SELTZER MANAGEMENT GROUP, INC.

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July 14, 2016

VIA EMAIL

Mr. Todd Fowler, Director of Special Assets
Florida Housing Finance Corporation
227 North Bronough Street
Tallahassee, Florida 32301

Re: Sunset Bay Apartments (SAIL 2001-007S/4% Housing Credits 2001-510C)
First Mortgage Restructuring/SAIL Terms Renegotiation/Subordination of the SAIL Documents, SAIL LURA, and the ELIHA/Extension of SAIL Term and SAIL LURA/Transfer of Membership Interest

Dear Mr. Fowler:

On your behalf, Seltzer Management Group, Inc. ("SMG", "Seltzer" or "Servicer") has reviewed a request dated June 8, 2016, from a representative of Miami Sunset Bay Apartments Limited Partnership ("Borrower" or "Partnership") for Florida Housing Finance Corporation ("FHFC" or "Florida Housing") to approve the restructuring of the above referenced transaction which will include a new first mortgage loan and subordination of the existing State Apartment Incentive Loan ("SAIL") Documents, SAIL Land Use Restriction Agreement ("LURA") and Extended Low Income Housing Agreement ("ELIHA"), and the extension of the SAIL term to be coterminous with the first mortgage, all of which are requirements of the new first mortgage lender. The affordability period of the SAIL LURA will be extended by a length of time equal to the extension of the SAIL term.

In addition to the request outlined above, the Borrower has requested that FHFC renegotiate the SAIL interest rate from 9% to 3%.

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

1. SAIL Credit Underwriting Report ("CUR"), dated May 22, 2002, prepared by SMG
2. ELIHA, dated March 18, 2002, and First, Second, and Third Amendments, dated February 20, 2004, October 8, 2004, and November 24, 2004, respectively
3. SAIL Promissory Note, Mortgage and Security Agreement, dated August 20, 2002
4. SAIL LURA, dated August 20, 2002, and First, Second and Third Amendments, dated October 1, 2004, November 29, 2004, and August 31, 2012, respectively
5. Transfer of General Partner Interest/First Mortgage Refinancing Recommendation Letter, dated March 1, 2012
6. Borrower Audited Financial Statements for years ended December 31, 2014 and 2015
7. Appraisal Report from Value Tech Realty Services, Inc. ("Value Tech"), dated May 26, 2016
8. FHFC Occupancy Reports
9. Annual Management Review and Physical Inspection, dated August 4, 2015
10. FHFC Past Due Report, dated May 11, 2016

11. FHFC Noncompliance Report, dated April 1, 2016
12. Borrower's Source and Use of Funds Schedule
13. A HUD Application for Multifamily Housing Project Loan, dated May 18, 2016

In addition, SMG has had various conversations with FHFC staff and the Borrower's representative concerning the requests above.

Our findings are as follows:

<u>Background</u>

The subject is a multifamily development located in unincorporated Dade County, Florida. This property consists of 13 residential buildings with a total of 308 units. There are 45 one bedroom/one bath units, 149 two bedroom/one bathroom units and 114 three bedroom/two bathroom units. There is a Community Center on site.

The Borrower is a Florida Limited Partnership formed to own and operate the subject development. The initial General Partner (0.01% interest) was THP Sunset Bay Corporation, an entity owned by David Reich, Oliver Pfeffer, and David Schultz. The Investor Limited Partner and Special Limited Partner are Centerline/Fleet Housing Partnership LP – Series B (99.98% interest) and RCHP SLP II, LP (0.01% interest), respectively.

Effective May 2006, initial General Partner voluntarily assigned all of its interest and obligations in the Partnership to One Oakwood Boulevard LLC ("OOB"). Effective August 2012, OOB transferred all of its interest in the Partnership to The Partnership, Inc. ("TPI"), the current managing general partner.

It is anticipated that prior to or concurrent with the proposed refinancing the Special Limited Partner and Investor Limited Partner will withdraw from the Partnership and assign their respective interests to Nonprofit Housing Preservation SB, Inc. ("NHP SB"), a Florida nonprofit corporation. TPI is the 60% owner of NHP SB. Subsequently, all Partnership interests will be merged into NHP SB as the surviving entity. The purpose of the merger is to qualify for an ad valorem real estate tax exemption.

