

STATE OF FLORIDA  
DIVISION OF ADMINISTRATIVE HEARINGS

BOYNTON BAY, LTD.,

Petitioner,

CASE NO.: 2011-017GA

vs.

FLORIDA HOUSING FINANCE CORPORATION,  
and THE PRESERVE AT BOYNTON BAY,

Respondent.

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FINANCE CORPORATION

**PETITION FOR ADMINISTRATIVE HEARING**

Boynton Bay, Ltd. (“Boynton Bay” or the “Petitioner”) hereby files this Petition for Administrative Hearing challenging Respondent Florida Housing Finance Corporation’s proposed agency action approving a Final Credit Underwriting Report for the modification and financial restructuring of a proposed housing development known as the Preserve at Boynton Beach (the “Preserve”). In support of this Petition, Boynton Bay states as follows:

1. This challenge to proposed agency action is filed pursuant to Sections 120.569 and 120.57(1) Florida Statutes, (“Fla. Stat.”),<sup>1</sup> and Rule 28-110.004, Florida Administrative Code (“Fla. Admin. Code.”). The Division of Administrative Hearings (“DOAH”) has jurisdiction over the subject matter and parties to this proceeding. See, Sections 120.569 and 120.57(1), Fla. Stat.

**Parties**

2. Boynton Bay is a Florida Limited Partnership whose business address is 777 East Atlantic Avenue, Suite 200, Delray Beach, Florida 33483. For purposes of this proceeding, the

<sup>1</sup> All citations contained herein are to the official version of the 2011 Florida Statutes unless otherwise noted.

Petitioner's address and telephone number should be considered that of its undersigned counsel.

3. Boynton Bay is a 240 unit affordable housing development in Boynton Beach, Florida. Boynton Bay's general partner is a "Developer" as defined in Rule 67-48.002(29), Fla. Admin. Code, and has successfully operated numerous affordable housing developments in this state. Boynton Bay was originally constructed with financing from affordable housing programs administered by Florida Housing in 1992. Boynton Bay was refinanced in 2007 with \$17.69 million of tax exempt bonds issued by Florida Housing. Under Petitioner's financing agreements with Florida Housing, all of the rental units at Boynton Bay are set aside for tenants earning 60% or less of Area Median Income ("AMI").

4. The affected agency in this proceeding is the Florida Housing Finance Corporation ("Florida Housing" or "Respondent"). Florida Housing's address is 227 North Bronough Street, Suite 5000, Tallahassee, Florida 32301-1329. Florida Housing's reference numbers for the proposed refinancing challenged through this Petition are 2010A-215B and RFP 2006-05.

5. Florida Housing is a public corporation created by Section 420.504, Fla. Stat., to administer the governmental function of financing or refinancing affordable housing and related facilities in Florida. Florida Housing's statutory authority and mandates appear in Part V of Chapter 420, Fla. Stat. See, Sections 420.501-420.55, Fla. Stat. Florida Housing is governed by a Board of Directors consisting of nine individuals, appointed by the Governor and confirmed by the Florida Senate. See, Section 420.504(3), Fla. Stat.

6. The Preserve is a proposed development that would be located in Boynton Beach in close proximity to Boynton Bay. As discussed in more detail below, in 2006, the Preserve obtained a \$5 million low interest loan from the Community Workforce Housing Innovation

Pilot Program (“CWHIP”) administered by Florida Housing to assist in financing the construction of 60 townhouse units to be set aside for sale to purchasers who qualify as “essential services personnel” as defined in section 420.5095(3)(6), Fla. Stat., and earn up to 140% of AMI.

7. At a public meeting of the Florida Housing Board of Directors on September 1, 2011, the Florida Housing Board discussed the potential financial restructuring of the proposed Preserve home ownership development. At the September 1, 2011 meeting, the Florida Housing Board voted to proceed with investigations into the possible restructuring of financing for the Preserve, including the possible conversion of the development from a home ownership to a rental project. The Board’s September 1 action authorized the Preserve to move forward with the proposed financial restructuring subject to approvals and verifications by Florida Housing staff and its appointed credit underwriter.

8. Following the September 1, 2011 meeting, Boynton Bay, through counsel, submitted a letter setting forth its objections to the proposed financial restructuring of the Preserve, asserting, among other things, that there was no statutory or regulatory authority that would allow Florida Housing to restructure the financing for the Preserve in the manner proposed. A copy of the letter outlining Boynton Bay’s objections is attached hereto as Exhibit A. In its letter, Boynton Bay specifically requested the opportunity to provide the credit underwriter appointed by Florida Housing and the Florida Housing staff with comments and input regarding the anticipated impact the proposed restructuring of the Preserve would have on Boynton Bay. Boynton Bay also questioned the authority for Florida Housing to award affordable housing funds to facilitate the refinancing and restructuring of the Preserve to a rental

development that would directly compete with existing affordable housing developments in the same primary market.

9. At a meeting of the Florida Housing Board on October 14, 2011, a Final Credit Underwriting Report dated September 29, 2011, prepared by Florida Housing's assigned credit underwriter, Seltzer Management Group, Inc. ("Seltzer"), was presented to the Board for approval.<sup>2</sup> Based upon information and belief, the Board's approval of the Refinancing Credit Underwriting Report is the final Board action necessary from Florida Housing before the Preserve can close on the proposed restructuring of its financing and its conversion from a home ownership to a rental property. As set forth below, the Refinancing Credit Underwriting Report includes erroneous assumptions, flawed analysis and incorrect conclusions regarding the impact that the proposed restructuring of the Preserve will have on existing affordable housing developments, including Boynton Bay. Furthermore, the proposed refinancing of the Preserve would involve the improper allocation of public resources without statutory authority and would allocate funding from Florida Housing's programs outside of established competitive processes. Furthermore, the proposed refinancing would allocate assistance to a proposed development in a market that has been designated by Florida Housing as weak market (Location A) without requiring compliance with the adopted rules related to affordable housing awards in such a market.

10. Boynton Bay's representatives were present at the Board Meeting on October 14, 2011 and learned at that time of the Florida Housing Board's preliminary approval of the Refinancing Credit Underwriting Report and the authorization for the Preserve to proceed to closing. No written notice by Florida Housing has been provided to Boynton Bay. This Petition

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<sup>2</sup> The September 29, 2011 Report is discussed in more detail below and is referred to as the "Refinancing Credit Underwriting Report."

is timely filed in accordance with the provisions and the requirements of Sections 120.569 and 120.57(1), Fla. Stat., and Rule 28-110.004, Fla. Admin. Code. As set forth below, Boynton Bay's substantial interests will be affected if the Board's preliminary decision to approve the Refinancing Credit Underwriting Report and allocate funding from affordable housing programs to the Preserve is not overturned. The Board's preliminary decisions are based upon a flawed and incomplete analysis and are inconsistent with the statutory goals and directives for the funding sources being allocated. The Board's proposed decisions are based upon the improper use or application of an unadopted rule contrary to the requirements of Section 120.57(1)(e), Fla. Stat., and/or the incorrect or improper application of an invalid rule. Because Boynton Bay is substantially affected by Florida Housing's proposed actions, Boynton Bay has standing to initiate and participate in this proceeding.

11. The standing of an existing affordable housing development to challenge the credit underwriting report for a potentially competing development was specifically acknowledged in Vestcor Fund XII, Ltd. v. Florida Housing Financing Corporation, DOAH 09-0366, ¶46, p. 14.

### **Background**

#### **Florida Housing's Programs**

12. Florida Housing administers several programs aimed at assisting in the development of affordable housing in the state. The programs through which Florida Housing allocates resources to fund affordable housing in this state include: a federally funded multi-family mortgage revenue bond program (the "Multi-Family Bond Program")<sup>3</sup> established under

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<sup>3</sup> Each year, Florida Housing receives a portion of the state's tax exempt bond allocation, some of which it issues to finance the construction of affordable multi-family rental housing. The tax exempt bond proceeds are loaned to developers to finance the construction of a development. The cash flow generated from rental income pays back those bonds over time.

Section 420.509, *et. seq.*, Fla. Stat.; the State Apartment Incentive Loan Program (the “SAIL Program”) created pursuant to Section 420.5087, *et. seq.*, Fla. Stat.<sup>4</sup>; and the federal low income housing tax credit program (the “Tax Credit Program”) established in Florida under the authority of Section 420.5093, Fla. Stat. These funding sources are allocated by Florida Housing to finance the construction or substantial rehabilitation of affordable rental housing.

13. A portion of the affordable housing units constructed based upon funding from these programs administered by Florida Housing must be set aside for residents earning no more than a specified percentage of area median income (“AMI”), typically 60% or below.<sup>5</sup>

14. The Multi-Family Bond Program, the SAIL program and the Tax Credit Program have been administered by Florida Housing for over ten years and have annually been part of the Universal Cycle process discussed below.

15. As a result of legislation enacted in 2006, Florida Housing also administers the Community Workforce Housing Innovation Pilot Program (“CWHIP”) pursuant to section 420.5095. The CWHIP program was created to provide affordable rental and home ownership workforce housing for “essential services personnel” and others affected by the high cost of housing. The program was set up to utilize regulatory incentives and state and local funds to promote local public-private partnerships that leveraged government and private resources. Under the CWHIP program, Florida Housing was authorized to provide loans for the construction or rehabilitation of workforce housing to eligible “essential services personnel” earning up to 140% of AMI. Thus, the CWHIP program is targeted to a different population than other programs administered by Florida Housing.

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<sup>4</sup> SAIL Funds are primarily available through a portion of documentary stamp tax revenues collected on real estate transactions in Florida. For state fiscal year 2009-2010 and 2010-2011, the Legislature did not appropriate any money for SAIL due to the state’s current budget crisis.

<sup>5</sup> AMI levels are determined by the federal Housing and Urban Development agency (“HUD”).

The Universal Cycle

16. Florida Housing has historically allocated funding from the Multi-Family Bond, SAIL and Tax Credit Programs through a single annual application process. Since 2002, Florida Housing has administered these three programs through a combined competitive process known as the “Universal Cycle.”

17. Historically, Florida Housing has received more applications for funding than can be satisfied from the funding sources available. The Universal Cycle operates like an annual competitive bidding process in which applicants compete against other applicants to be selected for funding.

18. Florida Housing has adopted rules which incorporate by reference the application forms and instructions for the Universal Cycle as well as general policies governing the allocation of funds from the various programs its administers.

19. Typically, Florida Housing amends its Universal Cycle rules, forms and instructions every year. As part of this process, each year, Florida Housing designates certain geographic areas of the state that are considered soft markets as “Location A” areas. Florida Housing first began incorporating into its allocation procedures a mechanism for identifying weak markets, known as “Location A,” in 2003. The Location A areas identify areas where Florida Housing has concluded, based on a published methodology that includes occupancy data, that the market is too weak to support additional affordable housing development. The Location A designations are incorporated by reference into the rules of Florida Housing. Both the Preserve and Boynton Bay are presently located in a Location A area.

20. The process used by Florida Housing to review and approve the Universal Cycle applications is delineated in Rule 67-48.004, Fla. Admin. Code, and is summarized as follows:

- Developers submit applications by a specified date.
- Florida Housing staff reviews all applications to determine if certain threshold requirements are met. A score is assigned to each application.
- After the initial review and scoring, a list of all applications, along with their scores, is published on Florida Housing's website. The applicants are then given a specific period of time to alert Florida Housing staff of any perceived errors made in the initial review of the applications. An appeal procedure for challenging the scores assigned by Florida Housing is set forth in Rule 67-48.005, Fla. Admin Code.

21. Following the completion of the appeal proceedings, Florida Housing publishes final rankings which delineate the applications that are within the "funding range" for the various programs. The final rankings determine which applications are preliminarily selected for funding. The applicants ranked in the funding range are then invited into the "credit underwriting" process. Credit underwriting review of a development selected for funding is governed by Rule 67-48.0072, Fla. Admin. Code. In the credit underwriting process, third party financial consultants (selected by Respondent, but paid for by the individual applicants) determine whether the project proposed in the application is financially sound. The credit underwriter is charged with preparing a report that analyzes various aspects of the proposed development, including the need for affordable housing in the market area, financing sources, plans and specifications, cost analysis, zoning verification, site control, environmental reports, construction contracts, and engineering and architectural contracts.



CWHIP Application Review

22. The financing and allocations challenged through this Petition were not awarded through the Universal Cycle process. Florida Housing's original financing for the Preserve was part of the CWHIP Program. In 2006, Florida Housing issued an RFP to allocate CWHIP funds on a competitive basis to public-private entities seeking to build housing for the eligible workforce.<sup>6</sup>

23. As part of the RFP, developers seeking CWHIP funding were required to submit a detailed CWHIP application describing the project. The CWHIP applicants were required to construct and/or rehabilitate housing in accordance with the terms and conditions of the CWHIP application, CWHIP application instructions, applicable laws, rules and regulations.

24. The Preserve and several other applicants submitted proposals in response to the CWHIP RFP. The Preserve's application included specific information in its application to address the items required by the CWHIP program and documenting how it would provide housing to the "essential services personnel" in the area.

25. Subsequent to the submission of the CWHIP applications, Florida Housing evaluated and preliminarily scored all applications using the factors specified in the application, application instructions and CWHIP rules. The Preserve was evaluated for funding only in the context of other CWHIP applicants and only for 60 townhouse units to be sold to eligible workers with an income up to 140% AMI.

26. Based upon the scoring and evaluation of the Preserve's application in comparison to other CWHIP applicants, the Preserve was allocated a CWHIP loan of \$5 million to support the construction of 60 townhouse units to be set aside for sale to eligible workers earning 140% or less of AMI.

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<sup>6</sup> In 2007, applicants for CWHIP funding participated in the Universal Cycle.

The First Credit Underwriting Report and the Preserve's 2009 Refinancing Application

27. Following the CWHIP award, the Preserve was invited into the credit underwriting process where the proposed development was reviewed and analyzed by Florida Housing's appointed Credit Underwriter, Seltzer. Seltzer issued a report on January 10, 2008, recommending CWHIP financing be approved for the Preserve. A copy of this report (the "First Credit Underwriting Report") is attached hereto as Exhibit B. Following the Florida Housing Board's approval of the First Credit Underwriting Report, the Preserve moved forward with attempts to develop the 60 townhouse units that were to be offered for sale to eligible purchasers. The Preserve obtained financing from Citi National Bank of Florida ("Citi") which was secured by a first mortgage on the development property. The Preserve's CWHIP financing from Florida Housing was secured by a second mortgage on the property. Both the Citi and CWHIP loans were due on April 14, 2010.

28. At some point following the closing on the Citi and CWHIP loans, the Preserve ran into financial difficulty during the construction process. On March 28, 2010, the developer of the Preserve submitted a request to Florida Housing seeking an extension of the CWHIP loan. See, Exhibit C.

29. By letter dated April 13, 2010, Seltzer recommended the requested extension of the CWHIP loan. See, Exhibit D.

30. Based upon available information, it appears that sometime in 2009, the Preserve submitted an application in a MMRB Supplemental Cycle administered by Florida Housing seeking new financing for its development. In the application, the Preserve apparently applied for tax exempt bonds in the amount of \$6 million in order to pay off the CWHIP loan and finish

construction of the development. The application for the 2009 MMRB funding was for 64 units at an estimated development cost of \$9,237,059.

31. Subsequent to the 2009 MMRB supplemental cycle, the Preserve sought to significantly expand the scope and nature of its development by increasing the number of units from 64 to 122 with the total project cost increasing to \$24,525,278. As part of the refinancing request, the Preserve sought to convert from a home ownership development targeted at essential services personal earning up to 140% AMI to a rental development for tenants earning 60% AMI or below. From the information available, it does not appear that the Preserve has ever submitted an application in the competitive programs established by Florida Housing for allocating funding to affordable rental housing developers targeting the 60% and below AMI market.

32. As set forth above, at the Board meeting on September 1, 2011, Florida Housing allowed the proposed refinancing and restructuring of the project to proceed forward with credit underwriting review. Because the proposed revised project would convert the Preserve from ownership to rental units that would be set aside at 60% AMI or below, it will be in direct competition with Boynton Bay. Upon learning of the proposed refinancing and restructuring of the Preserve, Boynton Bay immediately expressed its concerns and requested the opportunity to meet with the assigned credit underwriter. See, Exhibit A.

The Preserve's Refinancing Credit Underwriting Report

33. Seltzer was assigned by Florida Housing to be the credit underwriter for the proposed refinancing.

34. On September 29, 2011, Seltzer issued a Final Credit Underwriting Report to Florida Housing regarding the proposed refinancing of The Preserve. A copy of this report,

hereinafter referred to as the “Refinancing Credit Underwriting Report,” is attached as Exhibit D to this Petition.

35. In the Refinancing Credit Underwriting Report, Seltzer issued a favorable recommendation for the proposed refinancing of the Preserve based in part on an erroneous, incomplete or inaccurate assessment of the impact the Preserve would have on existing affordable housing developments, including Boynton Bay.

36. The proposed restructuring of the Preserve has not been considered or evaluated in the context of the competitive processes established for the award of affordable housing funds. Furthermore, the credit underwriter and Florida Housing have failed to adequately consider the implications that construction of the restructured Preserve will have on existing development funded through Florida Housing’s programs.

37. Boynton Bay was never contacted by Seltzer to discuss the potential impact of the proposed restructured Preserve. From the information available, it appears that Seltzer was not even aware of the existing Boynton Bay development until the essential terms of the refinancing and restructuring had been negotiated between the Preserve and Florida Housing staff. Furthermore, it appears that the credit underwriter did not evaluate or consider the implications of the Preserve’s situs in a Location A.

