

# Florida Housing Finance Corporation

*Credit Underwriting Report*

## Karis Village

SAIL and Housing Credit Program

RFA 2014-116 (2015-168CS)

Section A Report Summary

Section B Loan Conditions and HC Allocation Recommendation and Contingencies

Section C Supporting Information and Schedules

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*Prepared by*

***Seltzer Management Group, Inc.***

*Final Report*

*July 26, 2016*

SMG

**KARIS VILLAGE**

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**Section A**  
**Report Summary**

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**JULY 26, 2016**

**SAIL AND HC CREDIT UNDERWRITING REPORT**

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**Recommendation**

Seltzer Management Group, Inc. (“SMG” or “Seltzer”) recommends a 9% Competitive Housing Credit (“HC”) allocation in the annual amount of \$2,180,000 and a State Apartment Incentive Loan Program (“SAIL”) loan in the amount of \$4,300,000 to be paid down to \$3,971,706 at the time the development converts to permanent financing, be awarded to this development by the Florida Housing Finance Corporation (“FHFC” or “Florida Housing”) for construction and permanent financing.

**DEVELOPMENT & SET ASIDES:**

Development Name: Karis Village

Program Numbers: RFA 2014-116      2015-168CS

Address: 21517 SW 119th Avenue      City: Unincorporated      Zip Code: 33177

County: Miami-Dade      County Size: Large

Development Category: New Construction      Development Type: Highrise

Construction Type: Concrete construction with slab on grade foundation, continuous and column footings

Demographic Commitment:      Elderly: No      Homeless: Yes      ELI: 14 Units @ 33% AMI  
 Farmworker or Commercial Fish Worker: No      Family: No      Link: 5 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 HC Rent	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
0.0	1.0	6	535	33%	\$410			\$59		\$351	\$200	\$200	\$200	\$14,400
0.0	1.0	14	535	60%	\$745			\$59		\$686	\$200	\$200	\$200	\$33,600
0.0	1.0	14	535	60%	\$745			\$59		\$686	\$686	\$686	\$686	\$115,248
1.0	1.0	5	701	33%	\$439			\$78		\$361	\$250	\$250	\$250	\$15,000
1.0	1.0	12	701	60%	\$798			\$78		\$720	\$250	\$250	\$250	\$36,000
1.0	1.0	17	701	60%	\$798			\$78		\$720	\$720	\$720	\$720	\$146,880
2.0	2.0	3	980	33%	\$527			\$99		\$428	\$350	\$350	\$350	\$12,600
2.0	2.0	4	980	60%	\$958			\$99		\$859	\$350	\$350	\$350	\$16,800
2.0	2.0	13	980	60%	\$958			\$99		\$859	\$859	\$859	\$859	\$134,004
		<b>88</b>	<b>61624</b>											<b>\$524,532</b>

Applicants who select the Homeless Demographic Commitment are limited to selecting a Development Type of Garden Apartments, Townhouses, Mid-Rise (4 story), Mid-Rise (5 to 6 story), High Rise, or Zero-Bedroom Unit, and each residential building must consist of five (5) or more dwelling units.

Proposed Developments with the Homeless Demographic Commitment must consist of a minimum of 75 total units.

Since the proposed Development has a Demographic Commitment of Homeless, RFA 2014-116 requires the Applicant to set aside a total of at least 50 percent (50%) of the Development’s total units at 60 percent (60%) AMI or less. In addition, 50 percent (50%) of the total units (44 units) must be set aside to Homeless individuals or families as Permanent Supportive Housing. The Applicant elected to set aside

**SAIL AND HC CREDIT UNDERWRITING REPORT**

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44 units as permanent supportive housing for homeless Veterans with at least 20 of the 44 units set aside for homeless Veterans with a disabling condition.

Per the RFA, the Applicant must commit to set aside 5 percent (5%) of the total units (5 units), all of which must be ELI Set-Asides units, for Persons with a Disabling Condition.

Buildings: Residential - 1 Non-Residential - 0  
 Parking: Parking Spaces - 87 Accessible Spaces - 3

Set Asides:	Program	% of Units	# of Units	% AMI	Term (Years)
	HC and SAIL	15.0%	14	33%	50
	HC and SAIL	85.0%	74	60%	50

Absorption Rate 43 units per month for 2 months.

Occupancy Rate at Stabilization: Physical Occupancy 96% Economic Occupancy 95%  
 Occupancy Comments Physical Vacancy = 4%; Collection Loss = 1%

DDA?: Yes QCT?: No  
 Site Acreage: 1.80 Density: 48.8889 Flood Zone Designation: X  
 Zoning: GCUC (Goulds Community Urban Center District) Flood Insurance Required?: No

DEVELOPMENT TEAM		
Applicant/Borrower:	Karis Village, LLC	% Ownership
Managing Member 1:	C4 Karis Village, LLC ("C4-Karis")	0.0100%
Non-Managing Member:	Stephanie Berman	99.9900%
Special Limited Partner:		
Construction Completion Guarantor(s):	Karis Village, LLC C4 Karis Village, LLC Carrfour Supportive Housing, Inc. ("Carrfour")	
Operating Deficit Guarantor(s):	Karis Village, LLC C4 Karis Village, LLC Carrfour	
Developer:	Carrfour	
Co-Developer:	GMKV Dev, LLC (GMKV")	
Principal 1:	Green Mills Holdings, LLC	
Principal 2:	Oscar Sol	
Principal 3:	Mitchell Rosenstein	
General Contractor 1:	JAXI Builders, Inc. ("JAXI")	
Management Company:	Crossroads Management, LLC ("Crossroads")	
Syndicator:	Hudson Housing Capital, LLC ("Hudson")	
Bond Issuer:		
Architect:	Javier Font	
Market Study Provider:	Meridian Appraisal Group, Inc. ("Meridian")	
Appraiser:	Meridian	

SAIL AND HC CREDIT UNDERWRITING REPORT

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PERMANENT FINANCING INFORMATION						
	1st Source	2nd Source	3rd Source	4th Source	5th Source	Other
Lien Position	First					
Lender/Grantor	FHFC - SAIL		0	0	0	0
Amount	\$3,971,706	\$0	\$0.00	\$0.00	\$0.00	\$0.00
Underwritten Interest Rate	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%
All In Interest Rate	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%
Loan Term	30.00	0.00	0.00	0.00	0.00	0.00
Amortization	N/A					
Market Rate/Market Financing LTV	45.1%					
Restricted Rate Favorable Financing LTV	124.5%					
Loan to Cost	14.1%					
Debt Service Coverage	3.078					
Operating/Deficit Service Reserve	\$1,096,664.00					
Period of Operating Expenses/Deficit Reserve in Months	29					
Deferred Developer Fee			\$0.00			
Land Value			\$1,670,000			
As-Is Value (Rehabilitation)			n/a			
Market Rent/Market Financing Stabilized Value			\$8,800,000			
Rent Restricted Market Financing Stabilized Value			\$1,040,000			
Rent Restricted Favorable Financing Stabilized Value			\$3,190,000			
Projected Net Operating Income (NOI) - Year 1			\$61,116			
Projected Net Operating Income (NOI) - 15 Year			\$9,496			
Year 15 Pro Forma Income Escalation Rate			2.00%			
Year 15 Pro Forma Expense Escalation Rate			3.00%			
Bond Structure			None			
Housing Credit Syndication Price			\$1.11			
Housing Credit Annual Allocation			\$2,180,000			

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<b>CONSTRUCTION/PERMANENT SOURCES:</b>				
<b>Source</b>	<b>Lender</b>	<b>Construction</b>	<b>Permanent</b>	<b>Perm Loan/Unit</b>
First Mortgage	Capital One	\$8,500,000	\$0	\$0
Second Mortgage - SAIL	FHFC	\$4,300,000	\$3,971,706	\$45,133
HC Equity	Hudson	\$12,097,790	\$24,195,580	\$274,950
Deferred Developer Fee	Carrfour	\$2,043,435	\$0	\$0
Deferred Developer Fee	GMKV	\$1,226,061	\$0	\$0
<b>TOTAL</b>		<b>\$28,167,286</b>	<b>\$28,167,286</b>	<b>\$320,083</b>

Changes from the Application:

<b>COMPARISON CRITERIA</b>	<b>YES</b>	<b>NO</b>
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	1
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?		2
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?	N/A	
HC ONLY: Is the rate of syndication the same as or greater than that shown in the Application?	X	
Is the Development in all other material respects the same as presented in the Application?		3

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

1. The Application reflected a \$5,250,000 construction first mortgage and a permanent first mortgage in the amount of \$100,000 from Chase Bank, N.A. (“Chase”). Applicant subsequently provided a Capital One, N.A. (“Capital One”) proposed summary of terms and conditions dated May 23, 2016 to provide construction financing up to an estimated amount of \$9,000,000 depending on the appraised value of the real estate plus the value of the tax credits.

The FHFC SAIL loan will become the first mortgage at the time of conversion to permanent financing. The Application indicated the SAIL loan would remain in second mortgage position after financing converted to the permanent period. In the Application, the Applicant requested a SAIL loan in the amount of \$4,300,000. The amount of the SAIL loan is expected to be paid down to \$3,971,706 at the time of conversion to permanent financing.

Applicant also provided a Hudson Letter of Interest (“LOI”) dated June 22, 2016 to provide syndication of the HC. The Hudson LOI includes acquiring a 99.99% interest in the investor member of Applicant. Hudson will contribute \$24,195,580 in total equity. The Application included a Raymond James Tax Credit Funds, Inc. (“RJTCF”) LOI dated February 6, 2015 to purchase a 99.99% interest in Applicant for a \$20,707,929 equity investment.

2. Development costs have increased by \$2,560,611 from \$25,606,675 in the Application to \$28,167,286 primarily due to increases in construction costs, impact fees, additional construction loan fees and closing costs, additional construction loan interest and additional developer fee.

