

SELTZER MANAGEMENT GROUP, INC.

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

July 15, 2016

VIA EMAIL

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

Re: Pasco Woods Apartments
SAIL 1999-086S / 4% HC 2000-504C / Guar 41

Transfer of Ownership / Assumption of SAIL Documents and Extended Low Income Housing Agreement ("ELIHA") / First Mortgage Refinancing / Subordination of SAIL & ELIHA

Dear Mr. Fowler:

On your behalf, Seltzer Management Group, Inc. ("SMG", "Seltzer" or "Servicer") has reviewed a request dated March 22, 2016, from a representative of Pasco Woods, Inc. ("PWGP"), as General Partner of Pasco Woods, Ltd. ("PW" or "Current Borrower"), requesting Florida Housing Finance Corporation ("FHFC" or "Florida Housing") to consent to the transfer of the ownership of Pasco Woods (the "Subject Development" or "Pasco Woods") from PW to Pasco Woods Harmony Housing, LLC ("PWHarmony" or "New Borrower") and the assumption of the SAIL Documents and ELIHA. Specifically, SMG has been requested to determine that PWHarmony has the prerequisite financial strength and experience to successfully own and operate the Subject Development. The letter also requested the approval by FHFC of the refinancing of the existing first mortgage loan and the subordination of the existing State Apartment Incentive Loan ("SAIL") Documents, and ELIHA all of which are requirements of the new first mortgage lender.

Subsequently, Seltzer was notified that the current management company will be replaced, and has, therefore, examined the management experience of the proposed new firm.

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

1. Correspondence seeking Florida Housing's consent of the request outlined above
2. SAIL CUR prepared by SMG, dated September 23, 1999
3. SAIL Promissory Note, Mortgage and Security Agreement, dated March 14, 2000
4. SAIL LURA dated March 14, 2000
5. ELIHA between FHFC and Borrower, dated August 14, 2000
6. Borrower Audited Financial Statements for the years ending December 31, 2014 and 2015
7. Rule 67-48.010(15), F.A.C. and 67-48.0105(5)-(6), F.A.C.
8. New Borrower's Source and Use of Funds Schedule
9. Current Borrower's Source and Use of Funds
10. A refinancing term sheet from Axiom Bank dated May 6, 2016
11. Axiom Financials for the year ending December 31, 2015
12. FHFC Occupancy Reports

Mr. Todd Fowler
Pasco Woods Apartments
July 15, 2016
Page 2

13. Annual Compliance Review and Physical Inspection dated September 15, 2015
14. FHFC Past Due Report dated May 11, 2016
15. FHFC Noncompliance Report dated April 1, 2016
16. For the New Borrower:
 - o State of Florida Certification of Formation
 - o Proposed Operating Agreement for PWHarmony
17. For the General Partner of the New Borrower:
 - o State of Delaware Certification of Formation
 - o State of Florida Foreign Limited Liability Company authorization to transact business
 - o Proposed Operating Agreement for Pasco Woods Harmony Housing MM LLC ("PWHarmonyGP")
18. For the sole member of the General Partner of the New Borrower:
 - o State of Delaware Certificate of Amended and Restated Certificate of Incorporation of FARH-Lamplighter Affordable Housing, Inc.
 - o State of Delaware Certification of name change from FARH-Lamplighter Affordable Housing, Inc. to Foundation for Affordable Rental Housing Holdings, Inc. ("FARHH")
 - o Second Amended and Restated Certificate of Incorporation of FARH-Lamplighter Affordable Housing, Inc. hereafter to be known as FARHH.
 - o FARHH IRS Tax Exempt Letter dated June 30, 2014
 - o FARHH certified financial statements dated March 31, 2016, December 31, 2015 and December 31, 2014 as well as FARHH tax returns for the years ending December 31, 2014 and 2013
 - o Trade references; Multifamily Ownership and Loan History; Statement of Financial/Credit Affairs

In addition, SMG has had various conversations with FHFC Staff, the Current Borrower's, and the New Borrower's representative regarding the requests described above.