Grounds for Overturning Preliminary Approval of the Refinancing Credit Underwriting Report

38. The Refinancing Credit Underwriting Report erroneously concludes that there would be no impact on Boynton Bay.

39. One hundred eighty (180) of the units at Boynton Bay (75%) are either two or three bedroom units. The proposed one hundred twenty (120) two and three bedroom units at the restructured Preserve would directly compete with Boynton Bay’s existing two and three

bedroom units. Construction of the Preserve will effectively cannibalize the existing Boynton Bay development and place it in significant financial jeopardy. Such a result is contrary to Florida Housing's statutory goals and directives.

40. Contrary to the statements in the Refinancing Credit Underwriting Report, Boynton Bay is not restricted to only elderly tenants. Approximately forty-eight (48) of Boynton Bay's two and three bedroom units (20%) are currently leased to families with a head of household less than 55 years of age. Boynton Bay would be at significant risk to lose these and other tenants if the new, larger units at the Preserve are set aside for the 60% AMI and below market.

41. There is an insufficient factual basis for Florida Housing to conclude construction of the Preserve will not have a materially adverse impact on Boynton Bay.

42. The Refinancing Credit Underwriting Report's conclusion that construction of the Preserve would not impact Boynton Bay is based upon unsupported and/or unwarranted assumptions and speculation. The Refinancing Credit Underwriting Report inadequately addresses the available data and includes an insufficient assessment of market demand.

43. The Preserve's two and three bedroom units will be newer and significantly larger than Boynton Bay's comparable units. Because of the restructuring, the Preserve will now be targeting the same potential affordable housing tenant population (60% AMI or below) as Boynton Bay. Florida Housing's approval of the proposed restructuring and refinancing of the Preserve will jeopardize Boynton Bay's financial stability and its ability to continue to provide affordable housing in accordance with the terms of its financing agreements with Florida Housing.

44. Boynton Bay has already been constructed and is in operation serving the affordable housing needs of the community. Although Boynton Bay is well maintained and managed, its units are twenty years old and will be at a significant competitive disadvantage to the proposed restructured Preserve. The Preserve's units will be significantly larger (50% or more for the two and three bedroom units) and most of the Preserve's two to three bedroom units will have more bathrooms than comparable units at Boynton Bay. In addition, the Preserve units will all have washer and dryer hookups and will all have private garages, but none of Boynton Bay's units have washer/dryer hookups or garages. The Preserve will also have a considerable advertising advantage with visibility on U.S. 1, a major thoroughfare. The credit underwriter and Florida Housing have not adequately assessed the ability of the Preserve to be financially successful without devastating financial consequences for Boynton Bay. The Preserve's entrance would be located directly across the street from Boynton Bay, less than 20 yards away. The proposed restructuring would place the Preserve in direct competition with Boynton Bay without the Preserve having been required to proceed through the competitive funding process for affordable housing units targeted to the 60% AMI and below market.

45. Based upon information and belief, Boynton Bay asserts that criteria used in determining eligibility for funding for the restructured Preserve are based on inadequate or faulty assumptions or speculations.

46. In the Refinancing Credit Underwriting Report, the assigned credit underwriter, Seltzer, failed to use the approach previously used for assessing impact in other credit underwriting analyses prepared for and approved by Florida Housing.

47. The proposed restructuring of the Preserve is inconsistent with Florida Housing's existing rules and policies for funding affordable housing financing in a Location A areas.

48. Because the Preserve is not being required to meet Location A requirements, the proposed financial restructuring and bond allocation for the Preserve contravenes Florida Housing's existing rules.

49. The Refinancing Credit Underwriting Report and Market Study are an insufficient and unsupported basis to approve an allocation of MMRB funding with related Tax Credits, particularly in view of the significant expenditures that have already been incurred by Boynton Bay to meet the requirements imposed by Florida Housing to secure Boynton Bay's funding. The data and assumptions upon which the proposed agency action is based were not presented to Boynton Bay nor has Boynton Bay been allowed an opportunity to respond or rebut the assumptions. . In addition, in reaching its decision to approve refinancing, Florida Housing has not followed the applicable procedures and mechanisms for allocating affordable housing funds.

50. The refinancing of the Preserve would provide affordable housing funds to the Preserve outside of the competitive selection process. Such a result is contrary to the adopted Qualified Allocation Plan and the statutory directives applicable to Florida Housing. In addition, approval for funding for the restructured Preserve outside a competitive selection process allows for the allocation of funding without uniform, consistently applied standards.

51. The Preserve applied in the competitive selection process for financing of a development that is fundamentally different than the development that is contemplated in the Refinancing Credit Underwriting Report. There is no statutory or rule basis that allows a developer to secure significant amounts of affordable housing funding through a development that so radically differs from what was proposed in a competitive selection process.

52. Boynton Bay disputes and challenges the application of undisclosed criteria used in reaching the refinancing and restructuring decisions on the Preserve's refinancing Application.

From the information available, it appears the preliminary decision to award funding to the Preserve is based on the application of an unadopted rule contrary to the requirements of Sections 120.54(1)(a), 120.56(4)(e) and 120.57(1)(e), Fla. Stat.

53. The Refinancing Credit Underwriting Report and Market Study fail to consider the financing assumptions and resulting economic circumstances related to Boynton Bay. For many years, Florida Housing prioritized the construction of the maximum number of affordable housing units possible under the programs it administered, in particular the Multi-Family Bond Program. With the decline in economic conditions, the units financed based upon 60% AMI projections have been faced with unanticipated competition from market rate developments. Approval of new affordable housing units in a market that has no need is contrary to Florida Housing's statutory mandates.

54. Seltzer and Florida Housing have failed to sufficiently analyze or consider the implications for existing affordable housing developments and inaccurately assumed that approval of funding for the Preserve will address a need for affordable housing in Palm Beach County. In fact, Florida Housing has designated the area as a Location A confirming that it is a weak market for affordable housing targeted to the 60% AMI and below market. The proposed addition of new affordable housing units in this market is inconsistent with the Location A designation.

55. Boynton Bay will not be able to remain financially viable and will not be able to provide affordable housing if the Preserve is approved. Boynton Bay has already expended considerable funds and effort in delivering affordable housing in accordance with the requirements of Florida Housing. Those funds provided through Florida Housing's programs,



and the existing affordable housing units at Boynton Bay will be lost if the proposed restructuring of the Preserve is allowed to proceed.

**Disputed Issues of Material Fact and Law**

56. Disputed issues of material fact and law exist and entitle Boynton Bay to a formal administrative hearing pursuant to sections 120.569 and 120.57(1), Florida Statutes. The disputed issues of material fact and law include, but are not limited to, the following:

a. Whether the Refinancing Credit Underwriting Report and related Market Study which recommend approval of the restructured financing and conversion of the Preserve to a rental development, are based on erroneous or incomplete assumptions and analysis;

b. Whether the Refinancing Credit Underwriting Report was prepared in accordance with the applicable rules and/or whether it appropriately considers the Location A requirements in Florida Housing's existing rules;

c. Whether Florida Housing has followed the applicable procedures in developing and considering the Refinancing Credit Underwriting Report and Market Study for the Preserve;

d. Whether the preliminary decisions to approve the Preserve's restructuring and refinancing are consistent with the purpose and intent of Florida Housing's statutory mandates;

e. Whether it is contrary to competition or otherwise inappropriate to allow a project such as the Preserve to convert from a home ownership to a rental development without being required to compete in the competitive Universal Cycle process or meet the requirements that other affordable housing developments have been required to meet;

f. Whether the credit underwriting criteria regarding impact have been consistently applied in evaluating applications for funding by Florida Housing and/or whether the standards applied for the Preserve are appropriate for a development in a Location A which is seeking financing from Florida Housing;

g. Whether the credit underwriting criteria are vague and/or vest unbridled discretion in the Florida Housing Board and/or whether the procedures and basis for assessing impact are consistently applied;

h. Whether the Refinancing Credit Underwriting Report contains appropriate and sufficient criteria for evaluating impact of the restructured Preserve on existing affordable housing developments funded by Florida Housing;

i. Whether an applicant such as the Preserve can modify its development after the competitive selection process to convert from a home ownership to a rental development;

j. Whether allowing a developer to convert the nature of its project subsequent to the award of funds and/or the submittal of an application is consistent with the statutory laws and/or existing rules and whether it inappropriately favors certain developers or projects and/or whether such a result is consistent with Florida Housing's statutory mandates;

k. Whether the proposed funding of the restructured Preserve is consistent with fair and open competition for the allocation of affordable housing funds;

l. Whether the Refinancing Credit Underwriting Report and Market Study adequately considered all the relevant data regarding the market and/or whether there is

sufficient basis to conclude that construction of the Preserve as modified will not have an impact on existing developments and, in particular, Boynton Bay;

m. Whether Florida Housing has sufficient, reliable and complete information to evaluate the impact of construction of the restructured Preserve on existing affordable housing developments and in particular Boynton Bay;

n. Whether the proposed approval of funding to the Preserve is contrary to Florida Housing's governing statutes or rules;

o. Whether Florida Housing has authority to award bond funding to the Preserve in an amount in excess of what was requested in the application;

p. Boynton Bay also disputes any and all material facts relied upon by Florida Housing to deem the Preserve eligible for an award of MMRB funding. In addition, Boynton Bay disputes the legal basis as well as any and all material facts relied upon for converting the Preserve's units from home ownership to rental units;

q. Such other issues as may be revealed during discovery and the deposition process.

#### **Statutes and Rules Entitling Relief**

57. The statutes which are applicable in this case and that require modification of the RFP specifications include, but are not limited to, Sections 120.569 and 120.57(1), 120.57(3), 420.509 and 420.5095, Florida Statutes, and Rules 67-48.0072, 67-48.004 and 67-48.005, Fla. Admin Code.

#### **Concise Statement of Ultimate Fact and Law, Including the Specific Facts Warranting Reversal of Agency's Intended Action**

58. The Refinancing Credit Underwriting Report and related Market Study fail to provide a complete and accurate assessment of market need and impact and do not sufficiently

analyze all the relevant information and/or are based on erroneous or unsupported assumptions and speculation.

59. The Refinancing Credit Underwriting Report and Market Study fail to consider relevant information and fail to provide an adequate justification for approval of funding to the restructured Preserve. The assumption that construction of the Preserve will have no impact on existing Boynton Bay projects is contrary to the greater weight of the evidence and does not adequately consider all of the relevant information available. The conclusion in the Refinancing Credit Underwriting Report is speculative and based on an incomplete and/or erroneous evaluation of the actual market conditions in the area. The proposed refinancing and restructuring of the Preserve is not consistent with Florida Housing's existing statutes and policies because it does not require compliance with the Location A set-asides.

60. The Florida Housing Board's preliminary determination to award bond funding to the Preserve should be overturned because it does not require conformance with the existing Location A set asides, it is based upon an impact analysis that was not conducted in a manner consistent with prior studies, and because the bond funding is not authorized by or consistent with the governing statutes, the existing rules, and previously enunciated policies. See, Section 120.57(3)(f), Fla. Stat. (2011).

61. There is no legal authority that authorizes Florida Housing to allocate or disburse bond funds to the Preserve to facilitate the conversion of units previously funded for home ownership to purchasers earning up to 140% AMI to rental units for tenants at 60% AMI or less.

62. The Board's preliminary decision to approve the Preserve is not in the best interests of the State, and violates the governing statutes and administrative rules.

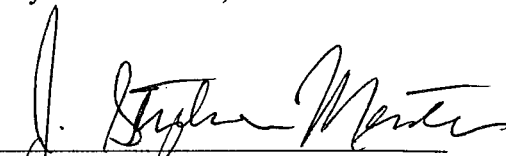
WHEREFORE, pursuant to Sections 120.569 and 120.57(1), F.S., and Rule 28-110.004, Fla. Admin. Code, Boynton Bay requests the following relief:

a) That this matter be referred to the Division of Administrative Hearings for a *de novo* hearing to be conducted before an Administrative Law Judge pursuant to Sections 120.569 and 120.57(1), Florida Statutes.

b) That Recommended and Final Orders be entered disapproving the Refinancing Credit Underwriting Report, concluding that the construction of the restructured Preserve would have an unacceptable impact on Boynton Bay and concluding that the Location A set aside requirements are applicable to the proposed refinancing.

c) That Boynton Bay be awarded attorneys fees pursuant to Sections 120.54(1)(a), 120.56(4)(e), 120.57(1)(e) and 120.595(4), Fla. Stat., based upon Florida Housing's improper application of an unadopted rule.

RESPECTFULLY SUBMITTED this 7th day of November, 2011.

  
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J. Stephen Menton  
Fla. Bar No. 331181  
Rutledge, Ecenia & Purnell, P.A.  
119 South Monroe Street, Suite 202  
Tallahassee, Florida 32301  
(850) 681-6788  
(850) 681-6515 (facsimile)  
Attorneys for Petitioner

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that this original has been hand delivered to the Agency Clerk, Florida Housing Finance Corporation, and a copy to Wellington Meffert, General Counsel, Florida Housing Finance Corporation, 227 North Bronough Street, Suite 5000 Tallahassee, Florida 32301, this 7th day of November 2011.

\_\_\_\_\_  
Attorney 

***RUTLEDGE, ECENIA & PURNELL***  
PROFESSIONAL ASSOCIATION  
ATTORNEYS AND COUNSELORS AT LAW

MICHAEL J. BARRY  
STEPHEN A. ECENIA  
RICHARD M. ELLIS  
DIANA FERGUSON  
MARTIN P. McDONNELL  
J. STEPHEN MENTON  
R. DAVID PRESCOTT

POST OFFICE BOX 551, 32302-0551  
119 SOUTH MONROE STREET, SUITE 202  
TALLAHASSEE, FLORIDA 32301-1841  
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TELEPHONE (850) 681-6788  
TELECOPIER (850) 681-6515

HAROLD F.X. PURNELL  
MARSHA E. RULE  
GARY R. RUTLEDGE  
MAGGIE M. SCHULTZ  
GABRIEL F.V. WARREN

September 21, 2011

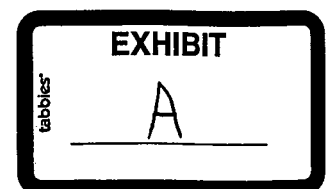
Mr. Stephen P. Auger  
Executive Director  
Florida Housing Finance Corporation  
227 N. Bronough Street  
Suite 5000  
Tallahassee, Florida 32301

Re: Proposed Restructuring of The Preserve CWHIP Financing

Dear Steve:

This firm has been retained by Boynton Bay, Ltd., the developer of a 240 unit affordable housing development in Boynton Beach, Florida. Boynton Bay recently rehabbed the property using bonds issued by Florida Housing Finance Corporation. At the September 1 meeting of the Florida Housing Board, Boynton Bay learned that Florida Housing was considering restructuring the CWHIP financing for the Preserve of Boynton Beach, a 60-unit home ownership development located directly across the street from Boynton Bay. From the agenda item for the September 1 Board meeting, it appears that the developer of the Preserve is seeking to convert the Preserve, from the 60-unit townhouse development contemplated when the CWHIP funding was awarded, to a 120-unit rental property. The Florida Housing Board voted at the September 1 Board meeting to allow investigations into the possible restructuring of the financing for the Preserve to move forward subject to further approvals and verifications by the credit underwriter, counsel and Florida Housing staff. From the information currently available to Boynton Bay, it is not clear whether the credit underwriter, counsel or staff have considered or will be considering the impact that conversion of the Preserve to rental units will have on existing developments, such as Boynton Bay, that have been financed through Florida Housing's programs.

Boynton Bay hereby expresses its strong opposition to any restructuring of financing for the Preserve that would result in conversion of the development into a rental property. The



**Rutledge, Ecenia & Purnell, P.A.**

Mr. Stephen P. Auger  
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restructuring that was described in the Agenda Item presented to the Board on September 1 would undermine the existing Boynton Bay development, would contravene the goals of Florida Housing's existing programs and would exceed the authority granted to Florida Housing by the Legislature. The CWHIP loan that was originally made to the Preserve was clearly premised upon "for sale" units rather than rental units. Furthermore, the set asides were targeted at the 140% AMI level and, consequently, were not expected to compete with existing affordable housing units in the market area. We are not aware of any statutory or rule provision that authorizes CWHIP loans to be restructured in a manner that dramatically changes the nature of the development contemplated when funding was awarded. With respect to the proposed restructuring for the Preserve, the conversion to rental units would result in a development that directly competes with existing affordable housing developments. The implications and authority for Florida Housing to fund a competing development in close proximity to an existing affordable housing development were not considered in connection with the original CWHIP financing and should be fully evaluated before approval of the proposed restructuring.

Boynton Bay will be substantially impacted by any final action by Florida Housing that would lead to the construction of new rental units that would directly compete with Boynton Bay's existing affordable housing units which were financed through Florida Housing's programs. Before final approval of any financial restructuring that will enable the Preserve to convert its proposed development from a "for sale" to a rental property, Boynton Bay respectfully submits that the credit underwriter and Florida Housing staff must closely analyze the implications and impact of such a change on existing affordable housing developments financed by Florida Housing. In this regard, Boynton Bay requests the opportunity to provide the credit underwriter and staff with comments and input regarding the impact on Boynton Bay before the Preserve is approved to convert from the 60-unit home ownership development contemplated when the CWHIP financing was awarded to a 120-unit rental property. In addition, if/when the financial restructuring and conversion of the Preserve is brought to the Board for final approval, Boynton Bay requests the opportunity to address the Board on these important issues. Boynton Bay reserves its right to challenge any final action related to the restructuring of the financing of the Preserve which impacts upon Boynton Bay's substantial interests.