3. The following additional changes were made:

- a. The General Contractor in the Application was Link Construction Group. The Applicant subsequently submitted a GC Contract with JAXI Builders, Inc.
- b. At carryover for the HC, Applicant requested a site change that added a parcel to the development site so they would not have to build a parking garage. Per the Agreement of Purchase and Sale, the new parcel is approximately 13,068 square feet or .30 acres. The Application included the purchase of two (2) parcels of land, each approximately 43,560 square feet or 1 acre each. A right of way was dedicated to the County as part of the platting process which reduced the site total square footage to 78,283 square feet or approximately 1.80 acres.
- c. The total number of units in the Application was 86 units. Applicant requested an increase in the number of units to 88 units approved by FHFC staff on February 8, 2016. Staff also approved Applicant’s request on February 8, 2016 to change the unit mix as follows:

<u>From</u>	<u>TO</u>
30 Studio units	33 Studio units
30 1 Bedroom/1 Bathroom	31 1 Bedroom/1 Bathroom
18 2 Bedroom/2 Bathroom	18 2 Bedroom/2 Bathroom
<u>8 3 Bedroom/2 Bathroom</u>	<u>6 3 Bedroom/2 Bathroom</u>
86 Total Units	88 Total Units



**SAIL AND HC CREDIT UNDERWRITING REPORT**

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- d. On March 29, 2016 Applicant requested the credit underwriting deadline for the SAIL credit underwriting report be extended to August 5, 2016. The original SAIL credit underwriting deadline was June 24, 2016. FHFC staff approved the extension on March 31, 2016.
- e. Per an email dated May 23, 2016, Applicant requested a change to the development unit mix as follows:

<u>From</u>	<u>TO</u>
33 Studio units	34 Studio units
31 1 Bedroom/1 Bathroom	34 1 Bedroom/1 Bathroom
18 2 Bedroom /2 Bathroom	20 2 Bedroom /2 Bathroom
<u>6 3 Bedroom /2 Bathroom</u>	<u>0 3 Bedroom /2 Bathroom</u>
88 Total Units	88 Total Units

FHFC staff approved these changes on June 9, 2016.

- f. On June 9, 2016 Applicant requested to change the number of buildings from two (2) to one (1) because of zoning restrictions. On June 10, 2016 FHFC staff approved the Applicant's request.

These changes have no material impact to the HC or SAIL recommendation for this development.

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

Florida Housing's Past Due Report dated May 11, 2016 reflects the following past due items: None

The Asset Management Noncompliance Report dated May 11, 2016 reflects the following noncompliance issues: None

This recommendation is subject to satisfactory resolution (as determined by FHFC) of any outstanding past due and/or noncompliance issues prior to loan closing.

Strengths:

1. The appraiser states that the subject's 2016 Housing Credit maximum net rent is well below market rent, and should be achievable.
2. The principals, developer, general contractor, and the management company are experienced in affordable multifamily housing.
3. The principals have sufficient experience and substantial financial resources to develop, construct and operate the proposed development.

Other Considerations: None

Mitigating Factors: None

Waiver Requests/Special Conditions: None

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Additional Information:

1. Applicant is a non-profit and may apply for an exemption from Ad Valorem Real Estate Taxes. SMG has conservatively included real estate tax expense in the Operating Pro Forma in order to calculate Net Operating Income (“NOI”). Should the exemption be requested and granted by Miami-Dade County, Applicant’s NOI will improve and debt service coverage for its first mortgage loan will increase.
2. The Hudson Housing Capital, LLC (“Hudson”) LOI dated June 22, 2016 cash flow distributions does not provide for the payment of the SAIL loan interest prior to the distribution and payment to the non-managing member or managing member. Seltzer has made the Applicant aware of Chapter 67-48.010 (5) which states that any distribution or payment of the Applicant or Developer or any Affiliate of the Principal of the Applicant or Developer or any Affiliate of the Applicant or Developer, whether paid directly or indirectly which was not expressly disclosed in determining debt service coverage in the Board approved final credit underwriting report, with the exception of payment of the Developer fee allowable to a maximum of 20% per year, will be added back to the amount of cash available for the SAIL loan interest payment, pursuant to the financial reporting process for the purpose of determining SAIL loan interest due. Seltzer’s credit underwriting report does not expressly disclose any distribution or payment of the Applicant or Developer or any Affiliate of the Principal of the Applicant or Developer or any Affiliate of the Applicant or Developer whether paid directly or indirectly in determining debt service coverage. Only the payment of the permanent first mortgage SAIL loan was expressly disclosed in Seltzer’s credit underwriting report. As reflected in Chapter 67-48.010(7), The Karis Village development cash flow will be applied as follows:
  - a. First mortgage fees and interest payment on the SAIL loan balance equal to the percentage specified in RFA 2014-116 over the life of the SAIL loan;
  - b. Development Expenses for the SAIL Development, plus up to 20% of total Developer fees per year;
  - c. Interest payments on the SAIL loan deferred from previous years;
  - d. Mandatory payment on subordinate mortgages;
  - e. After the full SAIL loan interest has been paid, the Applicant shall retain all remaining monies, unless the Applicant chooses to prepay a portion of the loan balance.
3. FHFC advised that the General Contractor Cost Certification (“GCCC”) issued by FHFC in October 2014 is not applicable to Karis Village since the previous version of the GCCC was applicable at the time of the Karis Village RFA 2014-116 Application. Therefore, Site Security in the amount of \$247,450 is included as “Other Fees Paid by GC” and is not included as a General Requirement.
4. Per 67-48.0072 (11), the maximum debt service coverage (“DSC”) for a SAIL loan including all superior mortgage is 1.50 to 1.00. In extenuating circumstances, such as when the Development has deep or short term subsidy, the debt service coverage may exceed 1.50 to 1.00 if the credit underwriter’s favorable recommendation is supported by the projected cash flow analysis. The Karis Village DSC for the SAIL loan 3.078 to 1.00 and is 1.877 to 1:00 including the SAIL loan and all required SAIL loan fees. Permanent financing for Karis Village includes \$24,195,580 in Housing Credits funding. Therefore, Seltzer considers that the permanent financing for Karis Village consists

**SAIL AND HC CREDIT UNDERWRITING REPORT**

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of deep subsidy. Seltzer also notes that DSC decreases over the initial 15-years, cash flow after debt service is negative and debt service coverage for the SAIL loan plus fee decreases to less than 1.00 to 1.00 in year 11. The developer anticipates using the Operating Reserve to supplement income to pay all operating expenses and DSC, if necessary.

5. Seltzer notes that the AIA 102-2007 construction contract between Owner and JAXI specifies that the Applicant as Owner of the Development, may approve a transaction between JAXI and a related party if written notice to Owner of the specific nature of the contemplated transaction, including the identity of the related party and the anticipated cost to be incurred, before any such transaction is consummated or cost incurred is provided. Owner must authorize such transaction in writing.
6. The AIA 102-2007 construction contract between Owner and JAXI specifies that the Structural Subcontract amount will exceed 20 percent of the contract sum. Seltzer notes that 67-48.0072 (17) (f) states that not more than 20 percent of the construction cost may be subcontracted to any one entity, with the exception of a subcontractor contracted to deliver the building shell of at least five (5) stories which may not have more than 31 percent of the construction cost in a subcontract unless otherwise approved by the Board for a specific development. Karis Village will consist of eight (8) stories. The Schedule of Values included as Exhibit H to the AIA 102-2007 construction contract indicates the structural shell is anticipated to be subcontracted to L&R Structural in the amount of \$4,204,000 which is 30.93% of construction hard costs.
7. The Applicant submitted a letter of intent dated June 22, 2016 from Hudson for a permanent mortgage loan in the amount of \$50,000 with a fixed interest rate of 6.5% and a 30 year term and amortization period with monthly payments of principal and interest. Applicant subsequently advised that they do not anticipate closing on this second mortgage since the funding is not necessary.

Issues and Concerns:

1. Applicant has advised that the title commitment for one of the three parcels is subject to a Lis Pendens. The Notice of Lis Pendens relates to the tract of land Applicant will be dedicating to Miami-Dade County as a right-of-way via the Plat. Once the right-of-way is dedicated, the Notice of Lis Pendens will be discharged unless the condemnation action is resolved first, in which case the Lis Pendens will be discharged. If the dedication process is not completed prior to closing, Seltzer's recommendations are conditioned upon receipt and satisfactory review, prior to loan closing, by Florida Housing's legal counsel and Seltzer of the discharge of the Lis Pendens and verification that the dedication process is completed or a contractual obligation for Miami-Dade County to discharge the Lis Pendens once the dedication is completed.

Recommendation:

SMG recommends FHFC approve a \$4,300,000 SAIL loan to be paid down at the time of conversion to permanent financing and a 9% competitive Housing Credit allocation in the annual amount of \$2,180,000 be awarded to this development.

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 SAIL Loan Conditions and HC Allocation Recommendation and Contingencies (Section B). The reader is cautioned to refer to these sections for complete information.

**SAIL AND HC CREDIT UNDERWRITING REPORT**

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This recommendation is only valid for six months from the date of the report.

Prepared by:



Wanda Greggo  
Credit Underwriter

Reviewed by:



Cindy Highsmith  
Credit Underwriting Manager

## Overview

### Construction Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
First Mortgage	Capital One	\$5,250,000	\$8,500,000	\$8,500,000	2.700%	\$239,828
Second Mortgage - SAIL	FHFC	\$4,300,000	\$4,155,453	\$4,300,000	0.500%	\$21,500
HC Equity	Hudson	\$15,530,946	\$18,146,685	\$12,097,790		
Deferred Developer Fee	Carrfour	\$525,729	\$0	\$2,043,435		
Deferred Developer Fee	GMKV	\$0	\$0	\$1,226,061		
<b>Total</b>		<b>\$25,606,675</b>	<b>\$28,209,666</b>	<b>\$28,167,286</b>		<b>\$261,328</b>

#### First Mortgage Loan:

Applicant provided a Proposed Summary of Terms and Conditions dated May 23, 2016 from Capital One, N.A. ("Capital One") for construction financing for Karis Village. The Capital One construction loan is a non-revolving, advancing construction loan originally estimated to be in the amount of \$9,000,000 and is currently anticipated to be in the amount of \$8,500,000. The interest rate will float at the one-month London Interbank Offered Rate ("LIBOR") plus 2.25% per annum, adjusted monthly and payable monthly, with no floor or ceiling. The construction period debt service is calculated based upon the current interest rate estimate of 2.700%. The term of the construction loan is 22 months with one 6-month extension for a fee of .25% of the outstanding construction loan balance. Seltzer's calculation is based on a 22-month construction/stabilization period and an average outstanding loan balance of 57% of the total loan amount during construction.