Our findings are as follows:

Background

Pasco Woods is a family development located at 6135 Ryerson Circle, Wesley Chapel, Pasco County, Florida, consisting of 200 rental apartment units located in 17 garden style residential buildings, plus a clubhouse building.

PW was formed in September 1998. The current General Partner of PW is Pasco Woods, Inc. with a .10% partnership interest. Thomas N. Tompkins is the 100% shareholder of Pasco Woods, Inc. PW has two (2) limited partners, Alliant Tax Credit Fund VI Limited Partnership ("ATCF VI") with a 99.89% partnership interest and Alliant Tax Credit I, LLC ("ATC I"), an administrative limited partner, with a 0.01% partnership interest.

The Subject Development originally received Multifamily Housing Revenue Bonds ("MMRB") first mortgage financing through an \$8,900,000 Pasco County Housing Finance Authority bond issue consisting of Tax-Exempt Housing Revenue Bonds Series 1999 A in the amount of \$8,400,000 and Taxable Housing Revenue Bonds Series 1999 B in the amount of \$500,000 (collectively the "Bonds"). The current outstanding amount is \$7,470,000. Proceeds from the sale of the bonds funded the first mortgage loan in the same amount. The mortgage is credit enhanced by Florida Housing's Guarantee Fund Program ("GF Program").

Mr. Todd Fowler
Pasco Woods Apartments
July 15, 2016
Page 3

The development closed on a SAIL in the amount of \$2,000,000 on March 14, 2000. The loan originally had an interest rate of 9% per annum on the outstanding principal balance in which annual interest payments were based on available cash flow ("ACF"). On February 5, 2015, the 9% interest rate was reduced to 3% interest per annum on the outstanding principal balance in which annual interest payments are based on available cash flow. All required fees are paid annually. All outstanding unpaid interest and principal are due at maturity on August 1, 2039. The outstanding principal balance of the SAIL is \$2,000,000.

Other funding sources included equity derived from the sale of MMRB accompanying "in-kind" 4% HC and deferred developer fee.

Current Borrower's Audited Financial Statements prepared by Moss, Krusick, & Associates, LLC, Winter Park, Florida for the years ended December 31, 2014 and 2015, did not reflect any going concerns. The December 31, 2015 PW audited financial statements reflect that the development generated sufficient income to meet operating expenses and to service all the mortgage debt and related fees. Cash Flows reflect net loss for 2014. Liabilities in the amount of \$11,311,616 exceed total assets of \$7,379,913 resulting in a partners' deficit in the amount of (\$3,931,703).

Operation of the subject is restricted by terms and conditions detailed in various loan documents, including but not limited to the SAIL LURA and ELIHA. Set asides for the ELIHA are 100% of the units at 60% of Area Median Income ("AMI") for 50 years. The SAIL set asides are 99% of the units (199 units) at 60% or less of AMI and 10% of the units are targeted to the homeless population for 50 years.

As of March 31, 2016, Pasco Woods reported occupancy at a rate of 100%. Average occupancy for the first three (3) months of 2016 was 99.8%. Average occupancy for 2015 was 97.7%.

The most recent Management Review and Physical Inspection for Pasco Woods was performed by the Servicer on September 15, 2015 for SAIL. No discrepancies were noted and the review was subsequently closed.

The FHFC Noncompliance Report dated April 1, 2016 lists a property owned by Current Borrower as in noncompliance. Regency Palms fka Park Richey is listed in noncompliance for failure to provide required tenant program for SAIL, failure to document eligibility, failure to meet Uniform Physical Condition Standards (UPCS) for units, and failure to meet UPCS for buildings. The FHFC Past Due Report dated May 11, 2016 also reflects Regency Palms as Past Due for December 2014 and January 2015 monthly payments to the first mortgagee, Pasco County HFA Bonds.

Ownership Transfer

The Real Estate Purchase and Sale Agreement dated March 24, 2016 is between Pasco Woods, Ltd. as Seller and Harmony Housing Advisors, Inc. as Buyer for a purchase price of \$15,308,190.87. Receipt and satisfactory review of an Assignment from Harmony Housing Advisors, Inc. to PWHarmony is a condition of Seltzer's recommendation.