The subject transaction was primarily funded through the proceeds of tax-exempt and taxable mortgage revenue bonds issued by the Housing Finance Authority of Miami-Dade County ("HFAMDC"), equity derived from the sale of accompanying "in-kind" 4% Housing Credits ("HC"), a SAIL Loan, and a Miami-Dade County Surtax loan.

A first mortgage loan in the amount of $14,075,000 was funded from the proceeds of the sale of tax-exempt and taxable mortgage revenue bonds issued by the HFAMDC in the amounts of $13,335,000 and $740,000, respectively.

In August 2012, the Partnership repaid the HFAMDC mortgage loan from the proceeds of a new first mortgage loan from Centerline Mortgage Capital, Inc. ("Centerline") in the amount of $14,750,000. The loan earns interest at 4.6% through maturity, on September 1, 2017. The loan is payable in monthly payments of principal and interest of $75,615 in accordance with a 30-year amortization schedule. The mortgage payable as of December 31, 2015 and 2014 was $13,980,857 and $14,229,875, respectively.

The development closed on a SAIL Loan in the amount of $2,486,611 on August 20, 2002. The SAIL matures on March 1, 2023. The loan has a 9% interest rate and bears interest at 3% per annum on the outstanding principal balance in which annual interest payments are based on available cash flow ("ACF"). The remaining 6% interest is also payable based on ACF. All outstanding unpaid interest and principal are due at maturity. The outstanding principal balance of the SAIL is $2,486,611. As of December 31, 2015, the 3% and 6% deferred SAIL interest amounts totaled $74,598 and $1,865,811, respectively. All required fees are paid annually.

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 SAIL LURA are 2.6% of the units (8 units) for tenants earning 33% or less of the Area Medium Income ("AMI") and 97.4% of the units (remaining units) for tenants earning 60% or less of AMI for 50 years. Set asides for the ELIHA are

100% of the units for tenants earning 60% or less of the AMI for 31 years. As of April 30, 2016, the subject reported occupancy at a rate of 96.43%. Average occupancy for the first four (4) months of 2016 was 97.1%.

The most recent Annual Management Review and Physical Inspection for the subject property was performed by SMG on August 4, 2015. Several file discrepancies were noted but were subsequently resolved. The review was closed out on November 23, 2015.

FHFC Noncompliance Report lists no items in noncompliance for the development team.

FHFC Past Due Report also lists no items as past due for the development team.

Restructuring Overview

SMG has received and reviewed a HUD Application from Wells Fargo Bank, N.A. ("Wells") for first mortgage insurance through HUD's 223(f) program. In summary, Borrower applied to Wells, a HUD approved Multifamily Accelerated Processing Lender, for first mortgage financing in the amount of $25,420,000. Anticipated loan terms include monthly principal and interest payments based upon a fixed interest rate and a 35-year amortization period. The interest will be fixed prior to or concurrent with the loan closing. The interest rate is currently estimated to be 3.60%, inclusive of mortgage insurance premium ("MIP"). The term of the loan will be 35 years. Annual debt service is calculated to be $1,278,439 based upon an applied for interest rate of 3.35% and a Mortgage Insurance Premium ("MIP") at 0.25%.

HUD conditions will require that FHFC execute a Subordination Agreement of the SAIL, to extend the existing SAIL to be co-terminus with the new first mortgage loan. Future annual SAIL interest payments are based upon 75% of surplus cash flow, as required by HUD. Any payments of deferred developer fee will be subordinate to the annual SAIL interest payment, if applicable. HUD will also require certain subordinate loan document amendments to conform to HUD standards. The SAIL LURA and ELIHA must also be subordinated, as applicable, to certain HUD documents.

The Partnership has requested that the SAIL interest rate be modified from a 9% interest rate to a 3% interest rate in accordance with Senate Bill 1996 passed by the legislature in 2012 and as stated in Rule 67-48.010(25). In addition, the Borrower has agreed to make a SAIL payment concurrent with the closing of the new first mortgage loan of approximately $1.7 million with the final amount to be determined at closing. The terms of the renegotiated SAIL Loan are conditioned upon receipt of the SAIL payment and any unpaid 3% SAIL interest.

