



d/b/a AmeriNatSM in KY, GA, and FL

July 15, 2016

Mr. David Westcott
Director of Homeownership Programs
Florida Housing Finance Corporation
City Centre Building
227 North Bronough Street, Suite 5000
Tallahassee, Florida 32301-1329

RE: Cornell Colony – HOME RFA 2014-109 (2014-404H)
Changes in Funding Sources / Construction Change Order

Dear Mr. Westcott:

AmeriNational Community Services, LLC d/b/a AmeriNatSM in KY, GL, and GA (“AmeriNat”) completed a final credit underwriting report (“CUR”) dated April 24, 2015 for Cornell Colony (the “Development”) which was approved by Florida Housing Finance Corporation (“FHFC” or “Florida Housing”) at their May 8, 2015 Board meeting. At that time, pursuant to Request for Applications 2014-109 (“RFA”), AmeriNat recommended a Home Investment Partnership Program loan (“HOME”) in the amount of \$5,103,486 to be utilized for the construction and permanent financing of the Development. The HOME loan closed as of August 18, 2015. Cornell Colony, LLC (the “Borrower”), per an email request dated May 25, 2016, is seeking approval to alter funding sources for the Development in addition to including a change order that modifies the construction of the Development. The change order, totaling \$152,558, includes the addition of security fencing for each unit, installation of speed bumps, purchase and installation of washers and dryers in all units, installation of gutters and downspouts for all units and clubhouse, and a wireless security system. What follows herein is a brief discussion of the original CUR, an analysis of the proposed new sources of funding, specifics related to the change order previously referenced, and a recommendation based on the analysis of the proposed changes requested by the Borrower.

Cornell Colony is a 44-unit apartment community currently under construction in Avon Park, Highlands County. Per a site observation visit report dated June 8, 2016, the Development is approximately 98% complete. All 44 units are newly-constructed three bedroom/two bath single family homes. The Development has set-aside 100% of its units as HOME-assisted, with 20% of the units (nine units) at the Low HOME rent levels at or below 50% of Area Median Income (“AMI”) and 80% of its units (the remaining 35 units) at the High HOME rent level at or below 60% of AMI. The Borrower has indicated a new source of funding, a Federal Home Loan Bank of Atlanta (“FHLB”) Affordable Housing Program (“AHP”) loan in the amount of \$500,000, has been made available to the Development.

Current Permanent Sources:

The sources of funds during the permanent phase of the Development, per the closing letter prepared by AmeriNat dated August 18, 2015, were as follows:

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Source	Lender	Underwriter's Total
First Mortgage	Heartland National Bank	\$1,300,000
Second Mortgage	FHFC	\$5,103,486
Third Mortgage	Highlands County	\$321,000
Deferred Developer Fee	Developer	\$85,766
Total :		\$6,810,252

At the time of the August 18, 2015 loan closing, the first mortgage lender changed from Florida Community Loan Fund to Heartland National Bank (“HNB”). The permanent first mortgage loan increased from \$1,150,000 to \$1,300,000. The Highlands County State Housing Initiatives Partnership (“SHIP”) loan amount increased from \$220,000 to \$321,000 and its term increased from 15 to 30 years to be co-terminus with the HOME loan. Deferred developer fee decreased from \$164,307 to \$85,766.

Proposed Permanent Sources:

Source	Lender	Underwriter's Total
First Mortgage	Heartland National Bank	\$1,050,000
Second Mortgage	FHFC	\$5,103,486
Third Mortgage	Highlands County	\$321,000
Fourth Mortgage	FHLB	\$500,000
Deferred Developer Fee	Developer	\$21,538
Total :		\$6,996,024

HNB is the entity through which the AHP proceeds will be loaned/granted to the Borrower. HNB will record a junior lien mortgage in 4th position on the property solely to secure FHLB's 15 year compliance period. In addition to funding the aforementioned change order, the Borrower will utilize a portion of the AHP loan to make a principal reduction payment, decreasing the existing first mortgage loan by \$250,000 from \$1,300,000 to \$1,050,000. The terms of the current first mortgage will remain in effect, with the principal and interest payments unchanged. Details of the AHP funding, based on the draft Mortgage and Note reviewed by AmeriNat, include a 0% interest rate and a 15 year term. The loan is due and payable at the end of the loan term; however, provided the 15 year compliance period is met the loan will be forgiven at the end of the term.