PWHarmony is a Florida Limited Liability Company registered with the State of Florida May 3, 2016. The partners of PWHarmony are PWHarmonyGP as the 0.10% general partner and Bainbridge Properties, LLC as the 99.9% limited partner. The sole member of Pasco Woods Harmony Housing MM, LLC is FARHH. Receipt and satisfactory review of the executed Operating Agreements for PWHarmony and PWHarmonyGP are conditions of Seltzer's recommendation. The sole member of Bainbridge Properties, LLC is Shirley S. Miller. As a newly formed entity, PWHarmony has no financial statements, trade references, previous multifamily ownership history or contingent liabilities.

The predecessor of FARHH is FARH-Lamplighter Affordable Housing, Inc. ("FAHR-Lamplighter"), a Delaware corporation formed to conduct business on October 11, 2005. FAHR-Lamplighter received approval as a non-profit corporation under Section 501(c)(3) of the Internal Revenue ("IRS") Code on November 10, 2005. On April 29, 2014, FARH-Lamplighter filed a restated certificate changing its name to FARHH. FARHH is a Delaware non-stock corporation. Seltzer received a copy of the Amended and Restated By-laws of FARHH indicating that the only members of FARHH are the persons who accept election as a director shall automatically, and without any further action or writing, become and remain a

Mr. Todd Fowler
Pasco Woods Apartments
July 15, 2016
Page 4

member for as long as he/she remains a director and will cease to be a member at the time he/she ceases to be a director. There may be no fewer than three (3) directors. Notwithstanding the foregoing, all of the directors may simultaneously resign as members of FARHH and admit an organization that is a non-profit under 501(c)(3) of the IRS Code, as amended, as the sole member of FARHH. Thereafter, no additional member shall be admitted without the consent of the sole member. A fully approved and executed copy of the Amended and Restated By-laws for FARHH was provided dated July 23, 2014. On May 7, 2014 a letter was sent to the IRS advising that the entity name of the tax ID number for FARH-Lamplighter was changed to FARHH. A response letter from the IRS dated June 30, 2014 indicates that FARHH is a non-profit entity under Section 501(c)(3) of the IRS Code. In November, 2012, FARH-Lamplighter sold its only asset and has not been active since that time.

FARHH d/b/a Harmony Housing and its affiliate Foundation for Affordable Rental Housing, Inc. ("FARH") n/k/a Harmony are non-profit corporations under 501(c)(3) of the IRS Code, therefore the experience of the corporation falls to the board of directors. The current Vice President and Secretary of FARHH is Stephen Rosenberg. FARH is an active owner and operator of affordable multifamily properties since it was founded almost a decade ago through the sponsorship of Mr. Rosenberg. FARHH presently owns 2,836 units. Most properties were acquired with a combination of relatively conventional first lien bank debt and, when necessary, financial support from Mr. Rosenberg directly or by one of Mr. Rosenberg's Greystone companies. Permanent financing on these properties would then be obtained from either Fannie Mae or HUD. FARH seeks to remain a long term owner and operator of acquired properties obligating to maintain them as rent and income restricted affordable rental properties for at least a term of 15 years.

FARHH provided certified financials prepared and signed by Cheryl A Cunningham for the period ending March 31, 2016. The March 31, 2016 financial statements reflect a positive net income for the year 2016. Total assets in the amount of \$180,768,504 exceed total liabilities of \$164,529,576 resulting in a partners' equity of \$16,238,928. The balance sheet reflects total current assets in the amount of \$47,455,809.