Because its substantial interests are potentially at issue, Boynton Bay requests that undersigned counsel be copied with all correspondence, notices and reports related to the proposed restructuring of the financing for the Preserve. Pursuant to Chapter 119, Florida Statutes, Boynton Bay hereby requests copies of all public records, including correspondence, e-mails and reports, related to the proposed refinancing of the Preserve and/or the conversion of the Preserve from a "for sale" development to a rental property.

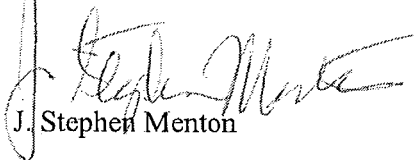


**Rutledge, Ecenia & Purnell, P.A.**

Mr. Stephen P. Auger  
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Boynton Bay would welcome the opportunity to discuss with you and/or your staff its concerns regarding the Preserve's proposed conversion. Thank you for your attention to this matter.

Sincerely,



J. Stephen Menton

JSM/rd

Copy: Wellington Meffert, Esquire  
Matthew Sirmans, Esquire  
Mr. Allan Schmier  
Mr. Brian Hinners

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# Florida Housing Finance Corporation

*Credit Underwriting Report*

## The Preserve at Boynton Beach

Community Workforce Housing Innovation Pilot Program

CWHIP

RFP 2006-05

**Section A Report Summary**

**Section B CWHIP Program Special and General Conditions**

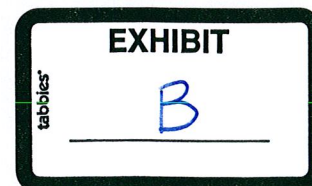
**Section C Supporting Information and Schedules**

*Prepared by*

**Seltzer Management Group, Inc.**

*Final Report*

January 10, 2008



SMG

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## The Preserve at Boynton Beach

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January 10, 2008

SMG

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

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January 10, 2008

## CWHIP PROGRAM CREDIT UNDERWRITING REPORT

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**Executive Summary**

The Preserve at Boynton Beach is a 180-unit, new construction, Homeownership Development located in east central Palm Beach County, one block from the Atlantic Ocean. Unit mix will be 120 townhomes and 60 flats, with four separate floor plans available. The floor plans range from two-bedroom/two-bath units of 1,070 sq. ft., to three-bedroom/three-bath units of 1,590 sq. ft., of living area. All units will have a one-car garage. The CWHIP component of the Subject Development will be 60 units. Private funding is financing the remaining 120 units. The Developer is Cornerstone Group Development, LLC ("Cornerstone"), Coral Gables Florida, an experienced provider of Affordable Housing.

**Recommendation**

Seltzer Management Group, Inc. (SMG" or "Seltzer") recommends a Florida Housing Finance Corporation ("Florida Housing" or "FHFC") Community Workforce Housing Innovation Pilot Program ("CWHIP") loan in the amount of \$5,000,000 for the construction of 60 units at the Preserve at Boynton Beach. The \$5,000,000 CWHIP Program loan allocation will pass through to Eligible Persons purchasing units.

DEVELOPMENT & SET-ASIDES						
Location	1801 NE 4th Street, Boynton Beach, Palm Beach County, Florida 33435					
Units/Unit Mix						
	<b>Model</b>	<b>Type</b>	<b>Bed-rooms</b>	<b>Baths</b>	<b>Total Units</b>	<b>CWHIP Units</b>
	Banyan	End/Flat	2	2	30	10
	Cypress	End/Flat	3	2	30	10
	Hibiscus	Interior/TH	3	3	60	20
	Palm	Interior/TH	3	3	60	20
	<b>Totals</b>				<b>180</b>	<b>60</b>
Demographic Commitment	Workforce Housing					
Set-Asides	Applicant committed to set aside 80% of the units (50 units) for residents earning 140% or less of Area Median Income ("AMI"), with 50% of the units (30 units) reserved for Essential Services Personnel					
County Size	Large					
Development Category	New Construction					
Development Type	Three-Story Mixed, Townhomes and Flats					
Occupancy Rate	N/A					

## CWHIP PROGRAM CREDIT UNDERWRITING REPORT

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Parking	395 Total Parking Spaces per the Civil Engineering Plans by GGB Engineering, Inc., Fort Lauderdale, Florida. They consist of 180 single-car garage spaces, 180 tandem (driveway) spaces and 35 scattered spaces (of which 7 are handicap spaces).
Improvements	The Subject Development will consist of 180 units plus a Clubhouse and Swimming Pool. It will be masonry construction on 4" concrete slab foundations. Exterior finishes will be light-textured cementitious stucco, with accent panels, decorative shutters and flat cement-tile roofs.
Site Acreage	9.888 Gross Acres per June 20, 2005, ALTA Boundary and Topographic Survey by Calvin, Giordano & Associates, Inc. ("Calvin"), Engineers, Surveyors and Land Planners of West Palm Beach, Florida.
Density	18.20 units per gross acre
Zoning	PUD (Planned Unit Development)
Flood Zone Designation	Flood Zone "C" per the Calvin Survey. Flood insurance not required.
<b>DEVELOPMENT TEAM</b>	
Applicant/Borrower	Boynton Village, LLC
Public/Private Development Partner	City of Boynton Beach Community Redevelopment Agency ("CRA")
Limited Partner/Syndicator	N/A
Guarantors	Jorge Lopez, Stuart I. Meyers, Leon J. Wolfe and Mara S. Mades
Developer	Cornerstone
General Contractor	Cornerstone Group Construction, Inc. ("Cornerstone Construction"), Coral Gables, Florida, a related entity f/k/a Alliance Construction, Inc. ("Alliance").
Management Company	N/A
First Mortgage Lender	City National Bank of Florida ("City Bank"), a National Banking Corporation, Miami, Florida
Credit Enhancer	N/A
<b>FINANCING INFORMATION</b>	
FHFC Programs	CWHIP
Construction (Revolving) Maximum Loan Amount	\$14,000,000
"All in" Underwritten Interest Rate	225 Basis Points ("bp") over the one-month London InterBank Offer Rate ("LIBOR") adjusted the first day of each month
Term/Amortization	2 Years (matures December 1, 2007, with two 6-month extension options)
CWHIP Loan Amount	\$5,000,000

**CWHIP PROGRAM CREDIT UNDERWRITING REPORT**

**SMG**

Interest Rate	Applicant – 3.000% per annum during construction, forgivable pro rata upon sale of Workforce Units to Eligible Purchasers. Eligible Purchaser – 1.000% per annum, forgiven pro rata each year the Workforce Unit is in compliance.							
Term/Amortization	Applicant – N/A Eligible Purchaser – Not more than 30 years unless required to be co-terminus with the First Mortgage or upon approval of Florida Housing's Board.							
Residential Appraised Value ("RAV") for 60 CWHIP Units	\$19,440,000							
Loan To RAV Ratio First and CWHIP Second Mortgage Loans	75.77%							
Average Selling Price	<table border="1"> <tr> <th colspan="2">Average Selling Price</th> </tr> <tr> <td>End/Flats</td> <td>\$251,495</td> </tr> <tr> <td>Interior/TH</td> <td>\$242,490</td> </tr> </table>		Average Selling Price		End/Flats	\$251,495	Interior/TH	\$242,490
Average Selling Price								
End/Flats	\$251,495							
Interior/TH	\$242,490							
CWHIP Loan to CWHIP Development Cost	33.95%							
FHFC Assistance per CWHIP Workforce Housing Unit	\$100,000							

Changes from the Application:

COMPARISON CRITERIA	YES	NO
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	
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 in the Application?	N/A	
Do the site plans/architectural drawings account for all amenities/features listed in the Application?	N/A	
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?	N/A	
Has the Development been evaluated for feasibility using the total length of set-aside committed to in the Application?	N/A	
Have the Development costs remained equal to or less than those listed in the	X	

**CWHIP PROGRAM CREDIT UNDERWRITING REPORT**

**SMG**

Application?		
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	
Is the Development in all other material respects the same as presented in the Application?	X	

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

None

Does the Development Team have any FHFC-Financed Developments on the Past Due/Non-Compliance Report?

According to Florida Housing's Asset Management Non-Compliance Report of November 21, 2007, Cornerstone has no violations.

Florida Housing's Past Due Report as of December 20, 2007, reflects Cornerstone Past Due for the 2008 Budget and 2008 Proposed Capital Expenditures due December 21, 2007:

1. Mariners Cove
2. Mission Pointe – Jacksonville
3. Monterey Pointe
4. Sabal Chase
5. Sanctuary Cove
6. Sundance Pointe

Seltzer's Recommendation is subject to satisfactory resolution (as determined by FHFC) of any outstanding Past Due and/or Non-Compliance Items stated above. Failure to correct deficiencies could reflect poorly on the Developer's past performance, which may cause the recommended CWHIP Loan to be in jeopardy.

Public Private Partnership:

Per a December 12, 2006, Community Housing Workforce Innovation Program Agreement, CRA has committed to provide a \$2,500,000 subsidy to Applicant and the Subject Development. The subsidy will apply to the 50 Workforce Units set aside by Applicant and represent \$50,000 per Workforce Unit at closing.

Strengths:

1. Cornerstone is a major developer of Affordable Housing in the State of Florida. Cornerstone provided within the CWHIP Application a list of 50 Multifamily Properties with project costs totaling \$1,079 million and individual properties ranging from \$5.2 million to \$36.4 million. A



**CWHIP PROGRAM CREDIT UNDERWRITING REPORT****SMG**

list of 26 Home Ownership Condominium and Townhome Properties representing 8,585 units was also provided.

Innovation – Work/Live Design:

1. Of the 60 CWHIP Units, the 40 CWHIP townhome units offer a unique work-live opportunity with a ground-floor 14' x 11" office, a walk-in closet and a full bathroom off of the garage.

Other Considerations:

None

Mitigating Factors:

None

Waiver Requests/Special Conditions:

None

Additional Information:

1. The Preserve is a 180-unit development in Boynton Beach, Florida. Applicant has designated 60 units as CWHIP.
2. Per Site Observation Report No. 23 dated November 27, 2007, by Consultech & Associates, Inc. ("Consultech"), Tampa, Florida, construction is 100% complete on 5 of the 15 Residential Buildings representing 54 units. Applicant states Building Permits have not yet been pulled on the remaining 10 Residential Buildings representing 126 units. CWHIP funds will only be used to finance the construction of Residential Buildings that are no more than 50% complete at the time of Credit Underwriting Report approval by Florida Housing's Board.
3. The Development Budget for the CWHIP Units is generally based upon one-third of Total Project Costs. Applicant's allocation is in line with the ratio of CWHIP Units to the total. SMG underwrites up Subject Development with CWHIP's unit mix proportional to the total. SMG considers the allocation of costs appropriate.
4. Per RFP page 7H, the amount of CWHIP funding shall not exceed 50% of the amount of Total Development Costs attributable to the units set aside for Workforce Housing. Of the \$14,729,500 CWHIP Development Budget, the 50 Workforce Housing units account for \$12,274,583. The \$5,000,000 CWHIP Loan does not exceed 50% of the \$12,274,583 Workforce Housing figure.
5. Applicant provided SMG a copy of an August 11, 2005, Agreement for Construction Management Services with Alliance reflecting a Contract Amount of \$20,576,351, however it is not a standard AIA Construction Contract. In order to conform to Rule 67-58.070, Applicant and Cornerstone Construction executed a December 11, 2007, Amendment to the Agreement for Construction Management Services stipulating the Contract Amount is a Maximum Guaranteed Price with allowance for possible Change Orders. Applicant provided SMG with a copy of that Amendment plus a copy of a January 4, 2008, Amendment No. 2 that increases the Contract Amount to \$22,831,802 resulting from provisions for

## CWHIP PROGRAM CREDIT UNDERWRITING REPORT

SMG

Landscaping and Site General and Administrative Costs plus an increase in the General Contractors Fee.

6. The Selling Prices for units at The Preserve at Boynton Beach Units do not exceed 80% of the Median Sales Price in Palm Beach County.

Issues and Concerns:

None

Recommendations:

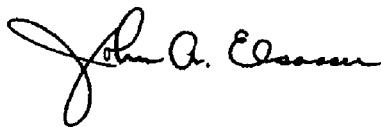
SMG recommends FHFC approve an award of CWHIP Program funds in the amount of \$5,000,000 for new construction at The Preserve at Boynton Beach. The \$5,000,000 CWHIP Program Loan allocation will pass through to Eligible Persons purchasing the CWHIP Units.

Seltzer's Recommendation is based upon assumptions detailed in the Report Summary (Section A) and the Supporting Information and Schedules (Section C). In addition, Seltzer's Recommendations are subject to CWHIP Special and General Loan Conditions detailed in Section B of this Credit Underwriting Report. The reader is cautioned to refer to these Sections for complete information.

Seltzer's Recommendation is valid for 6 months from the date of this Credit Underwriting Report.

Prepared by:

Reviewed by:



John A. Elsasser  
Credit Underwriter



Benjamin S. Johnson  
President

## CWHIP PROGRAM CREDIT UNDERWRITING REPORT

SMG

**Overview****Construction Financing Sources**

Source	Lender	Developer's CWHIP	SMG CWHIP	Interest Rate
First Mortgage Revolving Line of Credit	City Bank	\$9,738,298	\$9,729,500	5.035%
CWHIP	FHFC	\$5,000,000	\$5,000,000	0.000%
<b>Total</b>		<b>\$14,738,298</b>	<b>\$14,729,500</b>	

First Mortgage Revolving Line of Credit:

Applicant provided a copy of a City Bank Third Amended and Restated Consolidated Promissory Note dated December 5, 2005, in the amount of \$11,475,000 that is secured by a Mortgage and Security Agreement dated January 11, 2005, recorded in the Official Records of Palm Beach County at Book 18008, Page 1048, as modified by a First Future Advance and Mortgage Modification Agreement dated May 16, 2005, recorded June 2, 2005, at Book 18679, Page 1612, a Second Future Advance and Mortgage Modification Agreement dated September 28, 2005, recorded October 13, 2005, at Book 19401, Page 736 and a Third Future Advance and Mortgage Modification Agreement dated December 5, 2005. Applicant also provided a copy of a \$14,000,000 Revolving Line of Credit Promissory Note dated December 5, 2005 that is cross-collateralized with the \$11,475,000 Mortgage Promissory Note, above. Both of Applicant's Loans to City Bank are secured by the Subject Development and bear interest at 225 bp over the 1-month LIBOR set on the first day of the month.

Note: The Maturity Date for both the \$11,475,000 Mortgage Note and the \$14,000,000 Revolving Line of Credit is stated as December 1, 2007 unless extended. Applicant states the loans are currently in the process of being extended. Seltzer's recommendation is contingent upon documentation of executed Renewals or alternative Senior Debt.

CWHIP Loan:

Applicant has been allocated \$5,000,000 in CWHIP financing. Upon closing, the CWHIP Loan will be secured by a Second Mortgage. Combined CWHIP and Permanent First Mortgage Loans shall be less than the Appraised Value of the CWHIP Unit during construction. Applicant plans to allocate the CWHIP funds to the 50 Workforce Units. Funding of the CWHIP Loan will be through Construction Draw Requests to the Loan Servicer in an amount per draw that does not exceed the ratio of the CWHIP Loan to the Total (CWHIP) Development Cost. The CWHIP will pass through at closing to Eligible Persons upon presentation of a properly executed Purchase Contract together with documentation of Workforce Qualifications. Interest during construction will accrue at 3.00%, however it is forgivable upon sale to an Eligible Person.

Upon closing of a Workforce Unit, a CWHIP subsidy of \$100,000 will pass through to the Eligible Person. CWHIP loans to Eligible Persons shall be for a period of not more than 30 years unless required to be co-terminus with the Permanent First Mortgage Loan or otherwise approved by Florida Housing's Board. CWHIP Interest to Eligible Persons shall be at a rate of

**CWHIP PROGRAM CREDIT UNDERWRITING REPORT****SMG**

1.00% per annum if forgivable (3.00% if not). For forgivable CWHIP Loans, principal and interest is forgiven pro rata each year if the unit remains in compliance. The 50 CWHIP Workforce Housing Units shall be deed-restricted for resale to Eligible Persons at a Sales Price of not more than 80% of the Median Sales Price for that type of unit in Palm Beach County or the Florida Statewide Median Sales Price for that type of unit, whichever is higher at the time of resale.