#### Other Construction Sources of Funds:

Additional sources of funds for this development during construction are a Florida Housing SAIL loan in the amount of \$4,300,000, Housing Credit equity of \$12,097,790, and deferred developer fee.

The co-developers, Carrfour and GMKV will have to defer \$2,043,435 and \$1,226,061, respectively, of developer fee after all available loan proceeds and the HC equity proceeds have been received during the construction period.

#### Construction/Stabilization Period:

Based upon demographic and market analysis, including existing developments, the appraiser projects absorption at a rate of approximately 43 units per month. The construction phase will last approximately 470 days or 15.67 months. Stabilization is anticipated to occur within two (2) months of construction completion. For purposes of this Credit Underwriting, Seltzer assumes a 22-month construction/stabilization period.

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**Permanent Financing Sources**

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt
First Mortgage - SAIL	FHFC	\$4,300,000	\$3,969,086	\$3,971,706	0.500%	N/A	30	\$19,859
First Mortgage	Chase	\$100,000	\$0	\$0	0.000%	0	0	\$0
HC Equity	Hudson	\$20,707,928	\$24,195,580	\$24,195,580				
Def. Developer Fee	Carrfour	\$498,747	\$0	\$0				
Def. Developer Fee	GMKV	\$0	\$0	\$0				
<b>Total</b>		<b>\$25,606,675</b>	<b>\$28,164,666</b>	<b>\$28,167,286</b>				<b>\$19,859</b>

SAIL:

Applicant applied to FHFC RFA 2014-116 for SAIL funds in the amount of \$4,300,000. The Applicant anticipates using Housing Credit Equity to pay down the SAIL loan from \$4,300,000 to \$3,971,706 at the time of conversion to permanent financing. The SAIL term will be 30 years as requested by the syndicator and as permitted by the Rule. The SAIL loan will be non-amortizing and will bear an interest rate of 0% for the pro rata share of the units set aside for Homeless persons (50% of the units) and an interest rate of 1% for the remaining units for a blended interest rate of 0.5% per annum based on available cash flow plus annual payments of applicable fees at the rate of 0.3416% comprised of a Servicing Fee equal to 0.2447% plus a Compliance Monitoring Fee annually. Any unpaid interest will be deferred until Cash Flow is available. At the maturity of the SAIL loan, however, all principal and unpaid interest is due.

The Hudson Housing Capital, LLC ("Hudson") LOI dated June 22, 2016 cash flow distributions does not provide for the payment of the SAIL loan interest prior to the distribution and payment to the non-managing member or managing member. Seltzer has made the Applicant aware of Chapter 67-48.010 (5) which states that any distribution or payment of the Applicant or Developer or any Affiliate of the Principal of the Applicant or Developer or any Affiliate of the Applicant or Developer, whether paid directly or indirectly which was not expressly disclosed in determining debt service coverage in the Board approved final credit underwriting report, with the exception of payment of the Developer fee allowable to a maximum of 20% per year, will be added back to the amount of cash available for the SAIL loan interest payment, pursuant to the financial reporting process for the purpose of determining SAIL loan interest due. Seltzer's credit underwriting report does not expressly disclose any distribution or payment of the Applicant or Developer or any Affiliate of the Principal of the Applicant or Developer or any Affiliate of the Applicant or Developer whether paid directly or indirectly in determining debt service coverage. Only the payment of the permanent first mortgage SAIL loan was expressly disclosed in Seltzer's credit underwriting report. As reflected in Chapter 67-48.010(7), The Karis Village development cash flow will be applied as follows:

- a. First mortgage fees and interest payment on the SAIL loan balance equal to the percentage specified in RFA 2014-116 over the life of the SAIL loan ;
- b. Development Expenses for the SAIL Development, plus up to 20% of total Developer fees per year;
- c. Interest payments on the SAIL loan deferred from previous years;
- d. Mandatory payment on subordinate mortgages;

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- e. After the full SAIL loan interest has been paid, the Applicant shall retain all remaining monies, unless the Applicant chooses to prepay a portion of the loan balance.

Housing Credits Equity Investment:

The applicant has applied to Florida Housing to receive 9% Housing Credits. A HC calculation is contained in Exhibit 4 of this credit underwriting report.

Based upon a HC equity investment letter of intent dated June 22, 2016, Hudson or its affiliate will provide HC equity as follows:

Capital Contributions	Amount	Percent of Total	When Due
1st Installment	\$6,048,895	25.0%	Closing
2nd Installment	\$6,048,895	25.0%	Later of 50% Construction completion or 4/1/2017
3rd Installment	\$6,048,895	25.0%	Construction completion
4th Installment	\$5,202,049	21.5%	Breakeven
5th Installment	\$846,846	3.5%	Form 8609
Total	\$24,195,580	100%	

Annual Tax Credits per Syndication Agreement: \$2,180,000

Total HC Syndication: \$21,797,820

Syndication Percentage (limited partner interest): 99.99%

Calculated HC Exchange Rate (per dollar): \$1.110

Proceeds Available During Construction: \$12,097,790

At least 15% of the total equity will be provided prior to or simultaneously with the closing of the construction financing.

Other Permanent Sources of Funds:

In order to balance the sources and uses of funds after loan proceeds and capital contributions payable under the Hudson proposal have been received, the co-developers will not have to defer any developer fee.

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Uses of Funds

CONSTRUCTION COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Accessory Buildings					
Demolition	\$50,000				
Installation of Pre Fab Units					
New Rental Units	\$13,350,550	\$12,300,864	\$12,300,864	\$139,783	\$490,462
Off-Site Work					
Recreational Amenities	\$311,000				
Rehab of Existing Common Areas					
Rehab of Existing Rental Units					
Site Work	\$150,000	\$1,210,489	\$1,210,489	\$13,756	
Security		\$247,450	\$247,450	\$2,812	
General Conditions		\$806,181	\$806,181	\$9,161	
Overhead		\$268,727	\$268,727	\$3,054	
Profit	\$1,537,000	\$806,181	\$806,181	\$9,161	
Builder's Risk Insurance		\$60,000	\$60,000	\$682	
General Liability Insurance		\$158,028	\$158,028	\$1,796	
Payment and Performance Bonds		\$338,027	\$338,027	\$3,841	
Furniture, Fixture, & Equipment		\$152,799	\$152,799	\$1,736	
Total Construction Contract/Costs	\$15,398,550	\$16,348,746	\$16,348,746	\$185,781	\$490,462
Hard Cost Contingency	\$762,855	\$817,437	\$817,437	\$9,289	
Fees for LOC used as Construction Surety					
Other: Owners Items		\$577,000	\$577,000	\$6,557	\$150,000
Other: Interior Design		\$84,343	\$84,343	\$958	
Other:					
Other:					
Other:					
<b>Total Construction Costs:</b>	<b>\$16,161,405</b>	<b>\$17,827,526</b>	<b>\$17,827,526</b>	<b>\$202,586</b>	<b>\$640,462</b>

Notes to the Actual Construction Costs:

- As required by the RFA, The Applicant has provided an AIA Document A201-2007, construction contract between the Applicant and JAXI Builders, Inc. ("JAXI") dated July 22, 2016 where the basis for payment is the Cost of the Work plus a Fee with a Guaranteed Maximum Price ("AIA GMP") of \$16,348,746. Applicant has modified the standard AIA 102-2007 Agreement but it is in compliance with the guidance regarding the Guaranteed Maximum Price, the Cost of the Work and the GC Fee in Section V of the AIA GMP.

The AIA GMP requires the contractor to achieve substantial completion of the entire work not later than 470 calendar days after the Commencement Date, and the date of commencement of the work shall be expressly set forth in the Owner's written notice to proceed to JAXI. Final completion shall be not later than the earlier of (a) the date that Final Completion is achieved; or (b) the 30<sup>th</sup> calendar day after the Substantial Completion Date. The date of Substantial Completion and the date of Final Completion are subject to adjustments as provided in the Contract Documents. The Applicant and JAXI acknowledge and agree that the Development must be issued a Temporary Certificate of



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Occupancy ("Project TCO Date") on or before December 15, 2017. In order to extend the Project TCO Date, (a) Miami-Dade County, Florida, must, in its sole and absolute discretion, agree in writing to an extension to, or a later date set for the Project TCO Date; and (b) such agreement permitting an extension or later date does not result in any costs, charges, fees, or other expenses being incurred by, or chargeable to Applicant. Retainage shall be limited to 10% of the contract amount throughout construction and will be paid upon lien-free completion.

