SELTZER MANAGEMENT GROUP, INC.

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July 12, 2016

VIA EMAIL

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

Re: Lewis Place at Ironwood (SAIL 1999-036S/4% Housing Credits 2000-514C)
First Mortgage Refinancing / SAIL Terms Renegotiation / Subordination of the SAIL Documents, SAIL LURA, and the ELIHA / Extension of SAIL Term and SAIL LURA

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 Nonprofit Housing Preservation V, LLC. ("NHP") for Florida Housing Finance Corporation ("FHFC" or "Florida Housing") to approve the refinancing of the existing 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, for the above referenced property. 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%.

Rule Chapter 67-48.010(15) F.A.C. requires that the refinancing of any loan superior to the SAIL be approved by Florida Housing's Board of Directors. The refinancing of the first mortgage will require an extension of the SAIL term, execution of Subordination Agreements, the extension of the SAIL LURA affordability period, payment of all outstanding accrued interest, and if applicable, any payment of deferred developer fee will be subordinate to the annual SAIL interest payment.

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

1. SAIL Credit Underwriting Report ("CUR"), dated October 14, 1999, prepared by SMG
2. ELIHA, dated December 21, 2000, and First Amendment, dated February 22, 2011
3. SAIL Promissory Note, Mortgage and Security Agreement, dated March 15, 2000
4. SAIL LURA, dated March 15, 2000
5. Transfer of General Partner Interest Recommendation Letter, dated February 28, 2011
6. Borrower Audited Financial Statements for years ended December 31, 2014 and 2015
7. Rule 67-48.010(15), F.A.C. and 67-48.0105(5)-(6), F.A.C.
8. Appraisal Report, dated May 26, 2016, from Value Tech Realty Services, Inc. ("Value Tech"), of Lutz, Florida
9. FHFC Occupancy Reports

10. Annual Management Review and Physical Inspection, dated March 8, 2016
11. FHFC Past Due Report, dated May 11, 2016
12. FHFC Noncompliance Report, dated April 1, 2016
13. Borrower's Source and Use of Funds Schedule
14. A HUD Application for Multifamily Housing Project Loan, dated May 25, 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:

Background

The subject is a multifamily development located in Alachua County in Gainesville, Florida. This property consists of nine residential buildings with a total of 112 units. There are 56 two bedroom/two bathroom units and 56 three bedroom/two bathroom units. There is also a Clubhouse on site.

The initial Borrower was Lewis Place Associates, Ltd., a Florida Limited Partnership formed to own and operate the subject development. The initial General Partner (0.01% interest) was Lewis Place, Inc., an entity owned by Howard K. Wallace and Edward L. Jennings, Jr. The initial Investor Limited Partner and Special Limited Partner were Centerline Corporate XI LP (99.98% interest) and Related Corporate XI SLP, LP (0.01% interest), respectively.

In December 2010, the initial General Partner withdrew from the Partnership and assigned its interest to the Special Limited Partner. Subsequently, the Special Limited Partner assigned its interest as the General Partner to The Partnership, Inc. ("TPI").

On December 30, 2015, the Special Limited Partner and Investor Limited Partner withdrew from the Partnership and assigned their respective interests to NHP, a Florida limited liability company. The sole member of NHP is TPI. Subsequently, all Partnership interests were merged into NHP as the surviving entity. The purpose of the merger was to qualify for an ad valorem real estate tax exemption.

The subject transaction was primarily funded through the proceeds of tax-exempt mortgage revenue bonds issued by the Housing Finance Authority of Alachua County ("HFAAC"), equity derived from the sale of accompanying "in-kind" 4% Housing Credits ("HC"), a SAIL Loan, and an Alachua County Department of Growth Management SHIP loan.

The Partnership closed on a $4,000,000 first mortgage loan that was funded from the proceeds of the sale of tax-exempt mortgage revenue bonds issued by the HFAAC in a like amount. The mortgage bore interest at an average of 6.75% until May 31, 2001 and at an average rate of 7.0% thereafter. Prior to the completion date, payments of interest only were required to be made. Following the completion date, monthly payments of principal and interest of $24,857 were required in accordance with a forty-year amortization schedule. The last regular payment was made in June of 2010.

The Partnership entered into a Forbearance Agreement with the trustee of the underlying revenue bonds which suspended the principal and interest payments on the mortgage for a twenty-four month period beginning June 1, 2010, and ending June 1, 2012, to help stabilize the development. Effective July 1, 2012, the new monthly payment is $27,907 or $334,884 annually. The payment will be made at an effective rate of 8% to allow for sufficient sinking fund redemption of the bonds at maturity and to pay the deferred interest payments. The deferred interest will be amortized over the remaining payments to maintain an effective rate of interest at 7%. The mortgage payable as of December 31, 2015 and 2014 was $3,634,422 and $3,676,698, respectively. Deferred interest as of December 31, 2015 and 2014 was $398,066 and $434,644, respectively.