<b>Model</b>	<b>Type</b>	<b>Bed-rooms</b>	<b>Baths</b>	<b>CWHIP Units</b>	<b>Unit Size</b>	<b>80% Median Price</b>	<b>Appraised Value</b>	<b>Selling Prices</b>
Banyan	End/Flat	2	2	10	1,070	\$305,507	\$314,000	\$223,000
Cypress	End/Flat	3	2	10	1,561	\$305,507	\$350,000	\$279,990
Hibiscus	Interior/TH	3	3	20	1,544	\$305,507	\$320,000	\$239,990
Palm	Interior/TH	3	3	20	1,590	\$305,507	\$320,000	\$244,990
<b>Totals</b>				<b>60</b>	<b>88,990</b>		<b>\$19,440,000</b>	<b>\$14,729,500</b>

Other Sources of Funding:

None

## CWHIP PROGRAM CREDIT UNDERWRITING REPORT

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**Construction Uses of Funds**

	<b>Developer's Total Development Cost</b>	<b>Developer's CWHIP Development Cost</b>	<b>SMG CWHIP Development Cost</b>
<b>Actual Construction Costs</b>			
Construction Contract			
Demolition	\$1,800,000	\$600,000	\$600,000
New Homeownershp Units	\$17,101,870	\$5,700,623	\$5,700,623
Recreational Amenities	\$500,000	\$166,667	\$166,667
Landscaping	\$435,000	\$145,000	\$145,000
Site General and Administrative	\$200,000	\$66,667	\$66,667
Contractor's Fee (Not to Exceed 14%)	\$2,794,932	\$931,644	\$931,644
Total Construction Contract	\$22,831,802	\$7,610,601	\$7,610,601
Other: Hard Cost Contingency	\$605,606	\$201,869	\$201,869
<b>Total Construction Costs</b>	<b>\$23,437,408</b>	<b>\$7,812,470</b>	<b>\$7,812,470</b>

1. Applicant provided SMG a copy of an August 11, 2005, Agreement for Construction Management Services with Alliance Construction, Inc., a related entity now known as Cornerstone Construction, with a Construction Budget in the amount of \$20,576,351.

Note: The Agreement for Construction Management Services is not a standard AIA Construction Contract. In order to conform to Rule 67-58.070, Applicant and Cornerstone Construction executed a December 11, 2007, Amendment to Agreement for Construction Management Services stipulating the Contract Amount of \$20,576,351 is a Guaranteed Maximum Price with allowances for possible Change Orders.

Note: On January 4, 2008, Applicant and Cornerstone Construction executed Amendment No. 2 to the Agreement for Construction Management Services that increases the Contract Amount to \$22,831,802 resulting from provisions for Landscaping and Site General and Administrative Costs plus an increase in the General Contractors Fee.

Note: General Contractor Fees of \$2,794,932 for the Subject Development include General Conditions, Overhead and Profit. They are 13.95% of the adjusted Construction Contract Amount (i.e., the Construction Contract Amount of \$22,831,802 less the General Contractor Fee, itself) which is within Florida Housing's Cap of 14.00%.

2. Applicant provided a Hard Cost Contingency of \$605,606 (2.94%).

## CWHIP PROGRAM CREDIT UNDERWRITING REPORT

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	Developer's Total Development Cost	Developer's CWHIP Development Cost	SMG CWHIP Development Cost
<b>General Development Costs</b>			
Accounting Fees	\$16,252	\$5,417	\$5,417
Appraisal	\$15,000	\$5,000	\$1,400
Architect's Fee	\$269,000	\$89,667	\$89,667
Builder's Risk Insurance	\$243,030	\$81,010	\$81,010
Building Permit	\$832,404	\$277,468	\$277,468
Loan Closing Costs	\$683,883	\$227,961	\$227,961
Engineering Fee	\$149,472	\$49,824	\$49,824
Environmental Report	\$23,051	\$7,684	\$7,684
Credit Underwriting Fees	\$15,000	\$15,000	\$11,015
Impact Fees	\$933,114	\$311,038	\$311,038
PCA and Inspection Fees	\$42,475	\$14,159	\$14,159
Insurance	\$282,267	\$94,089	\$94,089
Legal Fees	\$131,599	\$43,866	\$43,866
Market Study	\$10,500	\$3,500	\$3,500
Marketing and Advertising	\$3,756,159	\$729,990	\$729,990
Property Taxes	\$422,352	\$140,784	\$140,784
Survey/Plat	\$93,598	\$31,199	\$31,199
Title Insurance	\$10,299	\$3,433	\$3,433
Utility Connection Fees	\$312,537	\$104,179	\$104,179
Furniture & Equipment	\$150,000	\$50,000	\$50,000
Other	\$576,972	\$192,324	\$192,324
<b>Total General Development Costs</b>	<b>\$8,968,964</b>	<b>\$2,477,592</b>	<b>\$2,470,007</b>

1. CWHIP Appraisal Fee is the actual cost engaged by SMG.
2. CWHIP Underwriting Fees are Actual Costs.
3. Marketing and Advertising for the CWHIP units consists of Broker's Fee of \$441,885 (3% of Sales Revenues payable up front), \$24,420 of Homeowner Association Fees until the units are sold and an additional \$263,595 for miscellaneous costs.
4. The remaining General Development Costs are Applicant's estimates, which appear reasonable.
5. "Other" consists primarily of Relocation Fees paid to mobile home residents who formerly occupied the Development Site.

CWHIP PROGRAM CREDIT UNDERWRITING REPORT

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	Developer's Total Development Cost	Developer's CWHIP Development Cost	SMG CWHIP Development Cost
<b>Financial Costs</b>			
Construction Interest	\$3,287,481	\$1,095,827	\$1,095,827
Other	\$0	\$0	\$0
<b>Total Financial Costs</b>	<b>\$3,287,481</b>	<b>\$1,095,827</b>	<b>\$1,095,827</b>

1. Construction Interest is Applicant's estimate based upon First Mortgage Financing from City Bank.

	Developer's Total Development Cost	Developer's CWHIP Development Cost	SMG CWHIP Development Cost
Development Cost Before Land and Developer Fee	\$35,693,853	\$11,385,889	\$11,378,304
<b>Other Development Costs</b>			
Developer Fee	\$1,821,742	\$1,821,742	\$1,820,529
Other	\$0	\$0	\$0
<b>Total Other Development Costs</b>	<b>\$1,821,742</b>	<b>\$1,821,742</b>	<b>\$1,820,529</b>

1. Developer Fee is attributable to CWHIP Units only. It is limited to 16.00% of Development Cost before Land and Developer Fees.

	Developer's Total Development Cost	Developer's CWHIP Development Cost	SMG CWHIP Development Cost
Development Cost Before Land	\$37,515,595	\$13,207,631	\$13,198,833
<b>Land Acquisition Costs</b>			
Land	\$4,592,000	\$1,530,667	\$1,530,667
Other	\$0	\$0	\$0
<b>Total Land Acquisition Costs</b>	<b>\$4,592,000</b>	<b>\$1,530,667</b>	<b>\$1,530,667</b>

1. Applicant provided SMG copies of a December 13, 2004, Warranty Deed recorded January 12, 2005, in the Official Records of Palm Beach County at Book 18008, Page 1046 and a January 11, 2005, Closing Statement in the amount of \$4,350,000. Applicant states an additional \$242,000 is allocated cost from a second parcel (the "Rio Parcel"), the Developer was obligated to purchase in order to acquire the Development Site. The Rio Parcel was purchased November 5, 2004 and subsequently sold.

**CWHIP PROGRAM CREDIT UNDERWRITING REPORT**

**SMG**

2. Applicant provided SMG a copy of a draft June 29, 2007, First American Title Insurance Company Commitment for Title in an amount and beneficiary yet to be determined

	Developer's Total Development Cost	Developer's CWHIP Development Cost	SMG CWHIP Development Cost
<b>Total Development Cost</b>	<b>\$42,107,595</b>	<b>\$14,738,298</b>	<b>\$14,729,500</b>



## CWHIP PROGRAM CREDIT UNDERWRITING REPORT

SMG

## Project Cost per Home (prior to CWHIP Subsidy)

Model	Type	Bed-rooms	Baths	Total Units	CWHIP Units	Unit Size	Selling Price
Banyan	End/Flat	2	2	30	10	1,070	\$223,000
Cypress	End/Flat	3	2	30	10	1,561	\$279,990
Hibiscus	Interior/TH	3	3	60	20	1,544	\$239,990
Palm	Interior/TH	3	3	60	20	1,590	\$244,990
<b>Totals</b>				<b>180</b>	<b>60</b>	<b>88,990</b>	<b>\$14,729,500</b>

Average Selling Price	
End/Flats	\$251,495
Interior/TH	\$242,490

## CWHIP PROGRAM CREDIT UNDERWRITING REPORT

SMG

**Affordability Analysis**

Number of Persons in the Household	Area Median Income	Gross Annual Income Limits	Gross Monthly Income Limits	30% Debt/Income Ratio	Maximum Mortgage Supported at 7% APR
1	80%	\$36,050	\$3,004	\$901	\$135,465
2	80%	\$41,200	\$3,433	\$1,030	\$154,817
3	80%	\$43,650	\$3,638	\$1,091	\$164,023
4	80%	\$51,500	\$4,292	\$1,288	\$193,521
1	120%	\$54,120	\$4,510	\$1,353	\$203,366
2	120%	\$61,800	\$5,150	\$1,545	\$232,225
3	120%	\$69,600	\$5,800	\$1,740	\$261,535
4	120%	\$77,280	\$6,440	\$1,932	\$290,394
1	140%	\$63,140	\$5,262	\$1,579	\$237,260
2	140%	\$72,100	\$6,008	\$1,803	\$270,929
3	140%	\$81,200	\$6,767	\$2,030	\$305,124
4	140%	\$90,160	\$7,513	\$2,254	\$338,793

1. Income Limits in the above table are based upon Florida Housing's Income Limits adjusted to Household Size for the West Palm Beach-Boca Raton HMFA.
2. The Affordability Analysis assumes that 30% of Gross Monthly Income is utilized for monthly, amortizing Mortgage Payments. It does not consider other possible subsidies, including Down Payment assistance.
3. The Maximum Mortgage Loan is based upon a 30-year amortizing Mortgage at 7.00%.
4. In order to correctly evaluate subsidy levels to ensure Eligible Persons are not being over-subsidized or under-subsidized, the Minimum Allowable Back-End or Total Debt Ratio of 20% and the Maximum Allowable Back-End or Total Debt Ratio of 45% will be used to determine if the CWHIP Loan is over or under-subsidizing the Eligible Person.

## CWHIP PROGRAM CREDIT UNDERWRITING REPORT

SMG

## Permanent Financing Sources

	Banyan 2-Bed/2-Bth Flat	Cypress 3-Bed/2-Bth Flat	Hibiscus 3-Bed/3-Bth Townhome	Palm 3-Bed/3-Bth Townhome
80% Median Sales Price Palm Beach County	\$305,507	\$305,507	\$305,507	\$305,507
Selling Prices at The Preserve at Boynton Beach	\$223,000	\$279,990	\$239,990	\$244,990
Less:				
CWHIP Second Mortgage Financing	\$100,000	\$100,000	\$100,000	\$100,000
CRA Subsidy	\$50,000	\$50,000	\$50,000	\$50,000
Adjusted Sales Price	\$73,000	\$129,990	\$89,990	\$94,990
Less 5% Purchaser Down Payment	\$3,650	\$6,500	\$4,500	\$4,750
First Mortgage Financing	\$69,350	\$123,490	\$85,490	\$90,240
Interest Rate	7.00%	7.00%	7.00%	7.00%
Term	30 Years	30 Years	30 Years	30 Years
Monthly P&I Payment	\$461	\$822	\$569	\$600
Monthly Tax and Insurance Escrow Payment	\$300	\$374	\$326	\$332
Monthly PITI Payment	\$761	\$1,196	\$895	\$932
Monthly Owners Association Fee (billed separately)	\$240	\$240	\$240	\$240
Purchaser's Total Monthly Housing Payment	\$1,001	\$1,436	\$1,135	\$1,172
Purchaser's Total Monthly Housing Payment as a % of Income - Family of 3 at 80% AMI	27.52%	39.47%	31.21%	32.23%
Purchaser's Total Monthly Housing Payment as a % of Income - Family of 3 at 120% AMI	17.26%	24.75%	19.57%	20.22%
Purchaser's Total Monthly Housing Payment as a % of Income - Family of 3 at 140% AMI	14.79%	21.22%	16.78%	17.33%

**SMG**

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**Section B**

**CWHIP Loan Special and General Conditions**

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**January 10, 2008**

**CWHIP PROGRAM CREDIT UNDERWRITING REPORT****SMG****Special Conditions**

This Seltzer Management Group, Inc. ("Seltzer" or "SMG") Community Workforce Housing Innovation Pilot Program ("CWHIP") recommendation is contingent upon receipt and satisfactory review of the following items by SMG and Florida Housing Finance Corporation ("Florida Housing" or "FHFC") **at least two (2) weeks prior to Loan Closing**. Failure to submit and receive approval of these items within this timeframe may result in postponement of the Closing Date.

1. An extension of the \$11,475,000 First Mortgage and \$14,000,000 (cross-collateralized) Revolving Line of Credit by City National Bank ("City Bank"), Miami, Florida, or documentation of alternative Senior Financing.
2. During construction, Cornerstone Group Development, LLC ("Cornerstone"), Coral Gables Florida, is allowed to draw a maximum of 50% of Total Developer Fees, which is determined to be "Developer Overhead". No more than 35% of Developer Overhead will be funded at Loan closing. The remainder will be disbursed during construction on a pro rata basis based upon the Percentage of Completion as approved and reviewed by FHFC and the Loan Servicer. The remaining unpaid Developer Fee is considered "Developer Profit" and may not be funded until the Subject Development has achieved 100% lien-free completion and Retainage has been released.

**General Conditions**

Seltzer's recommendation is contingent upon receipt and satisfactory review of the following items by SMG and FHFC **at least two (2) weeks prior to Loan Closing**. Failure to submit and receive approval of these items within this timeframe may result in postponement of the Closing Date.

1. Boynton Village, LLC, ("Applicant" or "Borrower"), to comply with all recommendations noted in the PCA from Consultech & Associates, Inc. ("Consultech"), Tampa, Florida, and a Consultech "Sign Off" Letter.
2. Signed and sealed Survey, dated within 90 days of Loan Closing, unless otherwise approved by FHFC and its Legal Counsel based upon the particular circumstances of the transaction. The Survey shall be certified to FHFC and its Legal Counsel, as well as the Title Insurance Company, and shall indicate the Legal Description, Exact Boundaries of the Subject Development, Easements, Utilities, Roads, Means of Access to Public Streets, Total Acreage, Flood Hazard Area and any other requirements of FHFC.
3. Building Permits and any other necessary Regulatory Approvals and Permits (e.g., Final Site Plan Approval, Water Management District, Florida Department of Environmental Protection, United States Army Corps of Engineers, Florida Department of Transportation, etc.). An acceptable alternative to this requirement is receipt and satisfactory review of a letter from the Local Permitting and Approval Authority stating that the 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 such a letter is provided, copies of all Permits and Approvals will be required as a condition of the first Post-Closing Draw.

**CWHIP PROGRAM CREDIT UNDERWRITING REPORT****SMG**

4. Final "as permitted" (signed and sealed) Site Plan plus Building Plans and Specifications. The Geotechnical Report must be bound within the final Plans and Specifications.
5. 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 upon the final Draw Schedule (see below), documentation of the Closing Costs and a 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.
6. A Final Construction Draw Schedule showing itemized Sources and Uses of Funds for each Monthly Draw. CWHIP Loan Proceeds shall be disbursed pro rata with other funding sources during the construction or rehabilitation phase in an amount per Draw that does not exceed the ratio of the CWHIP Loan to Total Development Costs, net of Deferred Developer Fees, unless otherwise approved by the Credit Underwriter. The Closing Draw must include appropriate Backup Wiring Instructions.
7. Evidence of General Liability, Flood (if applicable), Builders Risk and Replacement Cost Hazard Insurance as Certificates of Occupancy ("C/O's") are received, reflecting FHFC as Loss Payee/Mortgagee, in Coverages, Deductibles and Amounts satisfactory to FHFC.
8. Architect, Construction Consultant and Borrower Certifications on forms provided by FHFC will be required for both Design and As-Built with respect to Section 504, Americans with Disabilities Act ("ADA") and Fair Housing requirements, if applicable.
9. Satisfactory completion of a Pre-Loan Closing Compliance Audit conducted by FHFC or its Loan Servicer, if applicable.

Seltzer's recommendation is contingent upon review and approval of the following by FHFC and its Legal Counsel **at least two (2) weeks prior to Loan Closing**. Failure to receive approval of these items, along with other items listed on Legal Counsel's Due Diligence List, within this time frame may result postponement of the Closing Date.

1. Documentation of the legal formation and current authority to transact business in Florida for the Borrower, the General Partner/Principal(s)/Manager(s) of the Borrower, the Guarantors and the Limited Partner(s) of the Borrower.
2. Signed and sealed Survey, dated within 90 days of CWHIP Loan Closing, unless otherwise approved by FHFC and its Legal Counsel based upon the particular circumstances of the transaction. The Survey shall be certified to FHFC and its Legal Counsel, as well as the Title Insurance Company, and shall indicate the Legal Description, Exact Boundaries of the Subject Development, Easements, Utilities, Roads, Means of Access to Public Streets, Total Acreage, Flood Hazard Area and any other requirements of FHFC.
3. An acceptable, updated Environmental Audit Report/Environmental Site Assessment ("ESA"), together with a Reliance Letter to FHFC, prepared within 90 days of CWHIP Loan Closing, unless otherwise approved by FHFC and its Legal Counsel based upon the particular circumstances of the transaction. Borrower to comply with any and all recommendations noted in the ESA(s) and Update and the Environmental Review, if applicable.