Audited financial statements reflect net operating income ("NOI") for the years ended December 31, 2015 and 2014, in the amounts of $1,798,294 and $1,811,481, respectively. Assuming pro forma NOI of $1,800,000, the debt service coverage ("DSC") ratios of the first mortgage loan only and combined first mortgage loan and SAIL (as reduced) are 1.41 to 1.00 and 1.38 to 1.00, respectively, which meet minimum FHFC DSC underwriting requirements.

The appraisal indicates a market value, as of March 23, 2016, of $40,730,000. The resulting first mortgage and combined loan to value ("LTV") ratios are 62.41% and 64.34%, respectively, which meet minimum FHFC LTV underwriting requirements.

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Overall Sources and Uses of Funds

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

Sources			
HUD Insured First Mortgage		$ 25,420,000	
Borrower Cash		$ -	
Other		$ -	
Total Sources			$ 25,420,000
Uses			
Existing First - Principal		$ 13,809,504	
Existing First - Prepayment		$ 605,850	
SAIL Interest (estimate)		$ 124,331	
SAIL Paydown (estimate)		$ 1,700,000	
Replacement Reserve Deposit		$ 924,000	
Critical Repairs		$ 679,343	
Non-Critical Repairs		$ 14,047	
MIP		$ -	
HUD Fees		$ 149,050	
Legal & Organizational Fees		$ 30,000	
Title and Recording		$ 163,013	
Third Party Fees		$ 23,995	
Placement Fee		$ -	
Wells Origination Fee		$ 74,350	
Exam Fee		$ -	
Other		$ 2,809	
Cash to Borrower		$ 7,119,708	
Total Uses			$ 25,420,000

SAIL interest assumes an August 31, 2016 closing date. Financing and closing costs are based on estimates provided by the Borrower which appear reasonable at this time. SMG understands that Cash to Borrower will be utilized to purchase the limited partner's interest.

Summary and Recommendation

SMG concludes that restructuring meets Florida Housing's underwriting standards and notes that FHFC will receive a SAIL principal payment which will be determined at closing.

Accordingly, SMG recommends that FHFC consent to the restructuring of the above referenced transaction which will include new first mortgage financing, subordination of the SAIL Documents, SAIL LURA and the ELIHA (as applicable) to the new first mortgage loan, and the extension of the SAIL term to be coterminous with the new first mortgage, all of which meet the requirements of the new first mortgage lender; renegotiation of SAIL terms to evidence reduction of the SAIL interest rate from 9% to 3% (payable annually based on ACF), and extension of the SAIL LURA affordability period by a length of time equal to the extension of the SAIL term and modification of any other loan documents as required to effectuate the refinancing, subject to the following:

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- Review of final first mortgage loan terms and confirmation that FHFC underwriting standards have been met
- Receipt of SAIL payment in the approximate amount of $1.7 million to be determined at closing
- Extension of the SAIL affordability period equal to a length of time equal to the extension of the SAIL term
- Review and approval of all loan documents by Florida Housing and its legal counsel
- 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)
- Receipt of a non-refundable renegotiation fee equal to one-half of one percent of the SAIL principal amount or an extension fee, if applicable, on the date of the closing of the refinancing of the first mortgage
- Receipt of a non-refundable renegotiation fee equal to one-half of one percent of the SAIL principal amount on the date of the closing of the 9% to 3% interest rate conversion (if applicable).
- Receipt of a non-refundable transfer fee equal to one-tenth of one percent of the SAIL principal balance , if applicable, on the date of the closing of the transfer
- Consent of the HC equity provider, as applicable
- Prepayment of any required compliance monitoring fees and servicing fees, as applicable
- Satisfactory resolution of any noncompliance and past due items
- Any payment of deferred developer fee will be subordinate to the annual SAIL interest payment, if applicable
- Payment of 3% SAIL interest related to 9% to 3% interest conversion separate from SAIL payment noted above, as determined by Servicer and FHFC
- New permanent loan servicing and compliance fees on the extended SAIL and LURA terms respectively
- Any other requirement of FHFC, its legal counsel and servicer

Please do not hesitate to contact me if I can be of further assistance.

Sincerely,

SELTZER MANAGEMENT GROUP, INC.

Benjamin S. Johnson
President