



July 20, 2016

Mr. Brantley Henderson
Florida Housing Finance Corporation
City Centre Building
227 North Bronough Street, Suite 5000
Tallahassee, Florida 32301-1329

Re: Deer Meadow
HC 2001-506C / MMRB 2012 Series C

Transfer of Ownership Interest / Assumption of Multifamily Mortgage Revenue Bonds (“MMRB” or “Bonds”) Land Use Restriction Agreement (“LURA”) and Housing Credit (“HC”) Extended Low Income Housing Agreement (“ELIHA”) / Redemption of Bonds / Subordination of the MMRB LURA and HC ELIHA

Dear Mr. Henderson:

First Housing Development Corporation (“FHDC” or “First Housing”) has reviewed a request dated June 28, 2016 from Mary Stoddard on behalf of Deer Meadow Associates, Ltd. (“Borrower”), requesting that Florida Housing Finance Corporation (“Florida Housing” or “FHFC”) approve the transfer of ownership interest in the Borrower to an affiliate of Aspen Square Management, Inc. and assumption of the MMRB LURA and HC ELIHA. In connection with the transfer of ownership, the outstanding FHFC Bonds will be redeemed and the HC ELIHA and MMRB LURA will be subordinate to the new first mortgage.

On behalf of FHFC, First Housing has reviewed the requests, performed certain due diligence, and formulated recommendations and conditions which are contained at the end of this report. For the purposes of this analysis, First Housing has reviewed the following:

- Audited Financial Statements for the years ended December 31, 2014 and December 31, 2015 for Deer Meadow Associates, Ltd.
- MMRB and HC Credit Underwriting Report, dated August 22, 2012.
- Multifamily Bonds Promissory Note, dated December 3, 2012.

- Sources and Uses of Funds Schedule provided by a representative of Aspen Square Management, Inc.
- Agreement of Sale, dated June 24, 2016.
- Revolving Line of Credit Note, dated October 17, 2008 and the Amendments.
- Term Sheet from Aspen 2016 Lending LLC, dated July 6, 2016.
- FHFC Past Due Report, dated May 11, 2016.
- FHFC Asset Management Noncompliance Report, dated May 11, 2016.
- HC ELIHA dated September 18, 2001 and Amended March 17, 2003.
- Amended and Restated MMRB LURA, dated December 1, 2012.
- Property Rent Roll, dated May 31, 2016.
- FHFC's Occupancy Reports.
- Annual Management Review and Physical Inspection Report, dated October 6, 2015.
- 2013 and 2014 Tax Returns for Fred Anthony and Harold Grinspoon and their 2015 Extensions.
- Credit Reports for Fred Anthony and Harold Grinspoon, dated July 1, 2016.
- Summary of Net Worth for Harold Grinspoon, Grinspoon Family and related foundations, dated December 31, 2015.
- Financial Statements for Fred Anthony, dated December 31, 2015.

In addition, First Housing has had various conversations with the Borrower's representative regarding the requests described above. Our findings are as follows:

Background

Deer Meadow is a 200-unit multifamily development located in Jacksonville, Duval County, Florida. The development was originally financed with \$8,640,000 in Tax Exempt Housing Revenue Bonds in 1999. On December 3, 2012, the Bonds were refunded in the amount of

Deer Meadow

\$7,075,000. The Bonds bear interest at the rate of 5.35%, payments of interest only were due through December 1, 2015. Beginning in 2016, semiannual payment of principal and interest is due through December 1, 2022, at which time the unpaid principal and accrued interest is due in full. In an email dated July 5, 2016, the Trustee confirmed the current outstanding principal balance is \$7,075,000.

The development also received an allocation of HC's.

Operation of the subject is restricted by terms and conditions detailed in various loan documents, including but not limited to Florida Housing's HC ELIHA and MMRB LURA.

A HC ELIHA dated September 18, 2001 and Amended March 17, 2003, requires the following set asides for a term of thirty (30) years.

- 100% of the units set aside at or below 60% Area Median Income ("AMI").