Management Company

A resume for Greystone Property Management Corporation ("GPMC") shows it was formed in 2005 as a full service property management firm that provides an array of management services including site management, leasing, marketing, accounting, financial reporting, construction project management and human resource management. GPMC currently manages twenty-four (24) multifamily properties totaling 4,578 units, located in Florida, Indiana, Kentucky, Louisiana, North Carolina, Tennessee, and Texas. The selection of the management company, GPMC, is currently in the process of being approved by the FHFC Asset Management Department. Receipt and satisfactory review by Seltzer of verification that the selection of the management company, GPMC, is approved by the FHFC Asset Management Department, prior to GPMC assuming management responsibilities at Pasco Woods is a condition of Seltzer's recommendation.

Refinancing Overview

The refinancing of the existing first mortgage loan is permitted under the underlying SAIL Loan documents. However, FHFC Board approval is required. Rule 67-48.0105(5) states that the "Board shall approve requests for mortgage loan refinancing only if development cash flow is improved, the Development's economic viability is maintained, the security interest of the Corporation is not adversely affected, and the Credit Underwriter provides a positive recommendation.

SMG has received a preliminary term sheet from Axiom Bank dated May 6, 2016 for first mortgage bridge loan financing for the acquisition of Pasco Woods. The anticipated loan amount is \$11,000,000. Terms include an 18 month term, monthly interest only payments with an interest rate based on 30 day LIBOR plus 250 basis points, adjusting monthly, and no amortization period. The indicative interest rate based on the 1-month LIBOR as of May 26, 2016 (0.44970%) plus 250 basis points would be 2.95%. The commitment fee is 50 basis points of the loan amount, plus a \$600 Note Processing Fee, payable

Mr. Todd Fowler
Pasco Woods Apartments
July 15, 2016
Page 5

at closing. Seltzer does note, however, that this is not the New Borrower's permanent financing for Pasco Woods but rather a bridge loan for its acquisition.

Axiom bank will require FHFC to execute Subordination Agreements for SAIL and ELIHA, as applicable, to certain Axiom Bank documents.

Annual debt service for the refinanced first mortgage loan is currently estimated to be \$324,500 (at the estimated rate of 2.95%) which is \$321,684 annually less than the current MMRB loan payment including fees. Cash flow will be improved, the subject's economic viability will be maintained, and Florida Housing's risk associated with the Guarantee Fund Program will be eliminated. The SAIL is currently in second lien position behind a first mortgage MMRB loan with a current balance of \$7,470,000. The refinanced first mortgage loan will be in the amount of \$11,000,000, which is higher than the original first mortgage. However, due to the elimination of the credit enhancement by the Guarantee Fund Program Florida Housing's overall security position will not be adversely affected.

The new first mortgage loan will be utilized along with an assumption of the SAIL Loan and cash from the New Borrower to purchase the Pasco Woods development. The purchase price paid to the Current Borrower will be utilized to redeem the outstanding MMRB in the amount of \$7,470,000 and satisfy other expenses payable.

After transfer of ownership and closing of the bridge loan financing, the new owner intends to refinance the existing first mortgage loan. Under terms of the SAIL the refinancing must meet certain criteria as outlined in Rule 67-48.010(15) F.A.C. and requires FHFC Board of Directors approval. A request for refinancing approval is anticipated to be presented at a future FHFC Board of Directors meeting.

Overall Sources and Uses of Funds

The Borrower has provided SMG with an estimate of the overall sources and uses of funds:

New 1 st Mortgage Bridge Loan	\$ 11,000,000
SAIL Principal Assumption (after Pay Down)	\$ 1,394,381
PWHarmony Cash	\$ 3,143,433
Total Sources	\$ 15,537,814
New Borrower's Closing Costs	\$ 229,623
Purchase Price (\$15,308,191):	
Bonds Payable	\$ 7,470,000
Accrued Bond Interest	\$ 36,464
SAIL Principal Pay Down	\$ 605,619
Accrued SAIL Interest	\$ 397,356
Current Borrower's Expenses Payable	\$ 2,078,271
Cash out to Current Borrower	\$ 4,720,481
Total Uses	\$ 15,537,814

Accrued SAIL interest is estimated through August 2016. The remaining costs are based on estimates provided by the Current Borrower and New Borrower, which appear reasonable at this time.