**CWHIP PROGRAM CREDIT UNDERWRITING REPORT****SMG**

4. Title Insurance Pro Forma or Commitment for Title Insurance with copies of all Schedule B exceptions in the amount of the CWHIP Loan naming FHFC as the Insured. All Endorsements required by FHFC shall be provided.
5. FHFC and its Legal Counsel shall review and approve all other Lenders' Closing Documents and the Limited Partnership Agreement or other applicable agreement. FHFC shall be satisfied in its sole discretion that all legal and program requirements for the CWHIP Loan has been satisfied.
6. Evidence of General Liability, Flood (if applicable), Builders Risk and Hazard Insurance as C/O's are received, reflecting FHFC as Loss Payee/Mortgagee, in Coverages, Deductibles and Amounts satisfactory to FHFC.
7. Receipt of a Legal Opinion from Borrower's Legal counsel acceptable to FHFC addressing the following matters:
  - a. The legal existence and good standing of Borrower, any Partnership or Limited Liability Company that is the General Partner of Borrower ("GP") and of any Corporation, Partnership or Limited Liability Company that is the Managing General Partner of the GP, or any Corporate Guarantor and any Manager;
  - b. Authorization, execution, and delivery by Borrower and Guarantors of all CWHIP Loan Documents;
  - c. The CWHIP Loan Documents being in full force and effect, and enforceable in accordance with their terms, subject to Bankruptcy and Equitable Principles only;
  - d. That Borrower and the Guarantors' execution, delivery, and performance of the CWHIP Loan Documents shall not result in a violation of, or conflict with any Judgments, Orders, Contracts, Mortgages, Security Agreements or Leases to which Borrower is a party, or to which the Subject Development is subject to Borrower's Partnership Agreement and;
  - e. Such other matters as FHFC or its Legal Counsel may require.
8. Evidence of compliance with local Concurrency Laws.
9. Such other Assignments, Affidavits, Certificates, Financial Statements, Closing Statements and other Documents as may be reasonably requested by FHFC or its Legal Counsel, in form and substance acceptable to FHFC or its Legal Counsel, in connection with the CWHIP Loan.
10. Uniform Commercial Code ("UCC") Searches for Borrower and its Partnerships, as requested by FHFC and its Legal Counsel.
11. Any other reasonable conditions established by FHFC and its Legal Counsel.

**Additional Conditions**

1. Compliance with all provisions of Chapter 2006-69, Section 27 (LOF) and Chapter 67-58, FAC.
2. Acceptance by Borrower and execution of all Legal Documents evidencing and securing the CWHIP Loan in form and substance satisfactory to FHFC, including but not limited to the

**CWHIP PROGRAM CREDIT UNDERWRITING REPORT****SMG**

Promissory Note, the Loan Agreement, the Mortgage and Security Agreement and the Land Use Restriction Agreement ("LURA").

3. At all times, there will be un-disbursed Loan Funds (collectively held by the Loan Servicer, the First Mortgage Lender and any other sources) sufficient to complete the Subject Development. If at any time there are not sufficient funds (held by the Loan Servicer, the First Mortgage Lender and any other sources) to complete the Subject Development, Borrower will be required to expend additional Equity on Development Costs or to deposit additional Equity with FHFC that, in Florida Housing's sole opinion, is sufficient to complete the Subject Development before additional CWHIP Loan funds are disbursed. This condition specifically includes escrowing at Loan Closing all Syndication and other Equity necessary to complete construction or another alternative acceptable to FHFC, in its sole discretion.
4. Guarantors to provide standard FHFC Construction Completion Guarantees, to be released upon Lien-Free Completion as approved by the Loan Servicer.
5. Guarantors to provide standard FHFC Environmental Indemnity Guarantees.
6. Guarantors to provide standard FHFC Guarantees of Recourse Obligations.
7. Consultech to act as Florida Housing's inspector.
8. A Mortgagee Title Insurance Policy naming FHFC as the insured, in the amount of the CWHIP Loan is to be issued immediately after Loan Closing. Any exceptions to the Title Insurance Policy must be acceptable to FHFC and/or its Legal Counsel. The form of the Title Policy must be approved prior to CWHIP Loan Closing.
9. Property Tax and Hazard Insurance Escrow(s) to be established and maintained by the First Mortgage Lender or the Loan Servicer. In the event the Reserve Account(s) are held by Florida Housing's Loan Servicing Agent, the release of funds shall be at Florida Housing's sole discretion.
10. A minimum of 10% Retainage Holdback on all Construction Draws until the subject development is 50% complete, with 0% thereafter. Retainage will not be released until successful completion of construction and issuance of all Certificates of Occupancy.
11. Satisfactory completion of a Pre-Loan Closing Compliance Audit conducted by FHFC or its Loan Servicer, if applicable.
12. Any other reasonable requirement of Florida Housing, its Loan Servicer or its Legal Counsel.



## COMPLETENESS AND ISSUES CHECKLIST

**DEVELOPMENT NAME:** The Preserve at Boynton Beach

**DATE:** January 10, 2008

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</b>	<b>STATUS</b>	<b>NOTE</b>
<b>REQUIRED ITEMS:</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.	N/A	
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.	

**COMPLETENESS AND ISSUES CHECKLIST**

11. Resumes and experience of applicant, general contractor and management agent.	Satis.	
12. Credit authorizations; verifications of deposits and mortgage loans.	Satis.	
13. Management Agreement and Management Plan.	N/A	
14. Firm commitment from the credit enhancer or private placement purchaser, if any.	N/A	
15. Firm commitment letter from the syndicator, if any.	N/A	
16. Firm commitment letter(s) for any other financing sources.	Satis.	1
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.	N/A	
19. Fifteen-year income, expense, and occupancy projection.	N/A	
20. Executed general construction contract with "not to exceed" costs.	Satis.	
21. Any additional items required by the credit underwriter.	Satis.	

## NOTES AND APPLICANT'S RESPONSES:

1. First Mortgage Financing and a Revolving Construction Line of Credit are through City National Bank ("City Bank"), Miami, Florida. The December 5, 2005, Third Amended and Restated Consolidated Promissory Note in the amount of \$11,475,000 and the December 5, 2005, Revolving Line of Credit Promissory Note in the amount of \$14,000,000 matured December 1, 2007. Applicant states the loans are currently in the process of being extended. Seltzer's recommendation is contingent upon documentation of executed Renewals or alternative Senior Debt.



March 28, 2010

Nicole Gibson  
Florida Housing Finance Corporation  
227 North Bronough Street, Suite 5000  
Tallahassee, Florida 32301

**RE: PRESERVE AT BOYNTON BEACH – CWHIP REINSTATEMENT AND EXTENSION REQUEST**

Dear Mrs. Gibson:

The Preserve at Boynton Beach CWHIP loan will mature on April 14, 2010 and it is understood that Florida Housing will not have a Board Meeting before its maturity. As such, please allow this to be our formal request for reinstatement and extension.

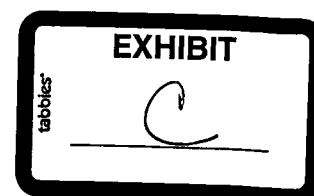
Currently Building 9 of the CWHIP-Assisted Units has just completed and is currently in the process of closing its first buyers. City National Bank of Florida, the first mortgage lender, is currently in the process of extending the construction loan.

Please contact me at extension 2246 should you have any questions.

Thank you,

A handwritten signature in black ink, appearing to read 'Max Cruz', written over a horizontal line.

Max Cruz  
Vice President  
Development and Acquisition



SELTZER MANAGEMENT GROUP, INC.

7500 MCELVEY ROAD  
PANAMA CITY BEACH, FL 32408  
TEL : (850) 233-3616  
Fax : (850) 233-1429

April 13, 2010

*VIA EMAIL AND U. S. MAIL*

Mr. David Westcott  
Deputy Development Officer  
Florida Housing Finance Corporation  
227 North Bronough Street  
Tallahassee, Florida 32301

**Re: The Preserve at Boynton Beach -  
CWHIP RFP 2006-05**

Dear Mr. Westcott:

At your request, Seltzer Management Group, Inc. ("SMG" or "Seltzer"), has reviewed a request to extend the CWHIP program loan from April 14, 2010, to April 14, 2011.

The subject is financed with a \$5,000,000 CWHIP loan and a first mortgage revolving line of credit from City National Bank of Florida ("City National"). The City National line of credit also expires April 14, 2010.

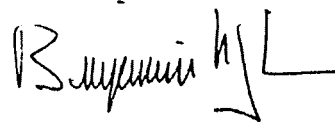
To date, only 12 units (all in one-building) have been completed and none sold. The developer is actively marketing the units but efforts to date have been unsuccessful in identifying income eligible persons with the ability to qualify for first mortgage financing in an amount sufficient to complete the sale. This situation appears to be directly related to the prolonged economic down turn, in general, and depressed housing market, specifically.

SMG recommends FHFC approve the extension request subject to the following:

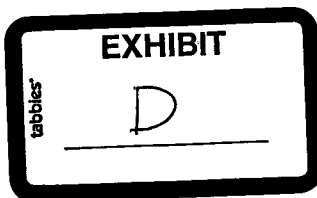
- Receipt and satisfactory review of documentation evidencing the City National first mortgage financing extension,
- The CWHIP loan be extended to match the term of the City National first mortgage but in no case longer than a period of one year, and
- No further CWHIP funds are to be expended until all of the 12 completed units have been sold to Eligible Persons.

Should you have any questions please feel free to contact me directly.

Sincerely,  
SELTZER MANAGEMENT GROUP, INC.



Benjamin S. Johnson  
President



# Florida Housing Finance Corporation

*Credit Underwriting Report*

## The Preserve at Boynton Beach, Phase I

MMRB (NIBP), CWHIP-Tranche A, CWHIP-Tranche Band HC Programs

2010A-215B, RFP 2006-05

Section A Report Summary

Section B Loan Conditions and HC Allocation Contingencies

Section C Supporting Information and Schedules

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*Prepared by*

**Seltzer Management Group, Inc.**

*Final Report*

*September 29, 2011*



## THE PRESERVE AT BOYNTON BEACH, PHASE I

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

**Recommendation**

Seltzer Management Group, Inc. ("SMG" or "Seltzer") recommends a Multifamily Mortgage Revenue Bond ("MMRB") Program loan be awarded for the construction and permanent financing of The Preserve at Boynton Beach, Phase I ("Subject Development") by Florida Housing Finance Corporation ("FHFC" or "Florida Housing") in the form of \$11,700,000 of New Issue Bond Program ("NIBP") Tax-Exempt MMRB and an annual 4% non-competitive Housing Credit ("HC") allocation in the amount of \$578,783 be awarded for the construction and permanent financing of the Subject Development.

<b>DEVELOPMENT &amp; SET-ASIDES</b>																												
Location	Scattered sites located at: 1802 - 1828 NE 5 <sup>th</sup> Street 1830 - 1852 NE 5 <sup>th</sup> Street 501 - 527 NE 19 <sup>th</sup> Avenue 502 - 528 NE 19 <sup>th</sup> Avenue 1749 - 1767 NE 6 <sup>th</sup> Street 1725 - 1747 NE 6 <sup>th</sup> Street 1730 - 1756 NE 6 <sup>th</sup> Street 1702 - 1728 NE 6 <sup>th</sup> Street 1621 - 1629 NE 6 <sup>th</sup> Street 1866 NE 6 <sup>th</sup> Street (Unit 901) 1860 NE 6 <sup>th</sup> Street (Unit 902) 1854 NE 6 <sup>th</sup> Street (Unit 903) 1836 NE 6 <sup>th</sup> Street (Unit 906) 1830 NE 6 <sup>th</sup> Street (Unit 907) 1812 NE 6 <sup>th</sup> Street (Unit 910) 1806 NE 6 <sup>th</sup> Street (Unit 911) 1800 NE 6 <sup>th</sup> Street (Unit 912) Boynton Beach, Palm Beach County, FL 33435																											
Number of Units/Unit Mix	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Bed-rooms</th> <th style="width: 15%;">Baths</th> <th style="width: 15%;">No. of Units</th> <th style="width: 15%;">Unit Size (SF)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">2</td> <td style="text-align: center;">20</td> <td style="text-align: center;">1,071</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">2</td> <td style="text-align: center;">20</td> <td style="text-align: center;">1,561</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">3</td> <td style="text-align: center;">41</td> <td style="text-align: center;">1,544</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">3</td> <td style="text-align: center;">41</td> <td style="text-align: center;">1,590</td> </tr> <tr> <td colspan="2" style="text-align: center;"><b>Totals</b></td> <td style="text-align: center;"><b>122</b></td> <td style="text-align: center;"><b>181,134</b></td> </tr> </tbody> </table>				Bed-rooms	Baths	No. of Units	Unit Size (SF)	2	2	20	1,071	3	2	20	1,561	3	3	41	1,544	3	3	41	1,590	<b>Totals</b>		<b>122</b>	<b>181,134</b>
Bed-rooms	Baths	No. of Units	Unit Size (SF)																									
2	2	20	1,071																									
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3	3	41	1,590																									
<b>Totals</b>		<b>122</b>	<b>181,134</b>																									
Demographic Commitment	Family																											
Set Asides	MMRB: 80% of the units (97 units) at 60% or less of area median income ("AMI") HC: 93.5% of the units (114 units) at 60% AMI CWHIP-Tranche B: 6.5% of the units (8 units) at																											



Set Aside Term	<p>140% AMI                      93.5% of the units (114 units) at 60% AMI                      CWHIP-Tranche A: 6.5% of the units (8 units) at 140% AMI                      93.5% of the units (114 units) at 60% AMI                      MMRB and HC: 50 Years                      CWHIP-Tranche B and CWHIP-Tranche A: In perpetuity</p>
County Size	Large
Development Category	New Construction
Development Type	Townhouse
Occupancy Rate	N/A
Parking	<p>275 spaces, which includes 8 parking spaces designated as handicap accessible parking spaces. Zoning and Future Land Use requires 263 parking spaces for 122 dwelling units (2 parking spaces per unit plus 19 visitor or guest parking spaces defined as 0.15 parking spaces per dwelling unit) There are 7 handicap accessible parking spaces plus one handicap accessible van parking space plus 23 regular parking spaces located in the common areas of the Subject Development and which are attached to the residential buildings and units of the Subject Development via sidewalks or driveways. See "Density" below for Seltzer's recommendation regarding parking.</p>
Improvements	<p>The development consists of nine residential buildings comprised of thirty-six one-story flats and 78 three-story townhouse style units over parking plus an additional four one-story flats and four three-story townhouse style units over parking located in a tenth residential building that are already constructed. All units will be provided with patio/balcony and private garages. The building structures are painted stucco on reinforced concrete block with slabs on grade, concrete slabs at raised floors for the flats at the ends of the buildings with the upper floors of the townhome units constructed with pre-engineered wood trusses and a wood deck supported by cast-in place concrete tie beams. The roofs utilize wood trusses, sheathing, felt and cement flat roof tiles. A community center, tot lot and swimming pool are located in the common areas of a previous phase of the overall development.</p>

Site Acreage	3.231 gross acres per ALTA/ASCM Land Title Survey by Carnahan-Proctor-Cross, Inc.
Density	37.8 units per gross acre. According to Ordinance No 05-021 approved by the City Commission of the City of Boynton Beach, Florida, the Future Land Use of the 9.888 acres known as The Preserve at Boynton Beach was designated as Special High Density Residential (20 dwelling units/acre) as of April 19, 2005. According to Michael W. Rumpf, Director of Planning and Zoning, for the City of Boynton Beach, the Development Order of the City Commission of the City of Boynton Beach dated April 8, 2005 approved a site plan to construct 180 townhouse units on 9.888 acres in the PUD zoning district and is "vested" and remains valid if all conditions are met. Seltzer's recommendation is contingent upon receipt and satisfactory review, prior to loan closing, of a letter verifying that the zoning and parking on the subject site will remain conforming in the case of a future change in ownership of the Subject Development including foreclosure.
Zoning	PUD (Planned Unit Development) According to Ordinance No 05-022 approved by the City Commission of the City of Boynton Beach, Florida the 9.888 acres known as The Preserve at Boynton Beach was rezoned from Multi-Family Residential (R-3) to Planned Unit Development (PUD) on April 19, 2005. See "Density" above for Seltzer's closing conditions regarding zoning and concurrency.
Flood Zone Designation	Zone C. Flood insurance is not required.
<b>DEVELOPMENT TEAM</b>	
Applicant/Borrower	Boynton Village Associates, Ltd. ("Applicant" or "Borrower"), a Florida limited partnership registered with the State of Florida on January 14, 2010
General Partner	Cornerstone Boynton Village, L.L.C. ("CBV") a Florida limited liability company registered with the State of Florida in May 2011 with .01% ownership interest. The managing members of CBV are Stuart I. Meyers Family Partnership Ltd. ("SMFLP"), Jorge and Awilda Lopez, tenants by the entireties ("JAL"), M3 Assets, L.L.C. ("M3"), and M.S. Mades Family Limited Partnership ("MFLP").  The General Partner of SMFLP is SIM Family Holdings, L.L.C. ("SIMHoldings") with a 0.1% ownership in the Partnership. Stuart Meyers is the

	<p>managing member of SIMHoldings.</p> <p>The sole member of M3 is Leon J. Wolfe and Lisa M. Wolfe, tenants by the entireties.</p> <p>The General Partner of MFLP is M.S. Mades Associates, L.L.C. ("MSMA") with a 1% ownership interest. Mara S. Mades with a 90% ownership interest is the managing member of MSMA.</p>
Limited Partner/Syndicator	<p>The current 99.99% limited partners of the Applicant are SMFLP (20%), JAL (45%), M3 (17.5%), and MFLP (17.5%).</p> <p>Hudson Housing Capital, L.L.C. ("Hudson Capital") or an affiliate will replace the current LP and purchase a 99.99% Limited Partner interest in the Applicant prior to or concurrent with the MMRB closing.</p>
Guarantors	Borrower, CBV, CSG Development Services, L.L.C. ("CSG"), and Stuart Meyers, Jorge Lopez, Awilda Lopez, Mara S. Mades, and Leon Wolfe, individually.
Developer	<p>CSG</p> <p>CSG is jointly owned by four members, JAL (45%), SMFLP (20%), M3 (17.5%), and MFLP (17.5%).</p>
General Contractor	CSG Construction, L.L.C. ("CSGConst"), Hollywood, Florida, a related entity
Architect	AW Architects
Management Company	CSG Management Services, L.L.C. ("CMS"), Hollywood, Florida, a related entity.
First Mortgage Lender	FHFC
Credit Enhancer/Market Bond Purchaser	Oak Grove Commercial Mortgage, L.L.C. d/b/a Oak Grove Capital ("OGC"), Grapevine, Texas as DUS credit underwriter for FNMA ("Fannie Mae")
<b>FINANCING INFORMATION</b>	
FHFC Programs	MMRB-NIBP, CWHIP-Tranche A; CWHIP-Tranche B and HC Programs
MMRB-NIBP Loan	\$11,700,000
"All-in" Underwritten Interest Rate	4.630% Construction 3.810% Permanent
Term/Amortization	30 / 35
CWHIP-Tranche B Loan (Undisbursed CWHIP)	\$1,974,964

Development's sub-market considered to be primary competition for the Subject: Palm Park, Palm Garden, Portofino, Congress Park, Worthington and Villas at Cove Crossing. The weighted average occupancy for these developments at the time of the appraisal was 94%.