An Amended and Restated MMRB LURA dated December 1, 2012, requires the following set asides for a minimum term of ten (10) years beyond the Qualified Project Period.

- 85% of the units (170 units) set aside at or below 60% AMI.

The development team was not reported on Florida Housing's May 11, 2016 Past Due Report.

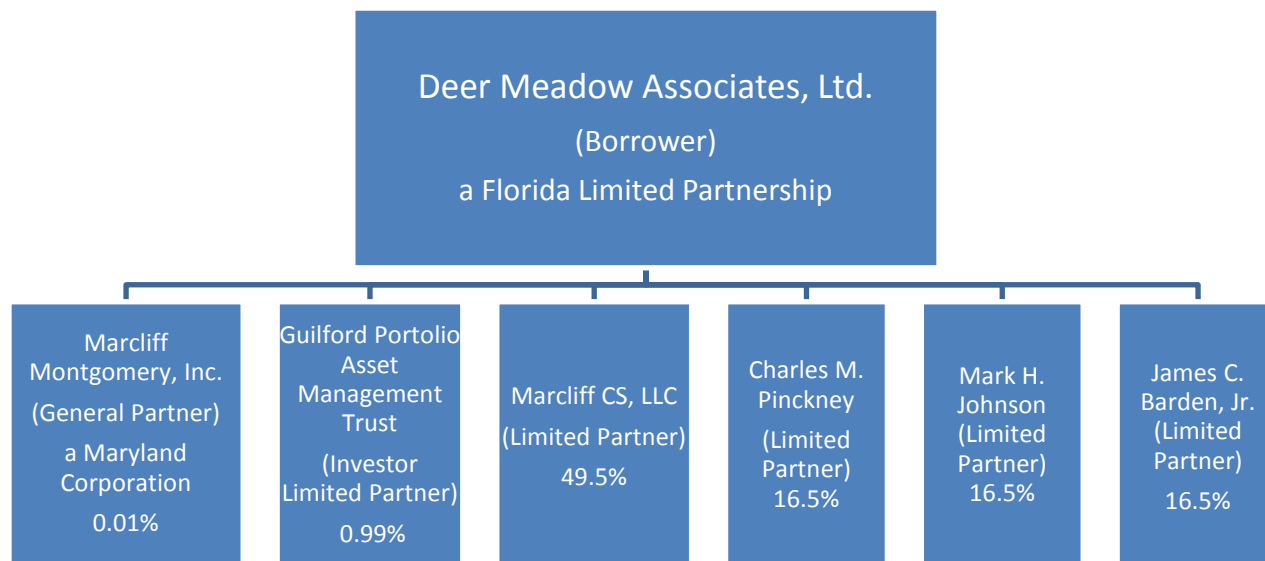
The development team was not reported on the May 11, 2016 Asset Management Noncompliance Report.

Per the May 31, 2016 rent roll, the development was 99.0% occupied. Based on Florida Housing's occupancy reports, the property's occupancy averaged 95.7% and 96.9% for 2014 and 2015, respectively. As of May 2016, the report indicates the property is 98% occupied.

The Annual Management Review and Physical Inspection conducted on October 6, 2015 found the property to be in non-compliance. On April 12, 2016, First Housing issued a close-out letter for the Annual Management Review.

