joe
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																
INCOME	Gross Potential Rental Income	\$324,084	\$330,566	\$337,177	\$343,921	\$350,799	\$357,815	\$364,971	\$372,271	\$379,716	\$387,310	\$395,057	\$402,958	\$411,017	\$419,237	\$427,622
	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	\$9,000	\$9,180	\$9,364	\$9,551	\$9,742	\$9,937	\$10,135	\$10,338	\$10,545	\$10,756	\$10,971	\$11,190	\$11,414	\$11,642	\$11,875
	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	\$333,084	\$339,746	\$346,541	\$353,471	\$360,541	\$367,752	\$375,107	\$382,609	\$390,261	\$398,066	\$406,028	\$414,148	\$422,431	\$430,880	\$439,497
	Less:															
	Economic Loss - Percentage:															
Physical Vacancy Loss - Percentage: 6.0%	(\$19,985)	(\$20,385)	(\$20,792)	(\$21,208)	(\$21,632)	(\$22,065)	(\$22,506)	(\$22,957)	(\$23,416)	(\$23,884)	(\$24,362)	(\$24,849)	(\$25,346)	(\$25,853)	(\$26,370)	
Collection Loss - Percentage: 1.0%	(\$3,331)	(\$3,397)	(\$3,465)	(\$3,535)	(\$3,605)	(\$3,678)	(\$3,751)	(\$3,826)	(\$3,903)	(\$3,981)	(\$4,060)	(\$4,141)	(\$4,224)	(\$4,309)	(\$4,395)	
Total Effective Gross Revenue	\$309,768	\$315,963	\$322,283	\$328,728	\$335,303	\$342,009	\$348,849	\$355,826	\$362,943	\$370,202	\$377,606	\$385,158	\$392,861	\$400,718	\$408,732	
EXPENSES	Fixed:															
	Ground Lease	\$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	
	Real Estate Taxes	\$24,523	\$25,259	\$26,016	\$26,797	\$27,601	\$28,429	\$29,282	\$30,160	\$31,065	\$31,997	\$32,957	\$33,946	\$34,964	\$36,013	\$37,093
	Insurance	\$40,000	\$41,200	\$42,436	\$43,709	\$45,020	\$46,371	\$47,762	\$49,195	\$50,671	\$52,191	\$53,757	\$55,369	\$57,030	\$58,741	\$60,504
	Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Variable:															
	Management Fee - Percentage: 5.8%	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,147	\$18,510	\$18,880	\$19,258	\$19,643	\$20,036	\$20,437
	General and Administrative	\$15,000	\$15,450	\$15,914	\$16,391	\$16,883	\$17,389	\$17,911	\$18,448	\$19,002	\$19,572	\$20,159	\$20,764	\$21,386	\$22,028	\$22,689
	Payroll Expenses	\$55,000	\$56,650	\$58,350	\$60,100	\$61,903	\$63,760	\$65,673	\$67,643	\$69,672	\$71,763	\$73,915	\$76,133	\$78,417	\$80,769	\$83,192
	Utilities	\$12,500	\$12,875	\$13,261	\$13,659	\$14,069	\$14,491	\$14,926	\$15,373	\$15,835	\$16,310	\$16,799	\$17,303	\$17,822	\$18,357	\$18,907
	Marketing and Advertising	\$1,500	\$1,545	\$1,591	\$1,639	\$1,688	\$1,739	\$1,791	\$1,845	\$1,900	\$1,957	\$2,016	\$2,076	\$2,139	\$2,203	\$2,269
	Maintenance and Repairs	\$17,500	\$18,025	\$18,566	\$19,123	\$19,696	\$20,287	\$20,896	\$21,523	\$22,168	\$22,834	\$23,519	\$24,224	\$24,951	\$25,699	\$26,470
	Grounds Maintenance and Landscaping	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628	\$5,796	\$5,970	\$6,149	\$6,334	\$6,524	\$6,720	\$6,921	\$7,129	\$7,343	\$7,563
	Resident Programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Contract Services	\$2,500	\$2,575	\$2,652	\$2,732	\$2,814	\$2,898	\$2,985	\$3,075	\$3,167	\$3,262	\$3,360	\$3,461	\$3,564	\$3,671	\$3,781
	Security	\$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		
Reserve for Replacements	\$7,500	\$7,500	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,450	\$15,914	\$16,391	\$16,883	\$17,389
Total Expenses	\$199,023	\$204,229	\$217,091	\$222,613	\$228,302	\$234,161	\$240,196	\$246,411	\$252,961	\$259,918	\$267,531	\$275,368	\$283,436	\$291,743	\$300,295	
Net Operating Income	\$110,745	\$111,735	\$105,192	\$106,115	\$107,001	\$107,848	\$108,654	\$109,415	\$109,982	\$110,283	\$110,075	\$109,790	\$109,425	\$108,975	\$108,438	
Debt Service Payments																
DEBT SERVICE	First Mortgage	\$74,948	\$74,948	\$74,948	\$74,948	\$74,948	\$74,948	\$74,948	\$74,948	\$74,948	\$74,948	\$74,948	\$74,948	\$74,948	\$74,948	\$74,948
	Second Mortgage	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	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 - Servicer	\$12,660	\$12,660	\$12,660	\$12,660	\$12,660	\$12,660	\$12,660	\$12,660	\$12,660	\$12,660	\$12,660	\$12,660	\$12,660	\$12,660	\$12,660
Total Debt Service Payments	\$87,608	\$87,608	\$87,608	\$87,608	\$87,608	\$87,608	\$87,608	\$87,608	\$87,608	\$87,608	\$87,608	\$87,608	\$87,608	\$87,608	\$87,608	
Cash Flow After Debt Service	\$23,137	\$24,127	\$17,584	\$18,507	\$19,393	\$20,240	\$21,046	\$21,807	\$22,374	\$22,675	\$22,467	\$22,182	\$21,816	\$21,367	\$20,829	
Debt Service Coverage Ratios																
DSC - First Only (incl. Negative Arbitrage)	1.478	1.491	1.404	1.416	1.428	1.439	1.450	1.460	1.467	1.471	1.469	1.465	1.460	1.454	1.447	
DSC - First and Second	1.478	1.491	1.404	1.416	1.428	1.439	1.450	1.460	1.467	1.471	1.469	1.465	1.460	1.454	1.447	
DSC - All Mortgages and Fees	1.264	1.275	1.201	1.211	1.221	1.231	1.240	1.249	1.255	1.259	1.256	1.253	1.249	1.244	1.238	
Financial Ratios																
Operating Expense Ratio	64.2%	64.6%	67.4%	67.7%	68.1%	68.5%	68.9%	69.3%	69.7%	70.2%	70.8%	71.5%	72.1%	72.8%	73.5%	
Break-Even Ratio	86.1%	85.9%	87.9%	87.8%	87.6%	87.5%	87.4%	87.3%	87.3%	87.3%	87.5%	87.6%	87.8%	88.0%	88.3%	