Integra's research indicated that there are eighteen (18) Guarantee Fund properties in Palm Beach County. Further, the Study confirms that there are 2 Guarantee Fund properties located within the Subject's primary market area, Portofino and Worthington. Only one of these properties, Worthington, is located within five (5) miles of the Subject Development. According to Florida Housing's occupancy report, occupancy at Worthington as of July 31, 2011, is 96.0%. Portofino is located approximately 6.0 miles from the proposed Subject Development. As of July 31, 2011, Florida Housing reports occupancy at Portofino is 96%. Integra projects minimal impact on these Guarantee Fund properties.

Seltzer notes that Boynton Bay Apartments ("Boynton Bay") is an elderly development located directly across the street from the Subject Development. Seltzer's records reflect that physical occupancy as of August 31, 2011 is 93.8%. According to Florida Housing's occupancy report, average occupancy for the first seven (7) months of 2011 at Boynton Bay was 95.3%. Integra provided a September 14, 2011 letter amendment to the appraisal which advises that while some overlap of prospective residents may occur, because of the differences in each development's features and amenities and services offered, the Subject Development is not considered a direct competitor of the Boynton Bay Apartments.

#### Issues and Concerns:

1. Matured CWHIP Loan: The Preserve at Boynton Beach is currently encumbered by a first mortgage from City National Bank of Florida ("City") and a CWHIP second mortgage from FHFC. Both loans matured April 14, 2010, and are currently in default. The current balance of the City mortgage is \$9,857,608.07 comprised of a Fourth Amended and Restated Consolidated Promissory Note – Non-Revolving Line of Credit ("A&D Note") in the amount of \$2,905,500.90 and an Amended and Restated Renewal Promissory Note – Revolving Line of Credit ("Construction Note") in the amount of \$6,952,107.17. The City mortgage encumbers the 9.888 acre development currently known as The Preserve at Boynton Beach less any of the townhouses already sold and released. The City collateral includes the remainder of the six (6) buildings completed, all of the common areas and the nine (9) scattered sites plus eight (8) constructed units proposed for the Subject Development. The disbursed loan balance of the CWHIP loan as of April 1, 2010, to be assumed is \$2,625,035.

After negotiations and review from the credit underwriter, FHFC staff proposed and the Board approved renegotiated terms of the matured CWHIP loan. The proposed workout approved by the Board at its September 1, 2011 meeting include the \$5,000,000 original CWHIP loan agreement bifurcated into two separate tranches. The first tranche ("Tranche A") represents the outstanding indebtedness related to the failed "for-sale" CWHIP transaction, totaling \$2,625,035, plus accrued interest. The second tranche ("Tranche B") represents the remaining CWHIP funding totaling \$1,974,964.70. The amounts of these two tranches total the original \$5,000,000 less funds for the four units that have been sold. In conjunction with the proposed rental transaction closing, the existing guarantors will make a \$378,000 principal reduction payment toward Tranche A. At construction completion, the existing guarantors will make a principal reduction payment of \$320,000 toward Tranche A

"All-in" Underwritten Interest Rate	1.072%
Term/Amortization	30.25 / N/A
CWHIP-Tranche A Loan (Assumed)	Construction: \$2,625,035 Permanent: \$1,927,035
"All-in" Underwritten Interest Rate	1.074%
Term/Amortization	30.25 / N/A
Market Rent/Market Financing Value at Stabilization -- MMRB	\$16,300,000
Market Loan to Value ("LTV") -- MMRB	71.78%
Market LTV -- MMRB plus CWHIP-Tranche B Loan	83.90%
Market LTV -- MMRB plus CWHIP-Tranche B Loan plus CWHIP-Tranche A Loan	95.72%
Restricted Rent/Favorable Financing Value at Stabilization	\$16,100,000
Restricted Rent/Favorable Financing LTV -- MMRB	72.67%
Restricted Rent/Favorable Financing LTV -- MMRB plus CWHIP-Tranche B Loan	84.94%
Restricted Rent/Favorable Financing LTV -- MMRB plus CWHIP-Tranche B Loan plus CWHIP-Tranche A Loan	96.91%
Projected Net Operating Income	\$884,496
Debt Service Coverage ("DSC") -- MMRB-NIBP	1.460
DSC -- MMRB plus CWHIP-Tranche B Loans	1.411
DSC - All debt and related fees	1.366
MMRB Loan to Cost	47.71%
CWHIP-Tranche A Loan to Cost	7.86%
CWHIP-Tranche B Loan to Cost	8.05%
FHFC Assistance Per Unit (MMRB + CWHIP-Tranche A + CWHIP-Tranche B)	\$127,885
Annual HC Allocation per Unit (4% non-competitive)	\$4,744
Syndication Price	\$0.8719 per dollar of HC
Bond Structure	NIBP - Fixed Rate Tax-Exempt Bonds, Amortizing

Operating Deficit Reserve	\$419,000 (per Hudson)
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**Construction / Permanent Sources:**

Source	Lender	Construction	Permanent	Permanent Loan per Unit
MMRB-NIBP Loan	FHFC	\$11,700,000	\$11,700,000	\$95,902
CWHIP-Tranche B	FHFC	\$1,974,964	\$1,974,964	\$16,188
CWHIP-Tranche A Loan (Assumed)	FHFC	\$2,625,035	\$1,927,035	\$15,795
Housing Credit Equity	Hudson Housing Capital	\$4,773,032	\$5,615,332	\$46,027
Deferred Developer Fee	CSG Development	\$2,971,715	\$2,971,715	\$24,358
Additional Developer Cash/Equity	CSG Development	\$480,532	\$336,232	\$2,756
<b>Total</b>		<b>\$24,525,278</b>	<b>\$24,525,278</b>	<b>\$201,027</b>

**Changes from the Application:**

COMPARISON CRITERIA	YES	NO
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?		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?		2
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?		3
Is the Development feasible using the set-asides committed to in the Application?		4
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	N/A	

same as or greater than that indicated in the Application?		
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?		5

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

1. Funding source changes include:
  - a. The MMRB Supplemental Cycle Application included a Prudential Mortgage Capital Company firm commitment for FHA/GNMA Credit Enhancement Facility in the amount of \$6,000,000 with \$5,700,000 in the form of NIBP/MMRB and \$300,000 in the form of Supplemental Bonds with a 24 month mandatory redemption. Current Sources of funds include an Oak Grove Capital ("OGC") summary of terms for a Fannie Mae funded forward commitment for permanent non-recourse financing in the amount of \$11,700,000. MMRB includes \$11,700,000 in NIBP/MMRB. JPMorgan Chase Bank Community Development Banking has provided a term sheet outlining its proposal to provide a Direct-Pay Letter of Credit for construction period credit enhancement in the amount of \$11,700,000 plus an interest component as required by the Issuer or Trustee.
  - b. The MMRB Supplemental Cycle Application did not include any other mortgages. Applicant negotiated an assumption, modification and extension with Florida Housing of a matured CWHIP loan in the amount of \$5,000,000 currently encumbering the property. The undisbursed portions of the CWHIP loan were renegotiated, and will be modified and assumed as the CWHIP-Tranche B Loan. The CWHIP-Tranche B is anticipated to be in the amount of \$1,974,964 with a 30 year term and annual payments of interest only based on available cash flow and all principal and any accrued but unpaid interest due at maturity. The Applicant also negotiated with Florida Housing for an assumption and extension of the disbursed CWHIP loan in the amount of \$2,625,035. The negotiated terms were approved at the September 1, 2011 FHFC Board meeting.
  - c. The MMRB Universal Application reflected that the HC equity provider would be PNC Bank, National Association ("PNC"). PNC committed to provide \$2,581,000 in capital contributions. The HC equity provider is anticipated to be Hudson Housing Capital ("Hudson") with a term sheet reflecting total capital contributions in the amount of \$5,615,332.
2. The plans and specifications are being revised to include all of the features and amenities..
3. Development costs have increased from \$9,237,059 in the application to \$24,525,278 which is directly related to the increase in the number of units from 64 to 122. Details of the increase primarily include:
  - a. an increase in the Construction Contract from \$6,192,420 to \$12,771,000 because the Borrower has increased the number of proposed construction from 64 units in five residential buildings to 114 units in nine residential buildings;
  - b. as part of the CWHIP negotiations, the addition of Non-Land Acquisition Costs in the amount of \$640,000 for purchase of eight (8) units already constructed;

- c. the addition of a Hard Cost Contingency in the amount of \$638,550;
  - d. increases in General Development Costs from \$786,356 to \$1,188,803 primarily owing to the increased scope of work and includes increases in Accounting Fees, Appraisal Fees, Architect's Fee – Design, Builder's Risk Insurance, Building Permits, Engineering Fees, FHFC Administrative Fee; Impact Fees, Marketing and Lease Up Expenses, and the addition of various Legal and Credit Underwriting Fees associated with the credit enhancement and the syndication that were not originally included in the General Development Costs;
  - e. increases in Financial Costs from \$598,000 to \$4,315,210 because of a material increase in the Bond Loan Construction Interest and an increase in the credit enhancer's Construction Loan Commitment because of the increase in the MMRB loan amount. There are also several additional financial costs that were not included in the Universal Application: Issuer Cost of Issuance, Construction Letter of Credit Commitment Fee equal to 1% of the NIBP and market MMRB, Syndicator Due Diligence Fees, Operating Deficit Reserves as required by Hudson, Florida Housing Special Assets Assumption and Renegotiation Fees for the CWHIP loan, and the FHFC CWHIP Loan to be assumed by the Borrower;
  - f. Developer Fee increased from \$1,212,283 to \$2,971,715 because of increased development costs; and
  - g. Land Acquisition Costs increased from \$448,000 to \$2,000,000 according to the Purchase and Sale Agreement dated April 27, 2011 and revised August 5, 2011 to account for the infrastructure improvements already completed.
4. The application was for 64 units with 85% set aside at 60% of AMI or less for MMRB and 100% set aside at 60% or less for HC. Applicant subsequently requested to add an additional 50 units and retained the same set asides as in the application. Applicant then added an additional 8 existing units set aside at 140% AMI which reduced the original set asides for MMRB to 80% (98 units) at 60% of AMI and for HC to 93.5% (114 units). The total units including the 8 existing units are 122 units.
5. Other changes:
- a. According to the Universal Application, Boynton Village, L.L.C. (BVLLC") was the General Partner of the Borrower with a 0.01% ownership interest. The Borrower has advised that BVLLC has been replaced as the General Partner of the Borrower by CBV. The owners and principals of CBV are the same as the owners and principals of BVLLC.
  - b. Ownership interests for Applicant have been revised subsequent to submission of the MMRB and RFP 2009-06 HOME Applications. The ownership interest of Jorge and Awilda Lopez, tenants by entireties, increased 7.5% (to 52.5%) and the ownership interest of M3 Assets, L.L.C., a business interest of Leon J. Wolfe, decreased 7.5% (to 10.0%). The ownership interests of the Stuart I. Meyers Family Limited Partnership at 20.0% and the M.S. Mades Family Limited Partnership at 17.5% are unchanged.
  - c. The MMRB Application reflected that the development would consist of 5 residential buildings containing 64 units comprised of 10 two-bedroom/two-bathroom units, 10 three-bedroom/two-bathroom units and 44 three-bedroom/three-bathroom units. The Borrower submitted a letter to Florida Housing staff dated May 3, 2011 requesting an



increase to 9 residential buildings containing 114 units comprised of 18 two-bedroom/two-bathroom units, 18 three-bedroom/two-bathroom units and 78 three-bedroom/three-bathroom units. Florida Housing staff approved the change as of May 10, 2011.

- d. The MMRB Application included a Simple Form Purchase Agreement ("Original Agreement") denoting a purchase price of \$448,000 with a legal description that began "A portion of the following parcel" followed by the legal description that included Parcels A, B and C for the full 9.888 acre development. The agreement was not dated but indicated a closing on or before September 30, 2010. Parcel A reflected a legal description including portions of certain lots. Parcel B was for a beneficial interest in an Ingress and Egress Easement. Parcel C was for a beneficial interest in a modified Utilities Easement. Borrower subsequently submitted a Purchase Agreement dated April 27, 2011 indicating a purchase price of \$2,000,000 of which \$1,850,000 is for site work at the property which includes fully developed lots. Borrower also submitted a second revised Purchase Agreement dated August 5, 2011 reflecting a purchase price of \$2,640,000 of which \$1,850,000 is for site work and \$640,000 is for eight (8) constructed units (four flats and four townhouses). The legal description on the August 5, 2011 Purchase Agreement reflects the metes and bounds for the nine (9) tracts plus the unit numbers of the eight (8) constructed units. While it appears to be a portion of the parcel included in Parcel A of the Original agreement, the legal description does not match the legal description included with the MMRB Application nor does it include Parcel B or Parcel C of the Original Agreement. The closing date was extended to December 31, 2011.
- e. The MMRB Application indicated that JMWA Architects would be the architect for the development. The Construction Contract reflects AW Architects will be the Architect. Seltzer received an assignment of the contract from JMWA Architects to AW Architects.
- f. The MMRB Application reflected Cornerstone Group Construction, Inc. as the general contractor. The general contractor to be used during construction of the subject development is now CSG Construction, L.L.C.

Any material impact of these changes to the loan or HC recommendations for this development are included in Section B, Loan Conditions and HC Allocation Contingencies.

Does the Development Team have any FHFC Financed Developments on the Past Due/Non-Compliance Report?

Florida Housing's August 10, 2011 Non-Compliance Report, reflects no non-compliance issues outside of the correction period for the development team.

Florida Housing's Past Due Report dated August 22, 2011 reflects the Cornerstone Group Development, L.L.C. as Past Due for:

- a. The Preserve at Boynton Beach: CWHIP Loan in the amount of \$5,000,000 matured April 14, 2010. Renegotiated loan terms were approved at the September 1, 2011 Board meeting.
- b. Eagle Pointe: Failure to maintain required liquidity.
- c. Portofino: Failure to maintain required liquidity.

- d. Mariners Cove: Failure to provide adequate documentation to support and maintain required liquidity.
- e. Carolina Club: Failure to maintain required liquidity
- f. Indian Trace: Failure to maintain required liquidity
- g. San Marco: Failure to maintain required liquidity
- h. St. Croix: Failure to maintain required liquidity

Seltzer's recommendations are subject to satisfactory resolution of any outstanding past due or non-compliance issues applicable to the development team. It is Seltzer's understanding that The Cornerstone Group negotiated a Liquidity Agreement with FHFC such that the liquidity deficiencies noted above have been resolved.

Strengths:

1. The principals, developer, general contractor, and the management company are experienced in affordable multifamily housing.
2. Key demographic indicators, capture rate and annual tenant eligible household growth over the next five years, are supportive of a well received development.

Additional Information:

1. SMG is aware of allegations by owners of some of the CWHIP units located at The Preserve at Boynton Beach that the units are a health concern because the interiors of the units were constructed using corrosive ("Chinese") drywall. Borrower has provided Seltzer with a copy of a letter dated April 15, 2010 from Specialty Engineering Consultants, Inc. ("SECI") advising that in their opinion unit 905 which is located in the building that includes the eight (8) existing units to be part of the Subject Development does not have any corrosive drywall present. SECI also advises that Chinese drywall was used in building construction between 2001 and 2008. Construvision ("CVI") also advised that in its opinion no Chinese drywall was used in constructing the eight (8) existing units because of the date of construction (Certificate of Occupancy issued January 2010).
2. The Integra market study dated March 7, 2011 reflects that there are currently 8,624 households in the Subject Development's primary market area ("PMA") defined as a 7 mile radius of the Subject. Currently there are 1,537 units available in the PMA to meet this demand with another 144 units in progress (Villages at Delray) for a total of 1,681 units available. There is, therefore, a current excess demand for affordable housing of 6,943 units and a capture rate of 1.64%. Palm Beach County benefits from being part of the Miami Metropolitan Statistical Area ("MSA"), which is the seventh most populous metropolitan area in the United States. Further the appraiser opines that supply and demand trends in the submarket are expected to be stable for the short term with vacancy rates expected to decrease. Over the long run, the appraiser anticipates employment, population and household growth to foster positive absorption of units in both the Palm Beach area and in the PMA.