2. FHFC advised that the General Contractor Cost Certification ("GCCC") issued by FHFC in October 2014 is not applicable to Karis Village since the previous version of the GCCC was applicable at the time of the Karis Village RFA 2014-116 Application. Therefore, Site Security in the amount of \$247,450 is included as "Other Fees Paid by GC" and is not included as a General Requirement.
3. General contractor fees are within the 14% maximum per the RFA and Rule Chapter 67-48.
4. The Hard Cost Contingency for this development is within the 5% maximum per the RFA and Rule 67-48.
5. Payment and Performance Bond fees, the General Contractor's liability and workers' compensation insurance are paid outside of the GC fee.
6. SMG received a Pre-Construction Plan and Cost Review/Analysis ("PCA") from C3 Consulting Group, Inc. dated June 30, 2016, revised July 5, 2016 and with a final PCA dated July 25, 2016. Complete results of the PCA 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	HC Ineligible Costs - CUR
Accounting Fees	\$30,000	\$30,000	\$30,000	\$341	\$10,000
Appraisal	\$10,000	\$10,000	\$10,000	\$114	
Architect's and Planning Fees					
Architect's Fee - Green Initiative					
Architect's Fee - Landscape					
Architect's Fee - Site/Building Design	\$566,502	\$615,000	\$615,000	\$6,989	
Architect's Fee - Supervision	\$35,000	\$75,000	\$75,000	\$852	
Building Permits	\$245,100	\$250,800	\$250,800	\$2,850	
Builder's Risk Insurance	\$60,000				
Capital Needs Assessment/Rehabilitation					
Demolition paid outside Const Contract					
Engineering Fees	\$65,000				
Environmental Report	\$20,000	\$20,000	\$20,000	\$227	
Federal Labor Standards Monitoring					
FF&E paid outside Construction Contract		\$200,000	\$200,000	\$2,273	
FHFC Administrative Fees	\$120,000	\$119,900	\$119,900	\$1,363	\$119,900
FHFC Application Fee	\$3,000	\$3,000	\$3,000	\$34	\$3,000
FHFC Credit Underwriting Fee	\$17,000	\$18,621	\$18,621	\$212	\$18,621
FHFC HC Compliance Fee (HC)	\$198,820	\$200,630	\$200,630	\$2,280	\$200,630
FHFC Other Processing Fee(s)					
Impact Fee	\$120,338	\$647,302	\$647,302	\$7,356	
Lender Inspection Fees / Const Admin	\$140,000	\$147,000	\$147,000	\$1,670	
Green Building Cert. (LEED, FGBC, NAHB)	\$60,000	\$60,000	\$60,000	\$682	
Home Energy Rating System (HERS)					
Insurance	\$100,000	\$72,600	\$72,600	\$825	
Legal Fees	\$255,000	\$150,000	\$150,000	\$1,705	\$40,000
Local Subsidy Underwriting Fee					
Market Study	\$10,000	\$10,000	\$10,000	\$114	\$10,000
Marketing and Advertising	\$200,000		\$10,000	\$114	\$10,000
Plan and Cost Review Analysis		\$1,800	\$1,800	\$20	
Property Taxes	\$80,000	\$80,000	\$80,000	\$909	\$30,000
Soil Test	\$25,000	\$25,000	\$25,000	\$284	
Start-Up/Lease-up Expenses		\$200,000	\$200,000	\$2,273	\$200,000
Survey	\$25,000	\$25,000	\$25,000	\$284	
Tenant Relocation Costs					
Title Insurance and Recording Fees	\$67,875	\$93,475	\$93,475	\$1,062	
Traffic Study					
Utility Connection Fees	\$167,700	\$134,640	\$134,640	\$1,530	
Soft Cost Contingency		\$80,000	\$80,000	\$909	
Other: Photos/Printing/Website		\$10,000			
Other: Travel		\$5,000			
Other:					
Other:					
Other:					
<b>Total General Development Costs:</b>	<b>\$2,621,335</b>	<b>\$3,284,768</b>	<b>\$3,279,768</b>	<b>\$37,270</b>	<b>\$642,151</b>

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*Notes to the General Development Costs:*

1. Accounting Fees include the cost of the final cost certification. The cost of the final certification is considered an ineligible cost by the Applicant.
2. The Appraisal Fee includes the cost for the lender to update the appraisal when construction is complete.
3. Builders Risk Insurance is included in the GC Contract schedule of values.
4. FF&E paid outside Construction Contract includes \$100,000 for solar panels and \$100,000 for green building upgrades.
5. The FHFC Administrative Fee is based on 5.5% of the recommended annual allocation of HC. The FHFC Application Fee is reflective of the application fee for RFA 2014-116. The FHFC Compliance Fee is based upon the 2015 Pre-Final Allocation fee plus the 2015 Final Allocation Fee for 88 units set aside for 50 years. The FHFC Underwriting Fee reflects \$1,516 for the Preliminary HC Recommendation Letter and \$17,105 for the HC underwriting fee.
6. Impact Fees include Karis Village's proportionate share mitigation project fee for mitigating the impact of school seats for twenty-two (22) students at \$22,544 per seat for a total of \$495,968. A Proportionate Share Mitigation Agreement for Karis Village is in the process of being drafted for School Board approval. Receipt and satisfactory review, prior to closing, by Florida Housing, Florida Housing's legal counsel and Seltzer of the School Board approved Karis Village Proportionate Share Mitigation Agreement is a condition of Seltzer's recommendation. If a reduction in the fee is approved, the Impact Fees will be reduced by the amount of the reduction.
7. Lender inspection fees include the fee for a Special Threshold Inspector for Miami-Dade County.
8. Insurance includes Liability Insurance for the entire 22-month construction-stabilization period plus one year of hazard insurance to be paid after construction is complete but prior to stabilization and conversion to permanent financing.
9. Marketing and Advertising: Seltzer has re-allocated the Applicant's fee for Photos/Printing/Website to Marketing and Advertising and as such is a HC ineligible cost.
10. The Pre-Construction/Plan and Cost Review Analysis ("PCA") line item reflects the actual cost of the PCA.
11. Seltzer has not included Travel expense since it is part of Developer Overhead.
12. Other General Development Costs are based on the applicant's estimates, which appear reasonable.

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<b>FINANCIAL COSTS:</b>	<b>Applicant Costs</b>	<b>Revised Applicant Costs</b>	<b>Underwriters Total Costs - CUR</b>	<b>Cost Per Unit</b>	<b>HC Ineligible Costs - CUR</b>
Construction Loan Application Fee					
Construction Loan Underwriting Fee					
Construction Loan Origination Fee	\$52,500	\$30,000	\$30,000	\$341	
Construction Loan Commitment Fee		\$85,000	\$85,000	\$966	
Construction Loan Closing Costs		\$20,000	\$20,000	\$227	
Construction Loan Interest	\$410,000	\$530,000	\$530,000	\$6,023	\$242,000
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	\$58,000				
Permanent Loan Closing Costs	\$25,000				
Permanent Loan Interest					
Permanent Loan Servicing Fee					
SAIL Application Fee					
SAIL Underwriting Fee					
SAIL Origination Fee					
SAIL Commitment Fee		\$43,000	\$43,000	\$489	
SAIL Closing Costs		\$25,000	\$25,000	\$284	
SAIL Interest					
SAIL Servicing Fee					
Financial Advisor Fee					
Legal Fees - Bond Counsel					
Legal Fees - Borrower's Counsel					
Legal Fees - Issuer's Counsel					
Legal Fees - Lender's Counsel		\$93,000	\$93,000	\$1,057	\$25,000
Legal Fees - Underwriter's Counsel					
Other: Other Loan Closing Costs	\$20,000				
Other:					
Other:					
Other:					
Other:					
<b>Total Financial Costs:</b>	<b>\$565,500</b>	<b>\$826,000</b>	<b>\$826,000</b>	<b>\$9,386</b>	<b>\$267,000</b>

*Notes to the Financial Costs:*

1. Construction Loan Interest is based on Capital One's estimate and includes a 100% interest reserve which is an HC ineligible cost.
2. Construction Loan Origination Fee is based on the Capital One LOI.
3. Construction Loan Commitment Fee is based on the Capital One LOI and is 1% of the construction loan.

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4. The Applicant has advised Seltzer they do not intend to obtain the \$50,000 from Hudson so there are no fees associated with that mortgage.
5. SAIL Commitment fee is 1% of the SAIL loan amount.

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

*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	HC Ineligible Costs - CUR
Development Cost Before Developer Fee and Land Costs	\$19,348,240	\$21,938,294	\$21,933,294	\$249,242	\$1,549,613
Developer Fee on Acquisition of Buildings					
Developer Fee	\$4,053,435	\$3,445,528	\$3,408,648	\$38,735	
Developer Fee to fund Operating Deficit Reserve		\$1,097,164	\$1,096,664	\$12,462	\$1,096,664
Other: Brokerage Fees - Land			\$35,280	\$401	\$35,280
Other: Consultant Fees					
Other: Excess Acquisition Costs					
Other: Excess Land Value		\$23,400	\$23,400	\$266	\$23,400
Other: Guaranty Fees					
Other:					
Other:					
Other:					
<b>Total Other Development Costs:</b>	<b>\$4,053,435</b>	<b>\$4,566,092</b>	<b>\$4,563,992</b>	<b>\$51,864</b>	<b>\$1,155,344</b>

*Notes to the Other Development Costs:*

1. The Developer Fee does not exceed 21% of development costs exclusive of land acquisition and developer fee. However, an amount equal to the difference between the Developer fee and an amount equal to 16 percent (16%) of Development Cost must be placed in an operating subsidy reserve account to be held by the Corporation or its servicer. Any disbursement from said operating subsidy reserve account shall be reviewed and approved by the Corporation or its servicer. At the end of the compliance period, any Operating Deficit Reserve balance will be used to pay FHFC debt; if there is no FHFC loan debt on the proposed Development at the end of the Compliance Period, any remaining balance shall be used to pay any outstanding FHFC fees, deferred developer fee and partner funding. In no event shall the payment of an amount to the Applicant or the Developer from the Reserve Account cause the Developer Fee or General Contractor Fee to exceed the

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applicable percentage limitations provided for in the Rule. If any balance in the operating Deficit Reserve account is remaining after the payments above, the amount should be placed in a replacement reserve account for the development. Any and all terms and conditions of the Operating Deficit Reserve must be acceptable to Florida Housing, its Servicer, and its legal counsel.

2. Other: Brokerage Fees – Land Excess land cost are the Brokerage Fees Applicant is required to pay in the amount of \$16,656 for the Sunexuz site and \$18,624 for the OCA site for a total Brokerage Fee of \$35,280 for the land. Seltzer has reallocated the Brokerage Fees as a subset of Developer fee because when added to the purchase price, they are higher than the appraised value. The Seller will pay all other Broker Fees.
3. Seltzer has reallocated \$23,400 of the purchase price of the land as a subset of developer fee due to the cost of the land exceeding the value of the land. See Land Acquisition below.