The Partnership closed on a SAIL Loan in the amount of $900,000 on March 15, 2000. The SAIL matures on July 1, 2041. 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 available cash flow. All outstanding unpaid interest and principal are due at maturity. The outstanding principal balance of the SAIL Loan is $900,000. As of December 31, 2015, the 3% and 6% deferred SAIL interest amounts totaled $299,422 and $847,070, 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 and ELIHA are 100% of the units for tenants earning 60% or less of the Area Medium Income ("AMI") for 50 years. The Subject has a 100% "Family" Demographic Designation with a Homeless "Target" of at least 10%.

As of April 30, 2016, the Subject reported occupancy at a rate of 92.9%. Average occupancy for the first four (4) months of 2016 was 91.1%.

The most recent Annual Management Review and Physical Inspection for the Subject Property was performed by SMG on March 8, 2016. Several file and physical inspection discrepancies were noted but have subsequently been resolved, pending the processing of SAIL LURA and ELIHA amendments by FHFC.

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.

<u>Refinancing Overview</u>

The refinancing of the existing first mortgage loan is permitted under the underlying SAIL 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 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 $4,886,300. 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 3.70%, inclusive of mortgage insurance premium ("MIP"). The term of the loan will be 35 years.

HUD conditions 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.

Annual debt service following refinance of the first mortgage loan is calculated to be $249,179 based upon an applied for interest rate of 3.35% and a Mortgage Insurance Premium ("MIP") at 0.35%. The new annual debt service will be $85,705 less than the current annual debt service of $334,884. Cash flow will be improved and the subject's economic viability will be maintained.

SMG has received and reviewed an appraisal on the subject property. The appraisal was engaged by Wells. The appraisal indicates a market value, as of March 4, 2016, of $7,420,000. The combined LTV ratio based on the refinanced first mortgage and existing SAIL loan is 77.98%, which confirms that Florida Housing's security position will not be adversely affected.

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). The terms of the renegotiated SAIL Loan are conditioned upon the refinancing of the current first mortgage loan.

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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	$ 4,886,300		
Existing Reserves	$ -		
Borrower Cash	$ 291,251		
Other	$ -		
Total Sources		$ 5,177,551	
Uses			
Existing First - Principal	$ 3,620,000		
Existing First - Interest	$ 383,455		
SAIL Interest	$ 317,422		
SAIL Paydown	$ 136,122		
Replacement Reserve Deposit	$ 436,800		
Critical Repairs	$ 117,630		
Non-Critical Repairs	$ 3,100		
MIP	$ 17,102		
*Borrower Legal Fees	$ 25,000		
*Organizational Fees	$ 21,049		
*Title and Recording	$ 30,000		
*Inspection Fees	$ 3,360		
*Placement Fee	$ -		
*Financing Fee	$ 51,232		
*Exam Fee	$ 14,659		
Other	$ 620		
Cash to Borrower	$ -		
Total Uses		$ 5,177,551	
* Eligible Transactions Costs for SAIL paydown, as applicable			

Financing and closing costs are based on estimates provided by the Borrower which appear reasonable at this time.

Summary and Recommendation

SMG concludes that conditions for refinancing approval, as set forth in Rule 67-48.010(15) and 67-48.0105 (5)-(6) F.A.C have been met, subject to the conditions below.

Therefore, SMG recommends that FHFC consent to and approve the refinancing of the existing first mortgage loan (in an amount up to $4,886,300), 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:

- Review of final first mortgage loan terms and confirmation that all requirements set forth in F.A.C. Rule 67-48.010(15) for approval have been met
- Review and approval of all loan documents by Florida Housing and its legal counsel
- Payment of the amount of the SAIL pay down, as determined by Servicer and FHFC, if applicable
- 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 conversation, if applicable
- Consent of the HC equity provider, as applicable
- Prepayment of any required compliance monitoring fees and servicing fees, as applicable
- Confirmation of refinancing fees and closing costs prior to closing
- 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 pay down required by refinancing, as determined by Servicer and FHFC
- New permanent loan servicing and compliance fees on the extended SAIL and LURA terms respectively
- Extension of the SAIL LURA affordability period by a length of time equal to the extension of the SAIL term
- 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

Exhibit A

Lewis Place at Ironwood Apartments
SAIL Pay Down Calculation

Original Balance First Mortgage		$	4,000,000
Original Balance SAIL		$	900,000
Total		$	4,900,000
Original SAIL divided by total original first and SAIL is			18.37%
New First Mortgage Loan		$	4,886,300
Original First Mortgage Balance		$	4,000,000
Increase in First Mortgage Loan		$	886,300
Less: Transaction Costs		$	145,300
Net Increase/Decrease		$	741,000
Multiplied by:			18.37%
* Total Paydown Required		$	136,122
* Before confirming eligible transaction costs			