Integra notes in its May 2, 2011 appraisal that the current sub-market and the PMA are the same. Vacancy rates in the sub-market for directly competing properties have decreased since 2009. Integra advised that there are six (6) properties located in the Subject

further reducing the Tranche A principal balance outstanding to no more than \$1,974,964. Interest on Tranche A will be due annually at 1% plus fees for a total interest rate of 1.072% to be paid from available cash flow. The existing guarantors will make annual principal payments equal to the amount of deferred developer fee paid in that same year. Tranche A will have a 30 year term and any unpaid principal and accrued but unpaid interest will be due at maturity. Tranche B will have a 30 year term, a 1% interest rate plus fees for a total interest rate of 1.074%. Annual payment of interest only will be paid from available cash flow and the unpaid principal and any accrued but unpaid interest will be due upon maturity. The negotiated terms of the failed CWHIP loan are subject to approval of this credit underwriting report.

The owner, Boynton Village, L.L.C. ("BVLLC"), City National Bank of Florida ("City") and Stuart I. Meyers, Mara Mades, Jorge Lopez and Leon J. Wolfe ("Guarantors") are in the process of negotiating a Settlement Stipulation Agreement ("Settlement") regarding the initial Acquisition and Development Loan and Construction Loan that currently encumber The Preserve at Boynton Beach. The Settlement advises that BVLLC and Guarantors are in default under these Loan Documents. The Settlement provides for the release of 114 lots for a payment of \$2,000,000. These lots are the sites for the nine (9) buildings of the Subject Development. In addition, a payment of approximately \$1,600,000 will be paid from the sale of the 23 unsold completed CWHIP units. Receipt of these funds plus the execution of a Default Note is anticipated to satisfy the current first mortgage. The Settlement has not been executed by either party as of the date of this report. Seltzer notes that the proposed agreement indicates that if an Immediate Default occurs, City may immediately file an ex parte motion, supported by an affidavit requesting the entry of a Final Judgment of Mortgage Foreclosure against BVLLC. This would affect access to the Subject Development and the reciprocal use of ingress and egress and the common areas including the community center containing the library, exercise room and computer lab, and the swimming pool, and tot lot/playground which are committed features and amenities for The Preserve at Boynton Beach, Phase I. The proposed effective date of the Settlement was May 1, 2011.

2. FHFC Guarantees: The principals to the transaction, Stuart I. Meyers, Jorge Lopez, Leon J. Wolfe and Mara S. Mades, disclosed that several of their properties have been in foreclosure proceedings, with two properties still in litigation. Disclosures by the principals include settlements and modifications of loan terms for properties (In some cases involving principal reductions). Resolution of litigation appears to be contingent upon sale of the underlying collateral or re-development/re-marketing the properties as affordable rental housing. SMG is unable to determine the impact that pending foreclosures, settlements and/or unresolved disputes may have upon the financial capacity of Mr. Meyers, Mr. Lopez, Mr. Wolfe and Ms. Mades to provide meaningful Construction Completion and Operating Deficit Guarantees.
3. Lawsuit: SMG is aware of a Lawsuit filed against The Cornerstone Group and its related entities (including CMS) by the National Fair Housing Alliance, Inc., and the Coalition for Independent Living Options, Inc. The Plaintiffs allege Fair Housing Act violations at 28 Cornerstone properties across Florida including The Preserve at Boynton Beach. The allegations against The Cornerstone Group, generally, and The Preserve at Boynton Beach, specifically, are related to accessibility by handicapped persons. Applicant states The

Cornerstone Group will respond to the lawsuit and that it has insurance to defend and protect its position. The likelihood that The Cornerstone Group, its affiliates or its principals will sustain a loss resulting from the lawsuit, and the amount of any potential loss cannot be determined at this time.

4. Site: The Subject property to be conveyed consists only of the building pad sites. It does not include any green areas, sidewalks, pavement, parking or other common areas. This poses several issues:
  - a. The site plan reflects that the site consists of scattered sites as defined in Rule 67-48.002 (106). For MMRB loans, with scattered sites, a part of the boundary of each site must be located within ½ mile of the site with the most units. In addition, the Applicant must locate each selected feature and amenity that is not unit-specific on each of the scattered sites, or no more than 1/16 mile from the site with the most units, or a combination of both. Seltzer has not received any documentation to verify this requirement has been met.
  - b. The Borrower in its Application to Florida Housing committed to provide a Community Center (with an Exercise Room, Library and Computer Lab), Tot Lot/Playground and Swimming Pool. According to the survey provided, the Community Center, Tot Lot/Playground and Swimming Pool are not located on the site. Instead they are located on the common areas of the development and are encumbered at least by the current first mortgage loan. All common areas located in the development are subject to a Declaration of Covenants, Restrictions and Reciprocal Easements and a First Amendment to the Declaration of Covenants, Restrictions and Reciprocal Easements.
  - c. Ordinance No. 05-021 of the City of Boynton Beach, Florida was approved by the City Commission changing the Future Land Use of the total 9.888 site from High Density Residential to Special High Density Residential which permits a density of 20 dwelling units per acre. The site for the Subject Development is 3.231 acres. Therefore, the density for the Subject Development is 37.8 dwelling units per acre, which exceeds the provisions of the Ordinance. The Borrower also provided a Development Order from the City Commission ("DO") granting site plan approval on April 8, 2005 to construct 180 townhouse units on 9.888 acres in the PUD zoning district. Michael W. Rumpf, Planning and Zoning Director of the City of Boynton Beach has advised that the DO is "vested" and remains valid as long as all other conditions remain satisfied. In addition, 31 parking spaces including 7 handicap accessible parking spaces plus one handicap accessible van parking space located in the common areas. Verification that the density and parking requirements for the Subject as a stand alone property will remain vested ("grandfathered") in the event of foreclosure is a recommendation of this report.
5. Management Company: On September 21, 2011, Florida Housing granted a conditional approval of the proposed management company, CMS. The approval is contingent upon key company personnel's attendance at the October 28, 2011 Florida Housing compliance workshop. Florida Housing reserves the right to remove this approval upon failure to comply with any of the requirements outlined in the approval process.
6. Soil Tests: The Geotechnical Engineering Service Report ("soil test report") performed by Tierra South Florida, Inc. ("TSF") revised September 8, 2010, reflects that only limited information regarding the proposed construction was available to TSF. Details of the

proposed development and structural load information were not available at the time of the revised soil test report. Seltzer considers the soil test report to be a preliminary report.

7. Credit Enhancement Commitment: In place of a firm commitment for credit enhancement, Oak Grove Commercial Mortgage, L.L.C. d/b/a Oak Grove Capital ("OGC") provided a summary of terms for a Fannie Mae funded forward commitment for permanent non-recourse financing for the Subject Development.
8. Construction LOC Enhancement: JP Morgan Chase Bank Community Development Banking ("Chase") provided a term sheet for a Direct-Pay Letter-of-Credit for construction period credit enhancement for a loan to be funded by the issuance of tax-exempt bonds under the NIBP. The term sheet reflects the proposed development will be Boynton Village. SMG has not received evidence that this term sheet has been accepted by Borrower.
9. Equity Commitment: In place of a firm commitment for syndication, Borrower provided a Letter of Intent ("LOI") from the Syndicator, Hudson, to provide equity investment in the partnership.
10. Features and Amenities: The following Features and Amenities do not appear to be included in the plans and specifications for the new units:
  - Wall insulation of a minimum of R-7
  - Install daylight sensors or timers on all outdoor lighting
  - Exercise room with appropriate equipment
  - Playground/tot lot, accessible to children with disabilities (must be sized in proportion to the development's size and expected resident population with age appropriate equipment)
  - Library consisting of a minimum of 100 books and 5 current magazine subscriptions
  - Computer lab on-site with minimum one computer per 50 units, with basic word processing, spreadsheets and assorted educational and entertainment software programs and at least one printer
11. Appraisal: Site control is evidenced by a Purchase and Sale Agreement by and between Boynton Village, L.L.C. ("Seller") and the Borrower. Borrower and Seller are related party entities. This is not an arms length transaction. The Agreement reflects a purchase price of \$2,640,000, including \$1,850,000 of infrastructure improvements to the site and \$640,000 for eight (8) units constructed using CWHIP funds. The purchase price of the land is supported by the Appraisal. However, the "as is value" of the existing eight (8) units is not included in the revised draft appraisal.

Mitigating Factors:

1. Matured CWHIP Loan: Seltzer's recommendations are conditioned upon receipt and satisfactory review by FHFC, its Legal Counsel and SMG, prior to loan closing, of a Settlement with City to the satisfaction of Florida Housing and its legal counsel consistent with the terms and conditions of this credit underwriting report. Further, Seltzer's recommendations are conditioned upon receipt and satisfactory review by FHFC, its Legal Counsel and SMG, prior to loan closing of approval by City of the FHFC renegotiated terms

and conditions of the failed FHFC CWHIP loan including the terms and conditions of this credit underwriting report.

2. FHFC Guarantees: The principals to this transaction have been and continue to face credit issues due to failed market-rate residential communities in South Florida that have resulted in a steep decline in home values. The principals state they are actively engaged in reaching equitable resolutions. Mr. Meyers, Mr. Lopez, Mr. Wolfe and Ms. Mades are reported to have interests in more than 50 affordable housing properties. Their portfolio represents the largest credit exposure of Florida Housing's Guarantee program. While several of their Guarantee Program and Non-Guarantee Program properties have been experiencing negative cash flow, the principals reported their overall portfolio generated positive cash flow of \$6.0 million in 2010 and \$5.0 million in 2009. The principals also reported positive cash flow of \$2.4 million in 2010 and \$2.1 million in 2009 from their property management companies. SMG notes the positive cash flow reported; however, it does not consider the financial capacity of the principals to provide meaningful Construction Completion and Operating Deficit Guarantee to be assured. SMG, therefore, recommends FHFC require Applicant to provide, prior to MMRB/NIBP, CWHIP-Tranche B and CWHIP-Tranche A Loan closings and assumption, two Letters-of-Credit ("LOC") as follows:
  - a. A LOC cash to be held in an escrow account by the Trustee in the amount of \$638,550 (5.0% of the \$12,771,000 construction contract), to be held by FHFC or the loan servicer and released upon 100% lien-free construction/rehabilitation completion and receipt of all certificates of occupancy.
  - b. A LOC or cash to be held in an escrow account by the Trustee in the amount of \$34,049 (5% of \$680,965 rounded up, representing a combined six months of operating expenses and debt service), to be held by FHFC or the loan servicer and released upon permanent loan conversion.

SMG makes Applicant's provision of the two LOC's a Special Condition to this credit underwriting report.

3. Lawsuit: SMG received a response from ConstruVision Incorporated ("CVI"), Land O'Lakes, Florida, engaged by SMG to perform the Pre-Construction Plan and Cost Review ("PCA") and Physical Needs Assessment ("PNA") and Site Observations during construction. CVI did not review the plans and specifications for the eight (8) existing units but they did perform a site visit of the units. CVI reports that in its opinion, the property has no units in the 8 existing units that are fully adapted for use by the handicapped. However, CVI advises that they appear to be adaptable for use by the handicapped if requested by a resident. CVI reports that there is one handicap accessible parking space in front of the clubhouse/leasing office. The public restrooms are in full ADA compliance. Since no construction drawings were available for review, CVI reports that based on its observations, the property appears to be generally compliant with the provisions of the ADA at the time of construction and no immediate reserves are required for ADA compliance. CVI also advised no replacement reserves are necessary for ADA compliance. Out of an abundance of caution, and to ensure full compliance with the Fair Housing Act and the ADA, a further review of the building plans and specifications by a qualified third-party professional satisfactory to FHFC and the Loan Servicer is a special condition of this report.

4. Site:

a. Seltzer's recommendations are conditioned upon receipt and satisfactory review, prior to loan closing, of a verification via survey that specifies that a part of the boundary of each of the scattered sites is located within ½ mile of the site with the most units and that each selected feature and amenity that is not unit-specific is located on each of the scattered sites or is no more than 1/16 mile from the site with the most units, or a combination of both.

b. The Borrower submitted the Declaration of Covenants, Restrictions and Reciprocal Easements and a First Amendment to the Declaration of Covenants, Restrictions and Reciprocal Easements which provides for the operation and maintenance of the common areas of The Preserve at Boynton Beach. Seltzer submitted this documentation to Florida Housing for review and approval by its Legal Counsel to verify this documentation is sufficient to provide perpetual easement and reciprocal use of all of the common areas including the committed Community Center (with Exercise Room, Library, and Computer Lab), Tot Lot/Playground and the Swimming Pool by the residents of the Subject Development throughout the compliance period. Receipt by Florida Housing, its Legal Counsel and Servicer, prior to loan closing, of documentation granting Perpetual Easements for ingress and egress and reciprocal use of all common areas including, but not limited to the additional parking spaces and features and amenities as committed in the MMRB application is a Special Condition to this report. In the opinion of FHFC and its legal counsel, the Perpetual Easements must flow with title to the nine (9) scattered sites plus the eight (8) existing units of the Subject Development

Seltzer's recommendations are contingent upon receipt and satisfactory review by FHFC, its Legal Counsel and SMG of releases of all liens or other encumbrance upon the common areas of The Preserve at Boynton Beach, including but not limited to the driveways, parking spaces, entrances and exits, sidewalks, paths, walks, walkways and other areas suitable for pedestrian or vehicular traffic on or over portions of the common areas, the facilities, systems, equipment and devices located within or in connection with access, ingress and egress, any clubhouse/community center, swimming pools, tot lot/playground, library, computer lab, and fitness center or exercise room including the exercise equipment, and all other areas deemed to be common areas under Applicable Law.

c. Seltzer's recommendations are contingent upon receipt and satisfactory review by SMG, Florida Housing and its Legal Counsel of a letter from the City of Boynton Beach, Development Department, Planning and Zoning Division verifying that the zoning and concurrency will remain conforming if ownership of the Subject Development changes including foreclosure.

5. Management Company: Verification that the management company, CMS, has attended the October 28, 2011 Florida Housing compliance workshop is a condition of Seltzer's recommendation.

6. Soil Tests: Seltzer's recommendations are conditioned upon receipt and satisfactory review, prior to loan closing, of a final soil tests report or letter from TSF reflecting that the geotechnical engineer has had an opportunity to review the final design plan and

specifications and supplementary recommendations including structural load information as deemed necessary by the engineer..

7. Credit Enhancement Commitment: Receipt and satisfactory review, prior to loan closing, of a firm commitment for permanent loan credit enhancement with terms and conditions as reflected within this credit underwriting report is a condition of Seltzer's recommendations.
8. Construction LOC Enhancement: Receipt and satisfactory review, prior to loan closing, of a firm commitment for construction period credit enhancement with terms and conditions as reflected within this credit underwriting report is a condition of Seltzer's recommendations.
9. Equity Commitment: Receipt and satisfactory review, prior to loan closing, of a firm commitment for an equity investment in the partnership with terms and conditions reflective of this credit underwriting report is a condition of Seltzer's recommendations.
10. Features and Amenities: Seltzer's recommendations are conditioned upon receipt and satisfactory review, prior to loan closing, of signed and sealed "as permitted" plans and specifications reflecting that all committed features and amenities are included for the new units and on the subject site including verification that the committed amenities for the Development are included outside of the Subject Development sites but within The Preserve at Boynton Beach common area as approved by Florida Housing and its legal counsel.
11. Appraisal: Seltzer's recommendations are contingent upon receipt and satisfactory review, prior to loan closing, of a final appraisal supporting the purchase price of the existing eight (8) units.

Other Considerations: None

Waiver Requests/Special Conditions: None

Recommendation:

1. SMG recommends FHFC approve a NIBP/MMRB Program Loan for The Preserve at Boynton Beach, Phase I, in the amount of \$11,700,000 for the construction and permanent financing of the Subject Development.
2. When utilizing a 1.00 to 1.00 debt service coverage ratio required by the State Board of Administration in their fiscal sufficiency determination, the current net operating income at an interest rate of 3.790% (based upon the underwritten rates) would support a permanent tax-exempt bond amount of \$17,085,000.
3. SMG recommends an annual 4% non-competitive HC allocation of \$578,783 be awarded to the Subject Development based upon eligible/qualified basis.

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 MMRB and CWHIP-Tranche B and CWHIP-Tranche A Loan Conditions and HC Allocation Contingencies (Section B). The reader is cautioned to refer to these sections for complete information.