LAND ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Brokerage Fees - Land	\$125,000	\$35,280			
Land Acquisition Costs					
Land	\$2,080,000	\$1,670,000	\$1,670,000	\$18,977	\$1,670,000
Land Lease Payment					
Land Carrying Costs					
Other:					
Other:					
Other:					
<b>Total Acquisition Costs:</b>	<b>\$2,205,000</b>	<b>\$1,705,280</b>	<b>\$1,670,000</b>	<b>\$18,977</b>	<b>\$1,670,000</b>

*Notes to the Land Acquisition Costs:*

1. Applicant submitted three (3) Agreements of Purchase and Sale for the three (3) parcels that will comprise the Subject Site:
  - a. Applicant submitted an Agreement of Purchase and Sale by and between Sunexuz Investment LLC (the "Sunexuz") as Seller and Green Mills Holdings, LLC ("GMH") as buyer dated January 23, 2015 for approximately 1 acre for a purchase price of \$1,300,000 ("site 1 original purchase price"), payable at closing. The purchase price is to be adjusted to match the appraised value in the event the appraised value is below the site 1 original purchase price. However, the purchase price shall not be less than \$780,000. Closing is defined as a date no later than ninety (90) days after the date GMH receives an allocation of HC from FHFC as evidenced by an invitation to credit underwriting but in no event later than December 31, 2015. The closing date is subject to nine (9) one-month extensions upon payment by GMH to Sunexuz of \$5,000 per monthly extension which shall be a credit against the purchase price. GMH is the owner of the co-developer, GMKV. Applicant subsequently provided an Amended and Restated Agreement of Purchase and Sale between Sunexuz and GMH dated January 23, 2015 with the same purchase price and the same closing date.

Applicant submitted an assignment and Assumption of Amended and Restated Agreement of Purchase and Sale dated February 6, 2015 by and between GMH and Applicant as Buyer of site 1.

- b. Applicant submitted an Agreement of Purchase and Sale by and between OCA Corp. ("OCA") as Trustee of the 14356 Land Trust dated October 28, 2013, as Seller and GMH as Buyer dated January 23, 2015 for approximately 1 acre for a purchase price of \$780,000 ("site 2 original purchase price"), payable at closing. The purchase price is to be adjusted to match the appraised value in the event the appraised value is below the site 2 original purchase price. However, the purchase price shall not be less than \$600,000. Closing is defined as a date no later than ninety (90) days after the date GMH receives an allocation of HC from FHFC as evidenced by an invitation to credit underwriting but in no event later than December 31, 2015. The closing date is subject to nine (9) one-month extensions upon payment by GMH to OCA of \$5,000 per monthly extension which shall be a credit against the purchase price. Applicant subsequently provided an Amended and Restated Agreement of Purchase and Sale between OCA and GMH dated January 23, 2015 with the same purchase price and the same closing date.

Applicant submitted an assignment and Assumption of Amended and Restated Agreement of Purchase and Sale dated February 6, 2015 by and between GMH and Applicant Buyer of site 2.

Applicant submitted a Final Summary Judgment Quieting Title dated August 11, 2015. OCA filed suit against Miami-Dade County and the United States Department of Treasury to quiet all claims of each for liens or code enforcement orders.

Applicant has advised that the title commitment for site 2 is subject to a Lis Pendens. The Notice of Lis Pendens relates to the tract of land Applicant will be dedicating to Miami-Dade County as a right-of-way via the Plat. Once the right-of-way is dedicated, the Notice of Lis Pendens will be discharged unless the condemnation action is resolved first, in which case the Lis Pendens will be discharged. If the dedication process is not completed prior to closing, Seltzer's recommendations are conditioned upon receipt and satisfactory review, prior to loan closing, by Florida Housing's legal counsel and Seltzer of the discharge of the Lis Pendens and verification that the dedication process is completed or a contractual obligation for Miami-Dade County to discharge the Lis Pendens once the dedication is completed. The Purchase and Sale Agreement for site 2 specifies that if Buyer of site 2 completes the sale, any and all condemnation awards which relate to the site 2 property, or any portion thereof, or any interest therein, received by OCA before closing in respect to such taking shall be paid to Buyer of site 2 on the Closing Date as a Closing adjustment and OCA shall transfer and assign to Buyer of site 2, at closing, all of OCA's rights and interest in and to any such awards and any such proceeds, and all such proceeds and all such awards received by or payable to OCA after closing on account thereof shall be paid over to Buyer of site 2 as a post-closing adjustment.

- c. Applicant submitted an Agreement of Purchase and Sale by and between Belinda Zeigler. ("Zeigler") as Seller and GMH as Buyer dated August 24, 2015 for approximately

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0.3 acre for a purchase price of \$300,000 (“site 3 original purchase price”), payable at closing. The purchase price is to be adjusted to match the appraised value in the event the appraised value is below the site 3 original purchase price. However, the purchase price shall not be less than \$250,000. Closing is defined as a date no later than February 1, 2016. The closing date is subject to nine (9) one-month extensions upon payment by GMH to Zeigler of \$5,000 per monthly extension which shall be a credit against the purchase price.

Applicant submitted an assignment and Assumption of Amended and Restated Agreement of Purchase and Sale dated August 25, 2015 by and between GMH and Applicant as Buyer of site 3.

Applicant requested the addition of this site to the Subject Site at carryover. Florida Housing approved the site change of an additional parcel for Karis Village on February 23, 2016.

The original purchase price for all three parcels was \$2,380,000 with the Sunexuz site at 54.6% of the purchase price, OCA site at 32.8% and the Zeigler site at 12.6%. The land value per the Meridian appraisal is \$1,670,000. Therefore, the purchase price has been reduced to a total of \$1,693,400 with the purchase price for each site allocated as follows:

- Site 1 (Sunexuz site) = \$843,400
- Site 2 (OCA site) = \$600,000
- Site 3 (Zeigler site) = \$250,000

Seltzer has re-allocated the excess purchase price of \$23,400 as a subset of developer fee.

Total Development Costs	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
<b>TOTAL DEVELOPMENT COSTS:</b>	<b>\$25,606,675</b>	<b>\$28,209,666</b>	<b>\$28,167,286</b>	<b>\$320,083</b>	<b>\$4,374,957</b>



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Operating Pro forma

OPERATING PRO FORMA		ANNUAL	PER UNIT
INCOME	Gross Potential Rental Income	\$524,532	\$5,961
	Rent Subsidy (ODR)	\$0	\$0
	Other Income:		
	Ancillary Income-Parking	\$0	\$0
	Miscellaneous	\$10,560	\$120
	Washer/Dryer Rentals	\$0	\$0
	Cable/Satellite Income	\$0	\$0
	Rent Concessions	\$0	\$0
	Alarm Income	\$0	\$0
	Gross Potential Income	\$535,092	\$6,081
	Less:		
	Economic Loss - Percentage:		\$0
	Physical Vacancy Loss - Percentage: 4.0%	(\$21,404)	(\$243)
Collection Loss - Percentage: 1.0%	(\$5,351)	(\$61)	
<b>Total Effective Gross Revenue</b>		\$508,337	\$5,777
EXPENSES	Fixed:		
	Ground Lease	\$0	\$0
	Sub-Ground Lease	\$0	\$0
	Real Estate Taxes	\$17,905	\$203
	Insurance	\$48,400	\$550
	Other	\$0	\$0
	Variable:		
	Management Fee - Percentage: 6.0%	\$30,500	\$347
	General and Administrative	\$40,000	\$455
	Payroll Expenses	\$112,816	\$1,282
	Utilities	\$70,400	\$800
	Marketing and Advertising	\$2,200	\$25
	Maintenance and Repairs	\$35,200	\$400
	Grounds Maintenance and Landscaping	\$15,400	\$175
	Resident Programs	\$0	\$0
	Contract Services	\$17,600	\$200
Security	\$26,400	\$300	
Other- LP Administrative Expense Reimbursement	\$4,000	\$45	
Reserve for Replacements	\$26,400	\$300	
<b>Total Expenses</b>		\$447,221	\$5,082
<b>Net Operating Income</b>		\$61,116	\$695
<b>Debt Service Payments</b>			
DEBT SERVICE	First Mortgage - SAIL	\$19,859	\$226
	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 - Agency/Trustee/Service	\$12,696	\$144
<b>Total Debt Service Payments</b>		\$32,555	\$370
<b>Cash Flow After Debt Service</b>		\$28,562	\$325

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Debt Service Coverage Ratios		
DSC - First Only (incl. Negative Arbitrage)		3.078
DSC - All Mortgages and Fees		1.877

  

Financial Ratios		
Operating Expense Ratio		88.0%
Break-Even Ratio		89.7%

*Notes to the Operating Pro forma and Ratios:*

- The SAIL program does not impose any rent restrictions. However, this development will be utilizing Housing Credits which will impose rent restrictions. Restricted rents are based upon the appraiser's estimate of achievable rents per comparables that projects Karis Village can achieve 2016 Maximum Allowable HC Rents published by Florida Housing on all units. However, 50% of the units will be set aside as permanent supportive housing for homeless Veterans (with at least 20 of the units set aside for homeless Veterans with a disabling condition). Therefore, the Applicant does not anticipate receiving the 2016 Maximum Allowable HC Rent for these units. The proposed resident contributions for the 44 units restricted to formerly homeless veterans is based on approximately 30% of the residents' income as calculated by the Applicant and Meridian. Therefore, the rent for the units to be leased by homeless veterans will be \$200 per unit per month for the 20 studio units, \$250 per unit per month for the 17 one bedroom units and \$350 per unit per month for 7 of the two-bedroom units. All rents are net utility allowances per a Miami-Dade County HUD Utility chart effective February 1, 2016 and reflect the resident paying natural gas and electric utilities, and the Applicant paying water and sewer, trash disposal, and pest control. The rent roll is shown below:

**MSA/County: Miami-Miami Beach-Kendall HMFA, Miami-Fort Lauderdale Pompano Beach MSA / Miami-Dade 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 HC Rent	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
0.0	1.0	6	535	33%	\$410			\$59		\$351	\$200	\$200	\$200	\$14,400
0.0	1.0	14	535	60%	\$745			\$59		\$686	\$200	\$200	\$200	\$33,600
0.0	1.0	14	535	60%	\$745			\$59		\$686	\$686	\$686	\$686	\$115,248
1.0	1.0	5	701	33%	\$439			\$78		\$361	\$250	\$250	\$250	\$15,000
1.0	1.0	12	701	60%	\$798			\$78		\$720	\$250	\$250	\$250	\$36,000
1.0	1.0	17	701	60%	\$798			\$78		\$720	\$720	\$720	\$720	\$146,880
2.0	2.0	3	980	33%	\$527			\$99		\$428	\$350	\$350	\$350	\$12,600
2.0	2.0	4	980	60%	\$958			\$99		\$859	\$350	\$350	\$350	\$16,800
2.0	2.0	13	980	60%	\$958			\$99		\$859	\$859	\$859	\$859	\$134,004
		<b>88</b>	<b>62880</b>											<b>\$524,532</b>

Based upon unit mix and annualized rent concessions, the Appraiser concluded Market Rental Rates that average 139% of 2016 Maximum Allowable HC Rents (which meets the 110% minimum required by FHFC Rule).