EXHIBIT "2"
Gateway Townhomes of St. Joe /RFA 2014-109/2014-403H
DESCRIPTION OF FEATURES AND AMENITIES

A. The Development will consist of:

50 garden style apartments in two residential buildings

Unit Mix:

Sixteen (16) two bedroom/one bathroom units with minimum heated and cooled area of 893 square feet

Twenty-two (22) three bedroom/two bathroom units with minimum heated and cooled area of 1,119 square feet

Twelve (12) four bedroom/two bathroom units with minimum heated and cooled area of 1,291 square feet

50 Total Units

B. The Development must meet all requirements of local, state & federal laws, rules, regulations, ordinances, orders and codes, Federal Fair Housing Act as implemented by 24 CFR 100, the 2012 Florida Accessibility Code for Building Construction as adopted pursuant to Section 553.503, F.S., Section 504 of the Rehabilitation Act of 1973, and Titles II and III of the Americans with Disabilities Act ("ADA") of 1990 as implemented by 28 CFR Part 35, incorporating the most recent amendments, regulations, and rules, as applicable.

C. The Development must provide the following General features:

1. Termite prevention;
2. Pest control;
3. Window covering for each window and glass door inside each unit;
4. Cable or satellite TV hook-up in each unit and, if the Development offers cable or satellite TV service to the residents, the price cannot exceed the market rate for service of similar quality available to the Development's residents from a primary provider of cable or satellite TV;
5. Full-size range and oven in all units;
6. At least two full bathrooms in all 3 bedroom or larger new construction units;
7. Bathtub with shower in at least one bathroom in at least 90% of the new construction non-Elderly units.

D. All units that are located on an accessible route must have the following Accessibility, Adaptability, Universal Design and Visitability Features listed below. All units that are located on an accessible route must include as many of the features listed below as are

EXHIBIT "2"

Gateway Townhomes of St. Joe /RFA 2014-109/2014-403H

DESCRIPTION OF FEATURES AND AMENITIES

structurally and financially feasible within the scope of rehabilitation work utilizing a capital needs assessment performed during the credit underwriting process:

1. Primary entrance door shall have a threshold with no more than a ½-inch rise;
 2. All door handles on primary entrance door and interior doors must have lever handles;
 3. Lever handles on all bathroom faucets and kitchen sink faucets;
 4. Mid-point on light switches and thermostats shall not be more than 48 inches above finished floor level; and
 5. Cabinet drawer handles and cabinet door handles in bathroom and kitchen shall be lever or D-pull type that operates easily using a single closed fist.
- E. All units must include the following Green Building Features:
1. General Features in all Family Demographic Developments:
 - a. Provide reinforced walls for future installation of grab bars that meet or exceed 2010 ADA Standards for Accessible Design around each tub/shower unit in each dwelling unit. At the request of and at no charge to a resident household, the Development shall purchase and install grab bars around each tub/shower unit in the dwelling unit. The product specifications and installation must meet or exceed 2010 ADA Standards for Accessible Design. The Development shall inform a prospective resident that the Development, upon a resident household's request and at no charge to the household, will install grab bars around a dwelling unit's tub/shower unit, pursuant to the 2010 ADA Standards. At a minimum, the Development shall inform each prospective lessee by including language in the Development's written materials listing and describing the unit's features, as well as including the language in each household's lease.
 2. Required Green Building Features in all Family and Elderly Demographic Developments:
 - a. Low or No-VOC paint for all interior walls (50 grams per liter or less for flat paint; 150 grams per liter or less for non-flat paint);
 - b. Low-flow water fixtures in bathrooms – WaterSense labeled products or the following specifications:
 - i. Toilets: 1.6 gallons/flush or less,
 - ii. Faucets: 1.5 gallons/minute or less,
 - iii. Showerheads: 2.2 gallons/minute or less;
 - c. Energy Star qualified refrigerator;
 - d. Energy Star qualified dishwasher;

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- e. Water heating minimum efficiency specifications (choose gas, electric, or gas tankless or boiler/hot water maker);
 - i. Gas:
 - 30 gal = .63 EF; or
 - 40 gal = .61 EF; or
 - 50 gal = .59 EF; or
 - 60 gal = .57 EF; or
 - 70 gal = .55 EF; or
 - 80 gal = .53 EF; or
 - ii. Electric:
 - 30 gal = .94 EF; or
 - 40 gal = .93 EF; or
 - 50 gal = .92 EF; or
 - 60 gal = .91 EF; or
 - 70 gal = .90 EF; or
 - 80 gal = .89 EF; or
 - iii. Tankless gas water heater: minimum .80 EF
 - iv. Boiler or hot water maker:
 - <300,000 Btu/h: 85% Et (thermal efficiency); or
 - 300,000 Btu/h or higher: 80% Et;
- f. Energy Star qualified ceiling fans with lighting fixtures in the bedrooms;
- g. Air Conditioning (choose in-unit or commercial);
 - i. In-unit air conditioning: minimum 14 SEER; or
 - ii. Central chiller AC system – based on size:
 - 0-65 KBtuh: Energy Star certified; or
 - >65-135 KBtuh: 11.3 EER/11.5 IPLV; or
 - >135-240 KBtuh: 11.0 EER/11.5 IPLV; or
 - >240 KBtuh: 10.6 EER/11.2 IPLV;

F. The Applicant has committed to provide the following Resident Programs:

1. After School Program for Children –Applicant or its Management Company must make available, at no cost to the resident, supervised, structured, age appropriate activities for children during after school hours, Monday through Friday. Activities must be on-site.
2. Employment Assistance Program – Applicant or its Management Company must make available, at no cost to the resident, a minimum of quarterly scheduled Employment Assistance Program workshops/meetings offering employment counseling by a

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knowledgeable employment counselor. Such a program includes employability skills workshops providing instruction in the basic skills necessary for getting, keeping, and doing well in a job. The instruction must include, but not be limited to, the following:

- Evaluation of current job skills;
- Assistance in setting job goals;
- Assistance in development of and regular review/update of individualized plan for each participating resident;
- Resume assistance;
- Interview preparation; and
- Placement and follow-up services.

COMPLETENESS AND ISSUES CHECKLIST

DEVELOPMENT NAME: Gateway Townhomes of St. Joe

DATE: July 15, 2015

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. 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 Report Summary.

CREDIT UNDERWRITING	STATUS	NOTE
REQUIRED ITEMS:	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.	Satis.	
7. Full or self-contained appraisal as defined by the Uniform Standards of Professional Appraisal Practice.	Satis.	
8. Market Study separate from the Appraisal.	Satis.	1
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 agent.	Satis.	

HOME PROGRAM CREDIT UNDERWRITING REPORT

SMG

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.	N/A	
15. Firm commitment letter from the syndicator, if any.	N/A	
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.		2
21. HC ONLY: 15% of the total equity to be provided prior to or simultaneously with the closing of the construction financing.	N/A	
22. Any additional items required by the credit underwriter.	Satis.	

NOTES AND APPLICANT'S RESPONSES:

1. A market study separate from the appraisal has not been provided.

Applicant's Response: No Housing Credits are requested for this development, which typically triggers the need for a separate market study. The Appraisal includes an extensive market analysis section that is sufficient to reflect current market conditions. FHFC Staff and SMG concur.

2. The Applicant submitted an undated, unexecuted construction contract between the Applicant and RAC; however, the contract has not been executed by either party nor does it include the required Section 3 and Davis Bacon Exhibits.

Applicant's Response: The Applicant states that the construction contract with all exhibits reflecting terms not materially different from those approved hereby will be provided prior to loan closing.