Transfer of Ownership

Current Ownership Structure

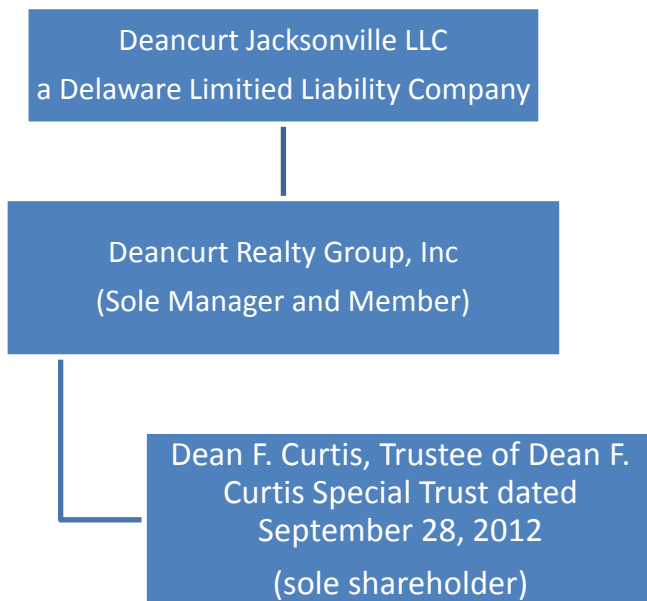


The Borrower is a Florida limited partnership formed to own and operate Deer Meadow. The general partner with 0.01% ownership interest is Marcliff Montgomery, Inc.

Proposed Ownership Structure

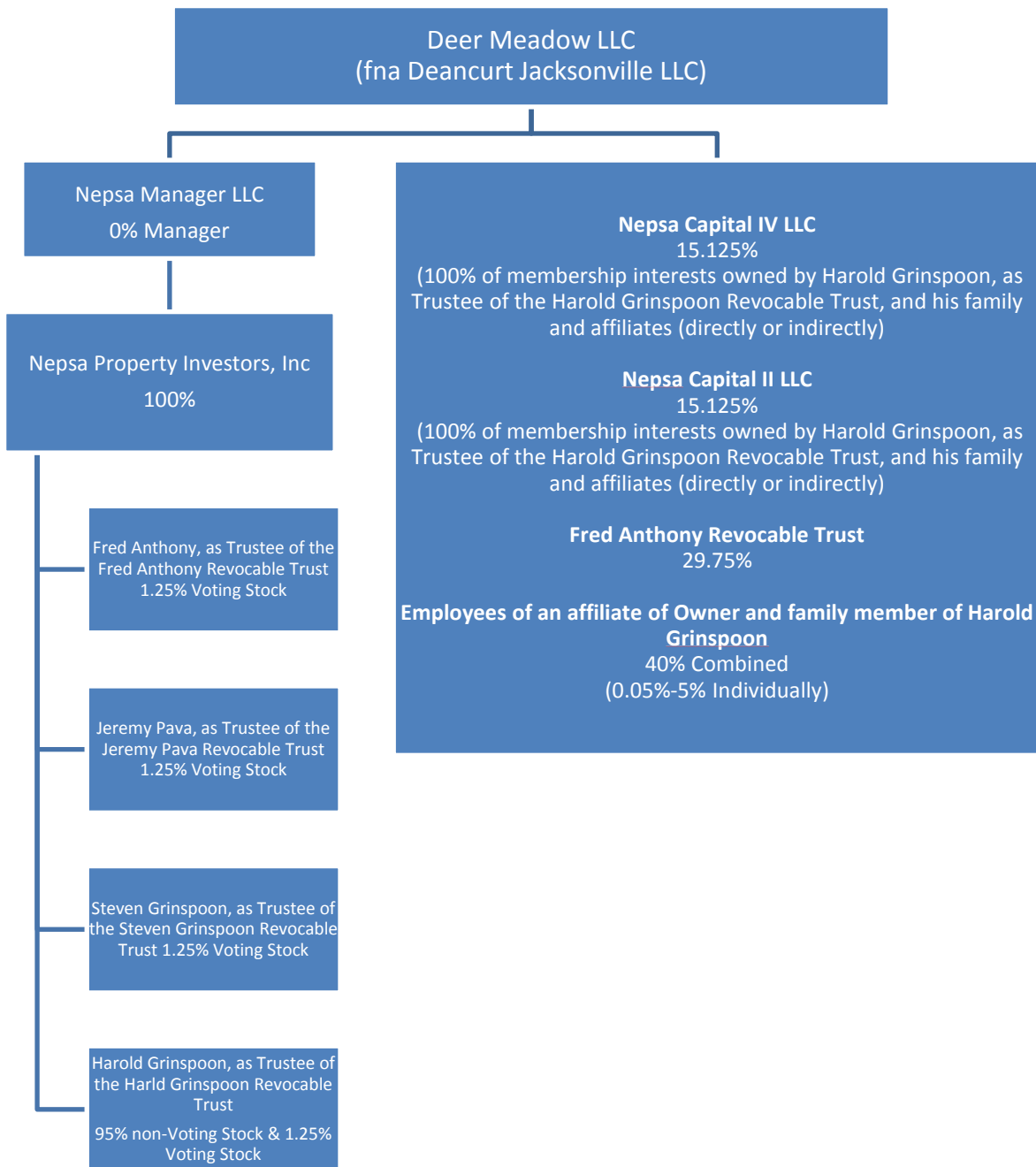
The proposed Initial Purchaser will utilize a 1031 exchange to purchase the property. As such, the proposed Initial Purchaser, Deancurt Jacksonville LLC, will be the exchange intermediary and the Ultimate Purchaser will be a single purpose LLC and an affiliate of Aspen Square Management, Inc.