- Miscellaneous income is based on the appraiser's estimate which includes vending income, late fees, pet fees, cancellation fees, and forfeited deposits.
- Vacancy Loss and Collection Loss rates are supported by the appraisal.

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**SMG**

4. As a Florida Not-For-Profit Corporation, the Applicant will apply for an exemption from Ad Valorem Real Estate Taxes. SMG has conservatively included real estate tax expense in the Operating Pro Forma in order to calculate Net Operating Income (“NOI”). Should the exemption be granted by Miami-Dade County, Applicant’s NOI will improve and debt service coverage for its first mortgage loan will increase.
5. Management Fees are based upon the management agreement which reflects 6% of gross income.
6. Contract Services include services such as pest control and other maintenance items under contract.
7. Replacement reserves are \$300 per unit per year which meets the Florida Housing Rule minimum reserve requirement. Per the Hudson LOI, Replacement Reserves will increase annually by the Consumer Price Index currently estimated to be 3% per annum.
8. Resident Programs primarily include resident activities, employment assistance, the Health and Wellness Program, the Financial Management Program, Daily Activities and Case Management. Most resident programs are donated or provided without charge by various local organizations. The budget for the programs that involve a fee are included in the General and Administrative line item.
9. Other operating expense estimates are based on market comparables and are supported by the appraisal.
10. Other Fees – Agency/Trustee/Service are comprised of the annual Permanent Loan Servicing Fee (currently estimated to be \$9,720) and the Compliance Monitoring Fee (currently estimated to be \$2,976) on the SAIL loan. Payment of these fees is required annually.
11. Debt service coverage is higher than typical due to the infusion of \$24,195,580 in Housing Credits funding. Therefore, Seltzer considers that the permanent financing for Karis Village consists of deep subsidy. Seltzer also notes that DSC decreases over the initial 15-years, cash flow after debt service is negative and debt service coverage for the SAIL loan decreases to less than 1.00 to 1.00 in year 11. The developer anticipates using the Operating Reserve to supplement income to pay all operating expenses and DSC, if necessary. A 15-year income and expense projection shows decreasing debt service coverage. This projection is attached to this report as Exhibit 1.

**SMG**

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**Section B**

**Loan Conditions**

**HC Allocation Recommendation and Contingencies**

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**JULY 26, 2016**

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### **Special Conditions**

These recommendations are contingent upon the review and approval of the following items by SMG and Florida Housing at least 30 days prior to loan closing.

1. Receipt and satisfactory review of a School Board approved Karis Village Proportionate Share Mitigation Agreement.
2. Receipt and satisfactory review by Florida Housing's legal counsel and Seltzer of the discharge of the Lis Pendens and verification that the dedication process is completed or a contractual obligation for Miami-Dade County to discharge the Lis Pendens once the dedication is complete.

### **General Conditions**

This recommendation is contingent upon the review and approval of the following items by SMG and Florida Housing at least 30 days prior to loan closing.

1. Borrower to comply with any and all recommendations noted in the pre-construction plan and cost analysis.
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. 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 also be provided. The sources and uses of funds schedule will be attached to the Loan Agreement as the approved development budget.
5. A final construction draw schedule showing itemized sources and uses of funds for each monthly draw. SAIL Loan Proceeds shall be disbursed pro rata with other funding sources during the construction phase, unless otherwise approved by the Credit Underwriter. The closing draw shall include appropriate backup and ACH wiring instructions.
6. During construction/ rehabilitation, the developer is only allowed to draw a maximum of 50% of the total developer fee during construction/rehabilitation, but in no case more than the payable

**SAIL AND HC CREDIT UNDERWRITING REPORT**

**SMG**

developer fee, which is determined to be “developer’s overhead”. No more than 35% of “developer’s overhead” during construction/rehabilitation 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.

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. 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. A copy of an Amended and Restated Limited Partnership Agreement reflecting purchase of the HC under terms consistent with the assumptions contained within this Credit Underwriting Report. The Amended and Restated Limited Partnership Agreement shall be in a form and of financial substance satisfactory to Servicer and to FHFC and its Legal Counsel.
11. Satisfactory resolution of any outstanding past due and/or noncompliance issues.
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).
13. At all times there will be undisbursed loan funds (collectively held by Florida Housing, the first lender and any other source) sufficient to complete the Development. If at any time there are not sufficient funds 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 judgment) to complete the Development before additional loan funds are disbursed. This condition specifically includes escrowing at closing all equity necessary to complete construction or another alternative acceptable to Florida Housing in its sole discretion.
14. Final “as permitted” (signed and sealed) site plans, building plans and specifications. The geotechnical report, if any, must be bound within the final plans and specifications.

**SAIL AND HC CREDIT UNDERWRITING REPORT**

**SMG**

15. At the end of the compliance period, any Operating Deficit Reserve balance will be used to pay FHFC debt; if there is no FHFC loan debt on the proposed Development at the end of the Compliance Period, any remaining balance shall be used to pay any outstanding FHFC fees, deferred developer fee and partner funding. In no event shall the payment of amount to the Applicant or the Developer from the Reserve Account cause the Developer Fee or General Contractor Fee to exceed the applicable percentage limitations provided for in the Rule. If any balance in the operating Deficit Reserve account is remaining after the payments above, the amount should be placed in a replacement reserve account for the development. Any and all terms and conditions of the Operating Deficit Reserve must be acceptable to Florida Housing, its Servicer, and its legal counsel.

This recommendation is contingent upon the review and approval of the following items by Florida Housing and its legal counsel at least 30 days prior to real estate loan closing. Failure to receive approval of these items within this time frame may result in postponement of the closing.

1. Documentation of the legal formation and current authority to transact business in Florida for the Borrower, the general partner/member(s)/principal(s)/manager(s) of the Borrower, the guarantors, and any limited partners of the Borrower.
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. An acceptable updated Environmental Audit Report, together with a reliance letter to Florida Housing, prepared within 90 days of the SAIL loan 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 SAIL 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 Loans 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

**SAIL AND HC CREDIT UNDERWRITING REPORT**

**SMG**

- 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, as applicable for construction.
  - 9. UCC Searches for the Borrower, its partnerships, as requested by counsel.
  - 10. 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 and its legal counsel, in connection with the loan(s).
  - 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, 420.509 and 420.5087, Florida Statutes, Rule Chapter 67-48, 67-53, and 67-60, F. A. C., RFA 2014-116, Section 42 I.R.C. and any other State and Federal requirements.
- 2. Acceptance by the Borrower and execution of all documents evidencing and securing the SAIL loan in form and substance satisfactory to Florida Housing and its legal counsel, including, but not limited to, the Promissory Note(s), the Loan Agreement(s), the Mortgage and Security Agreement(s), the Land Use Restriction Agreement(s), and Extended Low Income Housing Agreement(s).
- 3. If applicable, receipt and satisfactory review of Financial Statements from all Guarantors dated within 90 days of Real Estate Closing.
- 4. Guarantors are to provide the standard FHFC Construction Completion Guarantee, to be released upon lien free completion as approved by the Servicer.
- 5. Guarantors are to provide the standard FHFC Operating Deficit Guarantee. If requested in writing by the Applicant, Servicer will consider a recommendation to release the Operating Deficit Guarantee if all conditions are met, including achievement of a 1.15 DSC on the combined permanent first mortgage and SAIL, 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 (3) years following the final certificate of occupancy.



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**SMG**

6. Guarantors are to provide the standard FHFC Environmental Indemnity Guaranty.
7. Guarantors are to provide the standard FHFC Guaranty of Recourse Obligations.
8. A mortgagee title insurance lender's policy naming Florida Housing as the insured first mortgage holder in the amount of the 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. All endorsements that are required by FHFC are to be issued and the form of the title policy must be approved prior to closing.
9. 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.
10. Replacement Reserves in the amount of \$300 per unit per year are 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 (with or without acquisition) 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 initial Replacement Reserve will have limitations on the ability to be drawn. The amount established as a Replacement Reserve shall be adjusted based on a CNA to be received by the Corporation or its servicers, prepared by an independent third party and acceptable to the Corporation and its servicers at the time the CNA is required, beginning no later than the 10<sup>th</sup> year after the first residential building in the development receives a certificate of occupancy, a temporary certificate of occupancy, or is placed in service, whichever is earlier ("Initial Replacement Reserve Date"). A subsequent CNA is required every five (5) years thereafter. FHFC requirements are applicable for the SAIL mortgage.

11. C3, or other construction inspector acceptable for Florida Housing, is to act as Florida Housing's inspector during the construction period.
12. A minimum of 10% retainage holdback on all construction draws until the Development is 50% complete, and 0% retainage thereafter is required. Retainage will not be released until successful completion of construction and issuance of all certificates of occupancy. Under the Karis Village GC construction contract, a minimum of 10% retainage holdback on all construction draws is required throughout construction and will be paid upon lien-free completion, which exceeds the requirements of FHFC.
13. Satisfactory completion of a pre-loan closing compliance audit conducted by Florida Housing or its Servicer, if applicable.
14. Closing of all funding sources prior to or simultaneous with the closing of the SAIL loan.
15. Any other reasonable requirements of the Servicer, Florida Housing or its legal counsel.

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## **Housing Credit Allocation Recommendation**

Seltzer Management Group, Inc. recommends a preliminary annual Housing Credit allocation of \$2,180,000. Please see the HC Allocation Calculation section of this report for further details.