Additionally, deferred Developer fee has decreased to \$21,538. Please note that total developer fee has increased to \$894,420 as a result of increased total development costs (“TDC”) and does not exceed the amount allowed per the RFA.

Development Set-Asides:

The AHP loan imposes additional affordability set-aside restrictions upon the Development. A comparison of the original set-asides and proposed set-asides is as follows:

Original Set-Asides

Bed Rooms	Bath Rooms	Units	Square Feet	AMI %	Gross HC Rent	Low HOME Rents	High HOME Rents	Utility Allow	RD/HUD Cont Rents	Net HC Rent	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
3.0	2.0	9	1,152	50%	\$0	\$624	\$0	\$228	\$0	\$0	\$380	\$396	\$396	\$42,768
3.0	2.0	35	1,152	60%	\$0	\$0	\$777	\$228	\$0	\$0	\$533	\$549	\$549	\$230,580
		44	50,688											\$273,348

Proposed Set-Asides

Bed Rooms	Bath Rooms	Units	Square Feet	AMI %	Gross HC Rent	Low HOME Rents	High HOME Rents	Utility Allow	RD/HUD Cont Rents	Net HC Rent	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
3.0	2.0	27	1,152	50%	\$0	\$624	\$0	\$148	\$0	\$0	\$380	\$396	\$476	\$154,224
3.0	2.0	17	1,152	60%	\$0	\$0	\$777	\$148	\$0	\$0	\$533	\$549	\$629	\$128,316
		44	50,688											\$282,540

To qualify for the AHP funding, the Borrower committed to provide a total of 17 units at the “Low” income target, which is less than 50% - 65% of Area Median Income (“AMI”) and 27 units at the “Very Low” income target, which is 50% or less of AMI. For the purposes of this analysis, the number of 50% or less of AMI units (Low HOME) have increased from 9 to 27. The number of 60% or less of AMI units (High HOME) decreased from 35 to 17. Overall, the set-asides originally required to qualify for the HOME funding have not been adversely impacted by the FHLB set-aside requirements.

Additional Information:

The Borrower received approval from Florida Housing staff for an energy consumption model that reduced utility allowances from \$228 to \$148 per unit. Per an appraisal completed during the original underwriting, the rent levels used were deemed achievable for the market area of the Development. Based on the foregoing, the gross potential rental income (“GPR”) increases by \$9,192/per year from \$273,348 to \$282,540. As such, and with the previously underwritten operating expenses remaining constant, the debt service coverage (“DSC”) of the original underwriting, which includes the sources included in the closing letter, 1.30 to 1.00 for the First Mortgage and HOME loan, increases to 1.40 to 1.00. There is no further material impact on the Development’s projected operating proforma since the proposed Fourth Mortgage is a deferred payment and non-interest bearing forgivable loan. DSC on all mortgages and fees is equal to 1.22 to 1.00.

Development Costs

Overall development costs have increased by \$185,772.32 from \$6,810,251.60 to \$6,996,023.92. This is due largely to the change order proposed, but also includes several other adjustments related to the

previous construction draws processed by AmeriNat (six total, including the initial closing draw) and the estimate of closing costs related to the proposed AHP funding.

Analysis of Change Order #7:

GLE Associates, Inc. ("GLE") prepared a change order analysis letter dated July 7, 2016 as an addendum to the plan and cost review ("PCR") performed during underwriting that reviewed the pertinent documentation associated with proposed Change Order #7 in the amount of \$152,558. The change order consisted of five potential change order items ("PCOI"). PCOI #1 is to install six foot high by five foot wide security fencing at each unit; PCOI #2 is the addition of six composite speed bumps the width of travel lanes on the property; PCOI #3 is for washers and dryers to be installed in all 44 units; PCOI #4 is to install 6" seamless aluminum gutters and downspouts on all units and the clubhouse; and PCOI #5 is to provide equipment and install a wireless security system in all units. Details of each PCOI are as follows:

Security Fencing - \$10,032

The Change Order indicates that 220 linear feet of PVC fencing will be furnished and installed. GLE was informed that the fence panels are of PVC composition with a slat-type pattern. GLE estimates that the material costs, including posts, should be approximately \$12/linear foot. With the added costs for labor, the fence subcontractor's price should be in the range of \$5,700 to \$6,000. Adding in the subcontractor's profit, GLE would expect this item to approximately \$7,000. As such, GLE opines that the bid for this work appears to be moderately above industry standard costs.