Exchange Intermediary



Proposed Ultimate Purchaser

(For illustrative purposes only, the entity has not been formed and ownership interest will change.)



The Ultimate Purchaser's principals have over thirty years of experience owning and operating both market rate and affordable housing with a current portfolio of approximately 90 properties and 19,000 units. Aspen Square Management, Inc. ("ASM"), an identity-of-interest management company, manages all of the Ultimate Purchaser's affiliated real estate investments across the country and has been doing so for more than thirty years. The assets have included Section 8 properties, 236/IRP properties, FDIC properties, Tax Credit properties, and properties with various forms of local affordability restrictions and programs.

Harold Grinspoon, the founder of ASM, has combined his philosophy of value-driven real estate investment with a corporate structure designed to promote a proprietary instinct and sense of dedication. ASM's real estate holdings are 60% owned by key company employees. Grinspoon serves on the Board of the National Multi-Housing Council, a national organization based in Washington, D.C., which provides leadership for the apartment industry on legislative and regulatory matters, and promotes research and the exchange of information to enhance quality, affordable rental housing. Harold Grinspoon is a Certified Property Manager, a designation awarded only to those individuals who have demonstrated outstanding experience, expertise and continuing education in the field of property management.

Fred Anthony joined ASM in 1982 and has been a partner in ASM's partnerships since 1983. He received a Bachelor of Science degree in mathematics from American International College in 1977. Mr. Anthony has overall responsibility for the day-to-day operations of the firm.

First Housing reviewed Harold Grinspoon and Fred Anthony's tax returns for 2013 and 2014 along with the 2015 extensions. First Housing sent out bank references for Harold Grinspoon Revocable Trust and Fred Anthony Revocable Trust, three acceptable responses have been received for each Revocable Trust.

Management Company

The current management company will be replaced with Aspen Square Management. Aspen Square Management currently manages approximately 19,000 apartment units. First Housing reviewed a draft management agreement, which reflects a management fee of 3%. The selection of the management company, Aspen Square Management, will have to be approved by the FHFC Asset Management Department. Continued approval is subject to on-going performance.

Overall Source and Use of Funds

A representative of ASM provided First Housing with an estimate of the overall sources and uses of funds:

Sources		
First Mortgage - TD Bank	\$	1,310,000
Mortgage - Aspen 2016 Lending	\$	14,815,960
Total Sources	\$	16,125,960
Uses		
Purchase of Property	\$	13,100,000
Transaction Costs	\$	393,000
Remodeling/Improvements	\$	2,632,960
Total Uses	\$	16,125,960

These costs are based on estimates provided by ASM, which appear reasonable at this time.

First Housing reviewed an Agreement of Sale, dated June 24, 2016 between Deer Meadow Associates, Ltd. (Seller) and Aspen Square Management, Inc. (Purchaser). According to the terms of the agreement, the purchase price of the property is \$13,100,000 and a closing date of 15 days after receipt of FHFC approval.

The Ultimate Purchaser plans to improve the property by investing approximately \$2,632,960 in interior and exterior remodeling.