The HC allocation recommendation is contingent upon the receipt and satisfactory review of the following items by SMG and the Florida Housing Finance Corporation by the deadline established in the Preliminary HC Allocation. Failure to submit these items within this time frame may result in forfeiture of the HC Allocation.

1. All items listed under the Special Conditions section of the Loan Conditions to Close.
2. Satisfactory resolution of any outstanding past due items and/or noncompliance issues.
3. Receipt of executed FHFC Fair Housing, Section 504 and ADA as-built certification forms 122, 127 and 129.
4. Any reasonable requirements of Florida Housing, SMG or its legal counsel.

Exhibit 1  
Karis Village  
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
<b>OPERATING PRO FORMA</b>															
Gross Potential Rental Income	\$524,532	\$535,023	\$545,723	\$556,638	\$567,770	\$579,126	\$590,708	\$602,522	\$614,573	\$626,864	\$639,402	\$652,190	\$665,231	\$678,538	\$692,109
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	\$10,560	\$10,771	\$10,987	\$11,206	\$11,430	\$11,659	\$11,892	\$12,130	\$12,373	\$12,620	\$12,873	\$13,130	\$13,393	\$13,660	\$13,934
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	\$535,092	\$545,794	\$556,710	\$567,844	\$579,201	\$590,785	\$602,601	\$614,653	\$626,946	\$639,484	\$652,274	\$665,320	\$678,626	\$692,199	\$706,043
Less:															
Economic Loss - Percentage:															
Physical Vacancy Loss - Percentage:	4.0%	(\$21,832)	(\$22,268)	(\$22,714)	(\$23,168)	(\$23,631)	(\$24,104)	(\$24,586)	(\$25,078)	(\$25,579)	(\$26,091)	(\$26,613)	(\$27,145)	(\$27,688)	(\$28,242)
Collection Loss - Percentage:	1.0%	(\$5,351)	(\$5,458)	(\$5,567)	(\$5,678)	(\$5,792)	(\$5,908)	(\$6,026)	(\$6,147)	(\$6,271)	(\$6,397)	(\$6,523)	(\$6,650)	(\$6,778)	(\$6,906)
<b>Total Effective Gross Revenue</b>	\$508,337	\$518,504	\$528,874	\$539,452	\$550,241	\$561,246	\$572,470	\$583,920	\$595,598	\$607,510	\$619,660	\$632,054	\$644,695	\$657,589	\$670,740
Fixed:															
Ground Lease	\$0	\$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	\$0
Real Estate Taxes	\$17,905	\$18,442	\$18,995	\$19,565	\$20,152	\$20,757	\$21,380	\$22,021	\$22,682	\$23,362	\$24,063	\$24,785	\$25,528	\$26,294	\$27,083
Insurance	\$48,400	\$49,852	\$51,348	\$52,888	\$54,475	\$56,109	\$57,792	\$59,526	\$61,312	\$63,151	\$65,046	\$66,997	\$69,007	\$71,077	\$73,209
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Variable:															
Management Fee - Percentage:	6.0%	\$30,500	\$31,110	\$31,732	\$32,367	\$33,014	\$33,675	\$34,348	\$35,035	\$35,736	\$36,451	\$37,180	\$37,923	\$38,682	\$39,455
General and Administrative	\$40,000	\$41,200	\$42,436	\$43,709	\$45,020	\$46,371	\$47,762	\$49,195	\$50,671	\$52,191	\$53,757	\$55,369	\$57,020	\$58,714	\$60,444
Payroll Expenses	\$112,816	\$116,200	\$119,686	\$123,278	\$126,975	\$130,785	\$134,708	\$138,749	\$142,919	\$147,219	\$151,645	\$156,164	\$160,849	\$165,674	\$170,644
Utilities	\$70,400	\$72,532	\$74,687	\$76,928	\$79,236	\$81,613	\$84,061	\$86,583	\$89,181	\$91,856	\$94,612	\$97,450	\$100,374	\$103,385	\$106,486
Marketing and Advertising	\$2,200	\$2,466	\$2,734	\$3,004	\$3,276	\$3,550	\$3,827	\$4,106	\$4,387	\$4,671	\$4,957	\$5,245	\$5,537	\$5,831	\$6,128
Maintenance and Repairs	\$35,200	\$36,256	\$37,344	\$38,468	\$39,618	\$40,806	\$42,031	\$43,292	\$44,590	\$45,928	\$47,306	\$48,725	\$50,187	\$51,692	\$53,244
Grounds Maintenance and Landscaping	\$15,400	\$15,862	\$16,338	\$16,828	\$17,333	\$17,853	\$18,388	\$18,940	\$19,509	\$20,094	\$20,696	\$21,317	\$21,957	\$22,615	\$23,294
Resident Programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contract Services	\$17,600	\$18,128	\$18,672	\$19,232	\$19,809	\$20,403	\$21,015	\$21,646	\$22,295	\$22,964	\$23,653	\$24,363	\$25,093	\$25,846	\$26,622
Security	\$26,400	\$27,192	\$28,008	\$28,848	\$29,713	\$30,605	\$31,523	\$32,469	\$33,446	\$34,446	\$35,479	\$36,544	\$37,644	\$38,769	\$39,922
Other	\$4,000	\$4,120	\$4,244	\$4,371	\$4,502	\$4,637	\$4,776	\$4,919	\$5,067	\$5,219	\$5,376	\$5,537	\$5,703	\$5,874	\$6,050
Reserve for Replacements	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400	\$26,400
<b>Total Expenses</b>	\$447,221	\$459,541	\$472,224	\$485,281	\$498,724	\$512,564	\$526,812	\$541,481	\$556,583	\$572,131	\$588,930	\$606,227	\$624,034	\$642,368	\$661,245
<b>Net Operating Income</b>	\$61,116	\$68,963	\$76,650	\$84,170	\$91,517	\$98,682	\$105,659	\$112,499	\$119,191	\$125,799	\$132,306	\$138,727	\$145,061	\$151,220	\$157,246
<b>Debt Service Payments</b>															
First Mortgage - SAIL	\$19,859	\$19,859	\$19,859	\$19,859	\$19,859	\$19,859	\$19,859	\$19,859	\$19,859	\$19,859	\$19,859	\$19,859	\$19,859	\$19,859	\$19,859
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 - Agency/Trustee/Service	\$12,696	\$12,696	\$12,696	\$12,696	\$12,696	\$12,696	\$12,696	\$12,696	\$12,696	\$12,696	\$12,696	\$12,696	\$12,696	\$12,696	\$12,696
<b>Total Debt Service Payments</b>	\$32,555	\$32,555	\$32,555	\$32,555	\$32,555	\$32,555	\$32,555	\$32,555	\$32,555	\$32,555	\$32,555	\$32,555	\$32,555	\$32,555	\$32,555
<b>Cash Flow After Debt Service</b>	\$28,562	\$36,409	\$44,096	\$51,616	\$59,062	\$66,427	\$73,715	\$80,934	\$88,096	\$95,194	\$102,221	\$109,176	\$116,056	\$122,861	\$129,591
<b>Debt Service Coverage Ratios</b>															
DSC - First Only (incl. Negative Arbitrage)	3.078	2.969	2.853	2.728	2.594	2.451	2.299	2.137	1.965	1.782	1.547	1.301	1.040	0.766	0.478
DSC - First and Second	3.078	2.969	2.853	2.728	2.594	2.451	2.299	2.137	1.965	1.782	1.547	1.301	1.040	0.766	0.478
DSC - First, Second and Third	3.078	2.969	2.853	2.728	2.594	2.451	2.299	2.137	1.965	1.782	1.547	1.301	1.040	0.766	0.478
DSC - First, Second, Third, and Fourth	3.078	2.969	2.853	2.728	2.594	2.451	2.299	2.137	1.965	1.782	1.547	1.301	1.040	0.766	0.478
DSC - First, Second, Third, Fourth, and Fifth	3.078	2.969	2.853	2.728	2.594	2.451	2.299	2.137	1.965	1.782	1.547	1.301	1.040	0.766	0.478
DSC - All Other Mortgages	3.078	2.969	2.853	2.728	2.594	2.451	2.299	2.137	1.965	1.782	1.547	1.301	1.040	0.766	0.478
DSC - All Mortgages and Fees	1.877	1.811	1.740	1.664	1.582	1.495	1.403	1.304	1.198	1.087	0.944	0.793	0.635	0.468	0.292
<b>Financial Ratios</b>															
Operating Expense Ratio	88.0%	88.6%	89.3%	90.0%	90.6%	91.3%	92.0%	92.7%	93.4%	94.2%	95.0%	95.9%	96.8%	97.7%	98.6%
Break-Even Ratio	89.7%	90.2%	90.7%	91.2%	91.7%	92.3%	92.8%	93.4%	94.0%	94.6%	95.3%	96.0%	96.8%	97.5%	98.3%

KARIS VILLAGE  
RFA 2014-116 (2015-168CS)  
DESCRIPTION OF FEATURES AND AMENITIES

A) The Development will consist of:

88 High-Rise Apartment Units located in 1 residential building

Unit Mix:

Thirty-four (34) studio/one bath units containing a minimum of 500 square feet of heated and cooled living area; and

Thirty-four (34) one bedroom/one bath units containing a minimum of 700 square feet of heated and cooled living area; and

Twenty (20) two bedroom/two bath units containing a minimum of 900 square feet of heated and cooled living area; and

88 Total Units

The Development is to be constructed in accordance with the final plans and specifications approved by the appropriate city or county building or planning department or equivalent agency, and approved as reflected in the Pre-Construction Analysis prepared for Florida Housing or its Servicer, unless a change has been approved in writing by Florida Housing or its Servicer. The Development will conform to requirements of local, state & federal laws, rules, regulations, ordinances, orders and codes, the 2012 Florida Accessibility Code for Building Construction as adopted pursuant to Section 553.503, Florida Statutes, Federal Fair Housing Act as implemented by 24 CFR 100, 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 35, incorporating the most recent amendments, regulations and rules, as applicable.

B) The Development will provide the following General Features and Accessibility, Universal Design and Visitability Features in all units:

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; and
7. Bathtub with shower in at least one bathroom in at least 90% of the new construction non-Elderly units.