Speed Bumps - \$6,156

For the six speed bumps (two in each of three locations on the property) to be provided, GLE estimates the material cost for each 10-foot long speed bump to be approximately \$225. Accordingly, including the cost of installation and the subcontractor's profit, GLE would expect the total cost to be around \$700 per speed bump. Therefore, the total cost of the speed bumps should be around \$4,200. As such, GLE estimates the total price indicated as being moderately above industry standard costs.

Washers and Dryers - \$54,265

The Change Order indicates that 4.3 ft³, 13 cycle GE washers are to be provided and 6.2 ft³, four temperature GE dryers are to be provided. The item unit costs indicated in the proposal provided to GLE were deemed to be appropriate and within industry standards for the appliances being provided.

Gutters and Downspouts - \$41,040

The pricing for the gutters and downspouts is based on a total of 7,225 linear feet of materials for the 44 units and the clubhouse. GLE deemed the costs appropriate for the materials being provided and the proposed installation.

Wireless Security System - \$41,065

The pricing for the wireless network system is appropriate with consideration that \$10,080 is for the annual maintenance contract. Subtracting that amount from the wireless contractor's quoted price, the material and installation cost total equates to \$589/unit including the necessary work done to the clubhouse.

PCR Recommendation

With consideration of the comments above, Change Order #7 increases the total hard costs of the Development from \$4,730,554.83 to \$4,883,112.83. This amounts to an increase of \$3,467.00/unit, bringing the total cost per unit to \$110,979.84, or \$8,721.84/unit, from the original cost of \$102,258.00/unit. Please note that the cost increase is inclusive of six previous change orders totaling \$231,194.83. It is GLE's opinion that the revised price per unit remains within an acceptable range when compared to similar projects. Furthermore, the revised total hard costs of the Development results in an increase of \$2.83/ft², bringing the total cost to \$90.44/ft². It is GLE's opinion that this price per square foot remains within an acceptable range when compared to similar projects.

Total Development Cost per Unit

In accordance with RFA 2014-109, FHFC limits the Total Development Cost ("TDC") per unit to a figure based on the average cost to deliver new construction units and rehabilitation units for proposed Developments. Since the Application, the Development will newly-construct concrete block, single-family detached homes and is limited to a TDC of no more than \$204,500 per unit. Applying the 1.8% escalation factor allowable for new construction developments, the maximum TDC per unit cost is \$208,181. Based on the instructions set forth in Exhibit B, 8(a) of the RFA, the Development's TDC per unit exclusive of land costs was \$143,813 as previously underwritten. Accounting for the increased costs associated with the change order previously described, the TDC per unit exclusive of land costs is now \$151,955 per unit.

Recommendation

Based on the foregoing, AmeriNat recommends approval of the Borrower closing on the FHLB subordinate source of funding and for the work as presented under Change Order #7 to be completed, subject to the following conditions:

1. Review and approval of payment requisitions and all other documentation associated with Change Order #7, as completed during the normal course of the construction draw process administered by AmeriNat.
2. Review and approval of all loan documents consistent with the terms outlined above by Florida Housing and its legal counsel.
3. Florida Housing and its legal counsel shall review and approve all other lenders closing documents or other applicable agreements. Florida Housing shall be satisfied in its sole discretion that all legal and program requirements for the Loans have been satisfied.
4. Satisfactory resolution of any outstanding past due and non-compliance items.

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5. Payment of any outstanding arrearages to FHFC, its legal counsel, its servicer or any agent or assignee of FHFC for past due issues applicable to the development team (Borrower or Developer or Principal, Affiliate or Financial Beneficiary, as described in 67-48.0075 (5) F.A.C., of a Borrower or a Developer).
6. All other due diligence required by FHFC and its legal counsel.

Please contact AmeriNat if you have any questions or if we can provide further assistance.

Sincerely,



George J. Repity
Senior Credit Underwriter