First Housing reviewed a Revolving Line of Credit Note, dated October 17, 2008 and amended by a First Amendment to Revolving Line of Credit Note, dated October 17, 2010, a Second Amendment to Revolving Line of Credit Note, dated September 14, 2012, a Third Amendment to Revolving Line of Credit, dated August 27, 2013 and an Amendment to Revolving Line of Credit, dated January 2, 2016. The Revolving Line of Credit Note is between Deancurt Realty Group, Inc. and TD Bank, N.A. in the maximum principal sum of \$18,000,000. The purpose is to finance a portion of the purchase price of various multi-family residential properties to be acquired by the Borrower or an affiliate of the Borrower. Each advance shall be limited to ten (10%) of the purchase price for the applicable acquired premise. The loan is to be secured by a first priority mortgage and security agreement. The advance shall initially bear interest from the date of the advance until the advance has been paid in full. The interest rate equals 1.85% above the United States Dollar-London Interbank Offered Rate-British Banks Association ("USD-LIBOR-BBA").

The current interest rate is anticipated to be 2.33%. Each advance plus accrued and unpaid interest shall be due and payable fifteen (15) months from the date of the advance, unless extended by TD Bank.

First Housing reviewed a Term Sheet, dated June 6, 2016 from Aspen 2016 Lending LLC (“Lender”). The interest rate is prime rate plus 3%; however; it is anticipated the Lender will elect to reduce the interest to LIBOR plus 3%. The current interest rate is anticipated to be 3.48%. The loan will bear interest only and will require monthly payments until maturity. Maturity is payable on demand.

Recommendations

Based upon the review of the information submitted by the principals, and within the scope of this analysis as described herein, First Housing recommends approval of the proposed transfer of ownership, assumption of the MMRB LURA and HC ELIHA, the redemption of the Bonds for the development, and subordination of the MMRB LURA and HC ELIHA (if applicable) to the new first mortgage loan.

1. Review and approval of all loan documents consistent with the terms outlined above by Florida Housing and its legal counsel.
2. The Ultimate Purchaser shall agree that through the regulatory affordability period, Florida Housing and their compliance monitoring agent shall have access to the property to perform their management review and physical inspection until the termination of the MMRB LURA and HC ELIHA.
3. Subordination of the Aspen 2016 Lending to the existing MMRB LURA and HC ELIHA.
4. The Ultimate Purchaser shall agree to maintain all set-asides and other requirements of the MMRB LURA and HC ELIHA.
5. Repayment of the MMRB loan in full including all outstanding principal, interest and fees.
6. Financing documents must be reviewed and approved by the Credit Underwriter and Legal Counsel before closing.
7. Satisfactory resolution of any outstanding past due and noncompliance items.
8. Payment of any outstanding arrearages to the Corporation, its legal counsel, Servicer or any agent or assignee of the Corporation for past due issues applicable to the development team (Applicant or Developer or Principal, Affiliate or Financial Beneficiary, as described in 67-21.0025 (5) F.A.C., of an Applicant or a Developer).
9. Prepayment of any required compliance monitoring and servicing fees, if applicable.
10. Consent of the HC equity provider, if applicable.
11. Receipt of a non-refundable transfer fee of \$2,500 on the date of closing.

12. Receipt and satisfactory review of verification that FHFC has approved the Ultimate Purchase's selection of the management company, Aspen Square Management.
13. Ultimate Purchaser and its entities (if applicable) as well as the withdrawing entities to execute any assignment and assumption documents FHFC deems necessary to effectuate the ownership change.
14. All other due diligence required by FHFC, its legal counsel and Servicer.