C) All new construction units that are located on an accessible route will provide the following features:

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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 operate easily using a single closed fist.
- D) All new construction units must include the following general Features and Green Building Features:
1. All Family and Homeless Demographic Developments will 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. Green Building Features in all Family, Elderly and Homeless Demographic Developments:
    - a) Low or No-VOC paint for all interior walls (Low-VOC means 50 grams per liter or less for flat; 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;
    - e) Water heating minimum efficiency specifications (choose gas, electric, gas tankless, or boiler/hot water maker):
      - i. Gas:
        1. 30 gal = .63 EF; or
        2. 40 gal = .61 EF; or
        3. 50 gal = .59 EF; or
        4. 60 gal = .57 EF ; or
        5. 70 gal = .55 EF; or
        6. 80 gal = .53 EF; or
      - ii. Electric:
        1. 30 gal = .94 EF; or
        2. 40 gal = .93 EF; or

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3. 50 gal = .92 EF; or
  4. 60 gal = .91 EF; or
  5. 70 gal = .90 EF; or
  6. 80 gal = .89 EF; or
- iii. Tankless gas water heater: minimum .80 EF; or
  - iv. Boiler or hot water maker:
    1. <300,000 Btu/h: 85% Et (thermal efficiency); or
    2. 300,000 Btu/h or higher: 80% Et (thermal efficiency)
  - v. Energy Star qualified ceiling fans with lighting fixtures in bedroom;
  - vi. Air Conditioning minimum efficiency specifications (choose in-unit or commercial):
    1. In-unit air conditioning: minimum 14 SEER; or
    2. Central chiller AC system – based on size:
      - a. 0-65 KBtuh: Energy Star certified; or
      - b. >65-135 KBtuh: 11.3 EER/11.5 IPLV; or
      - c. >135-240 KBtuh: 11.0 EER/11.5 IPLV; or
      - d. >240 KBtuh: 10.6 EER/11.2 IPLV.
- E) This New Construction Development commits to provide the following Green Building Certification program:
- \_\_\_\_\_ Leadership in Energy and Environmental Design (LEED); or
- X   Florida Green Building Coalition (FGBC); or
- \_\_\_\_\_ ICC 700 National Green Building Standard (NGBS).
- F) This Homeless Development will provide the following resident programs:
1. Literacy Training - Applicant or its Management Company must make available, at no cost to the resident, literacy tutor(s) who will provide weekly literacy lessons to residents in private space on-site. Training must be held between the hours of 9:00 a.m. and 9:00 p.m. and electronic media, if used, must be used in conjunction with live instruction. If the Development consists of Scattered Sites, this resident program must be provided on the Scattered Site with the most units.
  2. Employment Assistance Program – Applicant or its Management Company must provide, at no cost to the resident, a minimum of quarterly scheduled Employment Assistance Program workshops/meetings offering employment counseling by a 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 be offered between the hours of 9:00 a.m. and 9:00 p.m. and must include, but not be limited to, the following:

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

If the Development consists of Scattered Sites and the training is provided on site, it must be provided on the Scattered Site with the most units. If the training is not provided on-site, transportation at no cost to the resident must be provided. Electronic media, if used, must be used in conjunction with live instruction.

3. Health and Wellness Program - This program requires the Applicant or its Management Company to provide on-site health and wellness services. Such services may include co-location of services, such as space for services to be delivered, including offices for a service coordinator, nurse and other health or social services providers, and space for group health education and exercise programs. The services should also provide clinical health care needs (e.g., education, blood pressure monitoring, and nutrition). The Applicant must provide this program by partnering with community health care providers.

The program should include a strong health promotion and disease prevention focus, with an emphasis on health education and self-care management. Applicants are expected to have a formal agreement with the health provider to provide space at the property for health care visits/clinics and/or office space and to share information and work together to assist and support residents. Such agreements must be demonstrated during the credit underwriting process. These services are expected to be carried out by partner health care providers and may not be managed by the Applicant.

4. Financial Management Program - Applicant or its Management Company must provide, at no cost to the resident, a minimum of quarterly scheduled Financial Management Program workshops/meetings offering practical knowledge to help participants develop skills to improve their standard of living. The instruction must be offered between the hours of 9:00 a.m. and 9:00 p.m. and must include the following topics: goal-setting, strategies to stretch a very limited income, spending and saving strategies, and ways to build or repair credit. A component of the Financial Management Program must be the development and administration of Individual Development Accounts (IDAs) for the residents.

IDAs are special savings accounts that match the deposits of the participants. For every dollar saved in an IDA, savers receive a corresponding match which serves as both a reward and an incentive to further the saving habit. Savers agree to complete the financial management program and use their savings for an asset-building purpose – typically for post-secondary education or job training, home purchase, or to capitalize a small business. IDAs shall be offered

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through partnerships between financial institutions (such as banks and credit unions) and local nonprofit organizations, or program sponsors.

Electronic media, if used, must be used in conjunction with live instruction. If the Development consists of Scattered Sites, this resident program must be provided on the Scattered Site with the most units.

5. Case Management – All Applicants selecting and qualifying for the Homeless Demographic Commitment in this Application will be required to provide a Case Management Program whereby the Applicant or its Management Company must provide, at no cost to the resident, a Case Manager (at least one for every 25 Homeless or formerly Homeless resident families) whose activities are aimed at assessing resident needs, planning services, linking the service system to a resident, coordinating the various system components, monitoring service delivery, and evaluating the effect of service delivery. Case Managers must possess at least a bachelor's degree in human services or a related field and at least one (1) years' experience performing case management duties or must possess at least an associate's degree in human services or a related field and at least three (3) years' experience performing case management duties.
6. Daily Activities – Application or its Management Company must provide on-site supervised, structured activities, at no cost to the resident at least 5 days per week which must be offered between the hours of 9:00 a.m. and 9:00 p.m. If the Development consists of Scattered Sites, this resident program must be provided on the Scattered Site with the most units.



## COMPLETENESS AND ISSUES CHECKLIST

**DEVELOPMENT NAME:** Karis Village

**DATE:** July 26, 2016

In accordance with applicable Program Rule(s), 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 ("Florida Housing" or "FHFC"). 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 Executive Summary.

<b>CREDIT UNDERWRITING REQUIRED ITEMS:</b>	<b>STATUS</b>	<b>NOTE</b>
	<b>Satis. / Unsatis.</b>	
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.	
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	Satis.	

**SAIL AND HC CREDIT UNDERWRITING REPORT**

**SMG**

agent.		
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.	Satis.	
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.	Satis.	
21. HC ONLY: 15% of the total equity to be provided prior to or simultaneously with the closing of the construction financing.	Satis.	
22. Any additional items required by the credit underwriter.	Unsatis.	1

**NOTES AND APPLICANT'S RESPONSES:**

1. Applicant has advised that the title commitment for one of the three parcels is subject to a Lis Pendens. The Notice of Lis Pendens relates to the tract of land Applicant will be dedicating to Miami-Dade County as a right-of-way via the Plat. Once the right-of-way is dedicated, the Notice of Lis Pendens will be discharged unless the condemnation action is resolved first, in which case the Lis Pendens will be discharged. If the dedication process is not completed prior to closing, Seltzer's recommendations are conditioned upon receipt and satisfactory review, prior to loan closing, by Florida Housing's legal counsel and Seltzer of the discharge of the Lis Pendens and verification that the dedication process is completed or a contractual obligation for Miami-Dade County to discharge the Lis Pendens once the dedication is completed.

Applicant's Response: The Notice of Lis Pendens and the discharge will be completed prior to closing or a contractual obligation for the County to discharge the Lis Pendens once the dedication is complete will be provided.

## HC Allocation Calculation

Section I: Qualified Basis Calculation	
Development Cost	\$28,167,286
Less Land Cost	(\$1,670,000)
Less Federal Funds	\$0
Less Other Ineligible Cost	(\$2,704,957)
Less Disproportionate Standard	\$0
<b>Total Eligible Basis</b>	<b>\$23,792,329</b>
Applicable Fraction	100.00%
DDA/QCT Basis Credit	130.00%
<b>Qualified Basis</b>	<b>\$30,930,028</b>
Housing Credit Percentage	9.00%
<b>Annual Housing Credit Allocation</b>	<b>\$2,783,703</b>

### Notes to the Qualified Basis Calculation:

1. Other Ineligible Costs primarily include the construction cost of income producing space on the first floor, Owner's items for public space fixtures/art, the final cost certification, FHFC administrative, application, credit underwriting and compliance fees; legal fees; market study fee; property taxes related to the permanent loan period; start-up reserve; construction loan interest related to the interest reserve; excessive acquisition costs; operating deficit reserves calculated as part of developer fee.
2. The applicant committed to a set aside of 100%. Therefore, SMG has utilized an Applicable Fraction of 100.00%.
3. This development is located in a Difficult Development Area ("DDA"). Therefore, the 130.00% basis credit has been applied.
4. The HC Percentage is 9% per the Housing and Economic Recovery Act of 2008, as amended.

**SAIL AND HC CREDIT UNDERWRITING REPORT**

**SMG**

<b>Section II: Gap Calculation</b>	
Total Development Cost (Including Land and Ineligible Costs)	\$28,167,286
Less Mortgages	(\$3,971,706)
Less Grants	\$0
Equity Gap	\$24,195,580
Percentage to Investment Partnership	99.99%
HC Syndication Pricing	\$1.11
HC Required to Meet Gap	\$21,800,000
Annual HC Required	\$2,180,000

*Notes to the Gap Calculation:*

1. Mortgages represent the first mortgage FHFC SAIL loan.
2. HC Syndication Pricing and Percentage to Investment Partnership are based upon the June 22, 2016 commitment letter from Hudson.

<b>Section III: Summary</b>	
HC per Applicant Request	\$2,180,000
HC per Qualified Basis	\$2,783,703
HC per Gap Calculation	\$2,180,000
Annual HC Recommended	\$2,180,000

*Notes to the Summary:*

1. The Annual HC Recommended is limited by the Applicant's Request and the Gap Calculation.