Additional Information:

The Current Borrower's request to transfer the ownership interest in the Subject Development is conditioned upon the full repayment of existing MMRB Series 1999 A and Taxable Revenue Bonds Series 1999 B and satisfaction of the underlying first mortgage effectively removing Pasco Woods from the Guarantee Fund Program portfolio.

Summary and Recommendation

Seltzer's review indicates that the New Borrower through the Board of Directors of the sole member of its General Partner has the prerequisite financial strength and experience to successfully own and operate the subject.

Mr. Todd Fowler
Pasco Woods Apartments
July 15, 2016
Page 6

Seltzer concludes that conditions for refinancing approval as set forth in Rule 67-48.010(15) F.A.C. have been met, subject to the conditions below.

Therefore, SMG recommends that FHFC consent to and approve the transfer of the ownership interest to PWHarmony, assumption of the SAIL Documents and ELIHA, the refinancing of the existing first mortgage loan, subordination of the SAIL Documents, and ELIHA (as applicable) to the new first mortgage loan, all of which meet the requirements of the new first mortgage lender and modification of any other loan documents required to effectuate the refinancing, subject to the following:

- Repayment of outstanding Tax-exempt Revenue Bonds Series 1999 A and Taxable Revenue Bonds Series 1999 B and satisfaction of the underlying first mortgage effectively removing Pasco Woods from the Guarantee Fund Program portfolio
- Review of final first mortgage bridge loan terms and confirmation that all requirements set forth in F.A.C. Rule 67-48.010(15) for approval have been met
- Receipt and satisfactory review of an Assignment from Harmony Housing Advisors, Inc. to PWHarmony
- Receipt and satisfactory review of the executed Operating Agreements for PWHarmony and PWHarmonyGP
- Receipt and satisfactory review of verification that FHFC has approved the New Borrower's selection of the management company, GPMC, prior to GPMC assuming management responsibilities at Pasco Woods
- PWHarmony and its entities (if applicable) as well as the withdrawing entities to execute any assignment and assumption documents FHFC deems necessary to effectuate the ownership change including, but not limited to new and other existing guarantees as determined by FHFC
- 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)
- Payment of the amount of the SAIL pay down, as determined by Servicer and FHFC, if applicable
- Payment of 3% SAIL interest related to 9% to 3% interest conversion separate from SAIL pay down required by refinancing, as determined by Servicer and FHFC
- Receipt of a non-refundable transfer and assumption fee equal to one-tenth of one percent of the SAIL principal balance on the date of closing.
- Consent of the HC equity provider, as applicable
- Review and approval of all loan documents consistent with the terms outlined above by Florida Housing and its legal counsel
- Prepayment of any required compliance monitoring fees and servicing fees
- Confirmation of refinancing fees and closing costs prior to closing
- Satisfactory resolution of any non-compliance and past due items
- Any other requirement of FHFC, its legal counsel and servicer

Mr. Todd Fowler
Pasco Woods Apartments
July 15, 2016
Page 7

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

Sincerely,

SELTZER MANAGEMENT GROUP, INC.

A handwritten signature in black ink, appearing to read "Brian Barth". The signature is written in a cursive style with a long horizontal stroke at the end.

Brian Barth
Associate Underwriter

Mr. Todd Fowler
Pasco Woods Apartments
July 15, 2016
Page 8

Exhibit A

Pasco Woods
SAIL Pay Down Calculation

Original Balance First Mortgage Loan	\$ 8,900,000
Original Balance SAIL Loan	<u>\$ 2,000,000</u>
Total	\$ 10,900,000

Original SAIL divided by the total original MMRB first mortgage and SAIL Loans is 18.35%.

New First Mortgage Loan	\$ 11,000,000
Current First Mortgage Loan Amount	<u>\$ 7,470,000</u>
Increase in First Mortgage Loan	\$ 3,530,000
Less Transaction Costs	\$ 229,623
Net Increase/Decrease	<u>\$ 3,300,377</u>
Multiplied by:	18.35%

*Total SAIL Pay Down Required \$ 605,619

*Before confirming eligible refinancing costs