Prepared by:



Stephanie Petty
Credit Underwriter

Reviewed by:



Ed Busansky
Senior Vice President

Operating Pro-Forma

		2014 First Housing Analysis	Per Unit	2015 First Housing Analysis	Per Unit	Annualized 5/31/16 Income Statement	Developer Proforma	Per Unit	Underwriter Projected Proforma	Per Unit	
OPERATING PRO FORMA											
INCOME:	Gross Potential Rental Income	\$1,726,409	\$8,632	\$1,797,826	\$8,989	\$1,863,768	\$9,319	\$2,069,928	\$10,350	\$1,933,824	\$9,669
	Other Income										
	Miscellaneous	\$76,617	\$383	\$71,067	\$355	\$125,734	\$629	\$108,000	\$540	\$100,000	\$500
	Gross Potential Income	\$1,803,026	\$9,015	\$1,868,893	\$9,344	\$1,989,502	\$9,948	\$2,177,928	\$10,890	\$2,033,824	\$10,169
	Less:										
	Vacancy Loss Percentage: 5.00%	\$79,093	\$395	\$43,595	\$218	\$47,604	\$238	\$124,196	\$621	\$101,691	\$508
	Total Effective Gross Income	\$1,723,933	\$8,620	\$1,825,298	\$9,126	\$1,941,898	\$9,709	\$2,053,732	\$10,269	\$1,932,133	\$9,661
EXPENSES:	Fixed:										
	Real Estate Taxes	\$120,393	\$602	\$125,201	\$626	\$131,638	\$658	\$108,000	\$540	\$130,000	\$650
	Insurance	\$112,949	\$565	\$103,181	\$516	\$94,786	\$474	\$72,000	\$360	\$94,000	\$470
	Variable:										
	Management Fee Percentage: 3.00%	\$84,945	\$425	\$93,949	\$470	\$95,606	\$478	\$107,468	\$537	\$57,964	\$290
	General and Administrative	\$126,499	\$632	\$140,028	\$700	\$100,980	\$505	\$480,000	\$2,400	\$105,000	\$525
	Payroll Expenses	\$256,396	\$1,282	\$282,856	\$1,414	\$261,422	\$1,307	\$0	\$0	\$263,000	\$1,315
	Utilities	\$219,510	\$1,098	\$213,601	\$1,068	\$198,902	\$995	\$175,200	\$876	\$200,000	\$1,000
	Maintenance and Repairs/Pest Control	\$226,333	\$1,132	\$202,201	\$1,011	\$251,098	\$1,255	\$0	\$0	\$240,000	\$1,200
Reserve for Replacements	\$62,800	\$314	\$62,800	\$314	\$62,800	\$314	\$48,000	\$240	\$48,000	\$240	
	Total Expenses	\$1,209,825	\$6,049	\$1,223,817	\$6,119	\$1,197,232	\$5,986	\$990,668	\$4,953	\$1,137,964	\$5,690
	Net Operating Income	\$514,108	\$2,571	\$601,481	\$3,007	\$744,666	\$3,723	\$1,063,064	\$5,315	\$794,169	\$3,971
Debt Service Payments											
	First Mortgage - TD Bank	\$383,770	\$1,919	\$383,770	\$1,919	\$448,558	\$2,243	\$557,958	\$2,790	\$30,468	\$152
	Second Mortgage - Aspen 2016 Lending	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$512,632	\$2,563
	Other Fees	\$29,950	\$150	\$31,100	\$156	\$0	\$0	\$12,000	\$60	\$12,000	\$60
	Total Debt Service Payments	\$413,720	\$1,919	\$413,720	\$1,919	\$448,558	\$2,243	\$569,958	\$2,850	\$555,100	\$2,776
	Cash Flow after Debt Service	\$100,388	\$652	\$187,761	\$1,089	\$296,107	\$1,481	\$493,106	\$2,466	\$239,069	\$1,195
		Annual		Annual		Annual		Annual		Annual	
Debt Service Coverage Ratios											
	DSC - First Mortgage	1.34		1.57		1.66		1.91		26.07	
	DSC - First & Second Mortgages	1.34		1.57		1.66		1.91		1.46	
	DSC - All Mortgages and Fees	1.24		1.45		1.66		1.87		1.43	
Financial Ratios											
	Operating Expense Ratio	70%		67%		62%		48%		59%	
	Break-even Economic Occupancy Ratio (all debt)	90%		88%		83%		72%		83%	

The Developer's pro-forma reflects a management fee of 5%, however, the Credit Underwriter confirmed the management fee will be 3%.