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

Prepared by:



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Wanda C. Greggo  
Credit Underwriter

Reviewed by:



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Cindy Highsmith  
Credit Underwriting Manager

**Overview****Construction Financing Sources**

Source	Lender	Application	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
MMRB-NIBP Loan	FHFC	\$6,000,000	\$11,700,000	\$11,700,000	4.630%	\$360,237
CWHIP-Tranche B	FHFC	\$0	\$1,975,000	\$1,974,964	1.072%	\$21,173
CWHIP-Tranche A Loan (Assumed)	FHFC	\$0	\$2,625,000	\$2,625,035	1.074%	\$28,189
Housing Credit Equity	Hudson Housing Capital	\$2,271,280	\$4,773,032	\$4,773,032	n/a	n/a
Deferred Developer Fee	CSG Development	\$965,779	\$627,018	\$2,971,715	n/a	n/a
Additional Developer Cash/Equity	CSG Development	\$0	\$0	\$480,532	n/a	n/a
<b>Total</b>		<b>\$9,237,059</b>	<b>\$21,700,050</b>	<b>\$24,525,278</b>		<b>\$409,599</b>

**MMRB Loan:**

Borrower applied to FHFC for Tax-Exempt NIBP/MMRB to finance the Subject Development. Per its September 12, 2011 Forward Commitment, OGC will provide Fannie Mae Credit Enhancement for \$11,700,000 in Tax-Exempt NIBP/MMRB. Per a Chase September 12, 2011 term sheet, the Fannie Mae credit enhancement will be supported during construction by a Direct Pay Construction Letter-of-Credit in an amount up to \$11,700,000 plus 200 days of interest calculated at the NIBP note rate. The LOC will have an initial term of 24 months, with two 6-month extensions available upon payment of a 0.25% extension fee per extension. Interest is payable monthly during the construction phase. SMG utilizes an "all-in" interest rate of 4.630% for the NIBP note based on an anticipated Bond rate of 1.92% plus 0.34% for credit enhancement during construction, plus 0.37% issuer fees during construction plus a 2.00% annual fee for the Chase LOC, payable quarterly in advance. Upon conversion to permanent financing, the LOC will be released.

**Other Construction Period Sources of Funds:**

Additional sources of funds during the construction period include a SAIL Loan in the amount of the undisbursed principal balance of the assumed CWHIP loan in the amount of \$1,974,964, an assumed CWHIP loan in the amount of \$2,625,035, HC equity available during construction totaling \$4,773,032, deferred developer fee equal to \$2,971,715 and additional developer cash/equity in the amount of \$480,532. See the Permanent Financing section below for details.

**Construction/Stabilization Period:**

Based upon demographic and market analysis, including existing and proposed developments, the appraiser projects an absorption rate of 20 units per month and a stabilized occupancy of 94%. Assuming an 11-month construction schedule with the first units being delivered in month nine, Seltzer assumes a 14-month construction/stabilization period.

**Permanent Financing Sources**

Source	Lender	Application	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt Service
MMRB-NIBP Loan	FHFC	\$6,000,000	\$11,700,000	\$11,700,000	3.810%	35	30	\$605,757
CWHIP-Tranche B	FHFC	\$0	\$1,975,000	\$1,974,964	1.072%	0	30.25	\$21,173
CWHIP-Tranche A Loan (Assumed)	FHFC	\$0	\$1,927,035	\$1,927,035	1.074%	0	30.25	\$20,693
Housing Credit Equity	Hudson Housing Capital	\$2,581,000	\$5,615,332	\$5,615,332	n/a	n/a	n/a	n/a
Deferred Developer Fee	CSG Development	\$656,059	\$482,683	\$2,971,715	n/a	n/a	n/a	n/a
Developer Cash/Equity		\$0	\$0	\$336,232	n/a	n/a	n/a	\$0
<b>Total</b>		<b>\$9,237,059</b>	<b>\$21,700,050</b>	<b>\$24,525,278</b>				<b>\$647,623</b>

**MMRB Loan:**

Per an OGC term sheet dated September 12, 2011, Tax-Exempt NIBP/MMRB in the amount of \$11,700,000 will be credit enhanced by a Fannie Mae Forward Commitment Letter. The MMRB include \$11,700,000 of NIBP Tax-Exempt MMRB. Participation is subject to OGC and Fannie Mae's loan committee approval. The term sheet reflects a 24-month forward commitment period with an option for one additional 6-month extension at no cost to the Borrower followed by a 30 year permanent period. Loan amortization is based on a 35-year schedule with a balloon payment due at maturity. SMG utilized an "all-in" interest rate of 3.810% for the NIBP note based upon an NIBP/MMRB rate of 1.920% plus a credit enhancement and servicing fee equal to 1.520% and FHFC fees of 0.370%.

Other OGC terms and conditions include:

1. Maximum 90% loan-to-value ("LTV") of the appraised value based on market rents and market financing or 85% of the appraised value utilizing a capitalization rate that has been reduced by up to 100 bps as a means of valuing the favorable, tax-exempt financing.
2. Minimum DSC of 1.25x the final underwritten amortizing debt service which will be derived by a debt service constant calculated at the final "all-in" locked rate and is subject to Fannie Mae approval.
3. Replacement reserves estimated to be \$300 per unit per year.
4. Subordinate financing will be permitted and must be subordinated to the first mortgage using a standard Fannie Mae Subordination Agreement. Any secondary financing is subject to prior written approval by Fannie Mae. Payment must be made out of not more than 75% of available cash flow and the term of any Subordinate financing must be at least 90 days past the term of the Fannie Mae loan. Subordinate financing that requires mandatory/hard payments cannot exceed an amount which would generate a combined DSC of 1.10x or a combined LTV of 90% when combining the DSC and LTV of the first mortgage and the Subordinate financing.
5. An irrevocable LOC for the construction period for the benefit of Fannie Mae in the amount of the principal loan balance plus 200 days of interest calculated at the NIBP note rate. The LOC will be released at conversion to permanent financing upon achievement of a 1.25 DSC for 90 consecutive days.

NIBP and Market-Rate MMRB Credit Enhancement.

The MMRB are anticipated to be credit enhanced by a Fannie Mae funded forward commitment for permanent non-recourse financing. A Chase irrevocable LOC for the benefit of Fannie Mae will credit enhance the bonds during the construction period. Please see the terms of the MMRB permanent loan credit enhancement above.

CWHIP-Tranche B Loan:

As part of the negotiated settlement agreement approved by Florida Housing at its September 1, 2011 Board meeting, a loan representing the remaining undisbursed CWHIP funding ("Tranche B") in the amount of \$1,974,964 was approved. The loan have a 30.25 year, non-amortizing loan term with a 1.000% interest rate plus fees for an "all-in" interest rate of 1.072% with interest payments due annually not to exceed 75% of available cash flow and the payment of principal and any accrued but unpaid interest due at loan maturity.

CWHIP-Tranche A Loan

At its September 1, 2011 meeting, the Florida Housing Board of Directors approved a workout of the matured CWHIP loan. Tranche A of the loan includes the portion of the CWHIP loan outstanding which currently encumbers six of the building sites on the property in the amount of \$2,625,035. The loan will have a non-amortizing term of 30.25 years with annual payments of 1.00% plus fees for an "all-in" interest rate of 1.074%. The existing guarantors will make a \$378,000 principal reduction payment toward Tranche A at the time of loan closing. At construction completion, the existing guarantors will make a principal reduction payment of \$320,000 toward Tranche A. The maximum principal balance of the loan at conversion to principal financing will be \$1,927,035.

Housing Credits Equity Investment:

The Applicant has applied to Florida Housing to receive 4% Housing Credits ("HC") directly from the United States Treasury in conjunction with its MMRB tax-exempt financing. A HC calculation is contained in Exhibit 4 of this credit underwriting report.

A September 14, 2011, letter of intent from Hudson is summarized as follows:

Capital Contributions	Amount	Percent of Total	When Due
1st Installment	\$1,403,833	25%	At or prior to Construction Financing Closing
2nd Installment	\$1,403,833	25%	Later of 50% Complete
3rd Installment	\$1,965,366	35%	Later of 75% Complete
4th Installment	\$449,227	8%	Later of Stabilization/Permanent Financing
5th Installment	\$393,073	7%	Later of Receipt of Form 8609 or tax return
Total	\$5,615,332	100%	

Annual Tax Credits per Syndication Agreement:	\$644,071
Total HC Syndication:	\$6,440,066
Syndication Percentage (limited partner interest):	99.99%
Calculated HC Exchange Rate (per dollar):	\$0.8719
Proceeds Available During Construction:	\$4,773,032

Seltzer notes that basis is considerably higher according to the owner and Hudson because the infrastructure improvements are included in basis by both. If Seltzer's calculations are correct a credit adjuster in the approximate amount of \$530,390 will need to be repaid to Hudson by the Applicant or the Guarantors in place of the Applicant resulting in funds not being available to pay down Tranche A of the CWHIP loan at the time of construction completion. Although the applicant committed to set aside 85% of the units for the MMRB loan and 100% for HC, the above calculations are based upon the applicant setting aside 80% at 60% of AMI or less for the MMRB commitment and 93.5% of the units at 60% of AMI or less for purposes of the 4% HC portion of its application.

Other Permanent Sources of Funds:

In order to balance the sources and uses of funds after all loan proceeds and capital contributions payable under the syndication agreement have been received, the developer will have to defer \$2,971,715 of its developer fee during the permanent period and pay in additional cash/equity in the amount of \$336,232.

**Uses of Funds**

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
<b>Actual Construction Costs</b>				
Construction Contract				
Site Work	\$0	\$25,000	\$25,000	\$0
Off-Site	\$0	\$0	\$0	\$0
New Rental Units	\$5,402,789	\$11,181,029	\$11,181,029	\$80,000
Payment & Performance Bonds	\$0	\$0	\$0	\$0
Recreational Amenities	\$29,158	\$0	\$0	\$0
Accessory Buildings	\$0	\$0	\$0	\$0
Contractor's Fee (Not to Exceed 14%)	\$760,473	\$1,564,971	\$1,564,971	\$0
Total Construction Contract	\$6,192,420	\$12,771,000	\$12,771,000	\$80,000
Other: Contingency	\$0	\$638,550	\$638,550	\$0
<b>Total Actual Construction Costs</b>	<b>\$6,192,420</b>	<b>\$13,409,550</b>	<b>\$13,409,550</b>	<b>\$80,000</b>

*Notes to the Actual Construction Costs:*

1. Applicant provided a copy of an executed construction contract between Applicant and CSG Construction, L.L.C. dated April 29, 2011 in the amount of \$12,771,000. The contract is a standard form of Agreement between Owner and Contractor where the basis of payment is a Stipulated Sum. Retainage per the Construction Contract is 10% until the work is 50% complete, with none thereafter. Final payment will be made when the contract has been fully performed and not later than 30 days after issuance of the Architect's final Certificate for Payment. The contract requires substantial completion of the entire work not later than 335 days from the date of commencement. Commencement is anticipated to occur 10-days from the issuance of notice to proceed or the date which permits for the buildings, site and civil work in total are issued.
2. HC Ineligible Costs reflects the cost of income producing washers and dryers.
3. The cost for Payment and performance Bonds are included as a part of General Requirements.
4. General contractor fees are within the maximum 14% per Rule.
5. Other represents an amount for hard cost contingency 5% of the Total Construction Contract amount. This hard cost contingency is not included in the construction contract amount. No general contractor fee is calculated on the hard cost contingency, as appropriate.
5. SMG engaged ConstruVision Incorporated ("ConstruVision" or "CVI"), to perform a PCA of the 114 new units and a PNA of the 8 existing units for the Subject Development. See Section "C" of this report for the results of ConstruVision's PCA and PNA.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
<b>General Development Costs</b>				
Accounting Fees	\$25,000	\$35,000	\$35,000	\$0
Appraisal	\$7,500	\$12,000	\$12,000	\$0
Architect's Fee - Design	\$2,800	\$22,800	\$22,800	\$0
Architect Fee- Supervision	\$10,000	\$0	\$0	\$0
Brokerage Fee	\$0	\$0	\$0	\$0
Builder's Risk Insurance	\$54,400	\$96,900	\$96,900	\$38,760
Building Permits	\$89,600	\$171,000	\$171,000	\$0
Closing Costs - Construction Loan	\$0	\$0	\$0	\$0
Closing Costs - Permanent Loan	\$0	\$0	\$0	\$0
Engineering Fee	\$6,400	\$11,400	\$11,400	\$0
Phase I - Environmental Report	\$0	\$5,000	\$5,000	\$0
FHFC Administrative Fee	\$29,497	\$52,000	\$46,303	\$46,303
FHFC Application Fee	\$2,000	\$3,000	\$3,000	\$3,000
FHFC Compliance Monitoring Fee	\$0	\$0	\$0	\$0
FHFC Credit Underwriting Fee	\$13,695	\$16,617	\$16,617	\$0
Impact Fees	\$139,664	\$159,600	\$159,600	\$0
Inspection Fees	\$24,000	\$46,583	\$46,583	\$0
Insurance	\$0	\$0	\$0	\$0
Legal Fees	\$75,000	\$75,000	\$75,000	\$25,000
Market Study	\$5,000	\$5,000	\$5,000	\$0
Marketing and Advertising	\$50,000	\$100,000	\$100,000	\$100,000
Pre-Construction Analysis/Plan & Cost Review	\$0	\$1,800	\$1,800	\$0
Property Taxes	\$50,000	\$50,000	\$50,000	\$20,000
Soil Test	\$5,000	\$0	\$0	\$0
Survey	\$25,000	\$20,000	\$20,000	\$0
Title & Recording Fees	\$70,000	\$75,000	\$75,000	\$52,500
Utility Connection Fees	\$76,800	\$22,800	\$22,800	\$0
Other: Miscellaneous	\$25,000	\$25,000	\$0	\$0
Other: Processing/Conversion Fee - FNMA	\$0	\$0	\$15,000	\$15,000
Other: Legal Fee - Oak Grove	\$0	\$30,000	\$30,000	\$0
Other: Legal Fee - FNMA	\$0	\$50,000	\$50,000	\$0
Other: Legal Fee - JPMorgan-Chase	\$0	\$40,000	\$40,000	\$0
Other: Underwriting Fee - JPMorgan-Chase	\$0	\$25,000	\$25,000	\$0
Other: Underwriting Fee- Oak Grove/FNMA	\$0	\$28,000	\$28,000	\$0
Soft Cost Contingency	\$0	\$0	\$25,000	\$0
<b>Total General Development Costs</b>	<b>\$786,356</b>	<b>\$1,179,500</b>	<b>\$1,188,803</b>	<b>\$300,563</b>

*Notes to the General Development Costs:*

1. There are no Brokerage Fees due under the Purchase and Sale Agreement.
2. Closing Costs-Construction and Closing Costs-Permanent are included in other line items.
3. The FHFC Administrative Fee is based on 8% of the recommended annual HC allocation.
4. The FHFC Application Fee reflects the MMRB fee of \$3,000.
5. The Compliance Monitoring fees are a function of the MMRB Program loan rate.
6. The Credit Underwriting Fees reflect actual costs for this report.

7. The Applicant does not include cost of insurance in its development budget because construction is for less than 1 year and it is anticipated that the Subject Development will be able to pay insurance costs from income. All other insurance costs are included in the Builder's Risk line item.
8. The cost of the Physical Needs Assessment for the 8 existing units is included in the Inspection Fees line item.
9. The cost of the Pre-Construction Analysis/Plan and Cost Review is based on the actual CVI invoice.
10. The cost of the Soil Tests has been included in the Phase I Environmental Report fees.
11. Seltzer has included the amount of the Borrower's proposed Other: Miscellaneous Fees as a Soft Cost Contingency.
12. The OGC, Fannie Mae and Chase fees are per the term sheets provided to Seltzer.
13. Other General Development Costs are based on Applicant's estimates, which appear reasonable.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
<b>Financial Costs</b>				
Construction Loan - LOC Fee	\$254,000	\$0	\$58,500	\$0
Bond Loan Construction Interest	\$224,000	\$668,000	\$668,000	\$200,400
Construction Loan Commitment Fee- Oak Grove	\$60,000	\$117,000	\$117,000	\$0
Permanent Loan Origination Fee	\$60,000	\$0	\$0	\$0
FHFC - Cost of Issuance	\$0	\$266,000	\$266,000	\$266,000
Construction Letter-of-Credit Commitment Fee	\$0	\$117,000	\$117,000	\$0
Due Diligence Fees - Hudson	\$0	\$40,000	\$15,000	\$15,000
FHFC Special Assets Assumption Fee - CWHIP	\$0	\$0	\$4,946	\$4,946
FHFC Special Assets Renegotiation Fee - CWHIP	\$0	\$0	\$24,729	\$24,729
Other: Operating Deficit Reserve	\$0	\$419,000	\$419,000	\$419,000
Other: Assumption of Outstanding CWHIP Loan	\$0	\$0	\$2,625,035	\$2,625,035
<b>Total Financial Costs</b>	<b>\$598,000</b>	<b>\$1,627,000</b>	<b>\$4,315,210</b>	<b>\$3,555,110</b>

*Notes to the Financial Costs:*

1. The Construction Loan – Annual LOC Fee for the three months after construction closing for the Annual LOC Fee equal to 2% of the Loc amount payable quarterly in advance according to the Chase September 12, 2011 term sheet. The remaining annual fee is included as a part of the monthly payment.
2. Construction Loan Interest is based on Applicant's estimate as required by OGC and Fannie Mae and includes interest to be paid after construction completion but during stabilization..
3. Construction Loan Fees, Due Diligence Fees and Commitment Fees are per the term sheets or letters of interest for the various funding sources.
4. Bond Costs of Issuance ("COI") are based on an estimate provided by the developer and appears reasonable at this time. The TEFRA fee is included in the COI.



5. FHFC Special Assets Assumption Fee – CWHIP is 1/10<sup>th</sup> of 1% of the amount of the CWHIP loan anticipated to be assumed by the Borrower and rounded up to the nearest whole dollar.
6. FHFC Special Assets Renegotiation Fee – CWHIP is ½ of 1% of the amount of the CWHIP loan anticipated to be assumed by the Borrower and rounded up to the nearest whole dollar.
7. The operating deficit reserve is as required by Hudson.
8. Other: Assumption of Outstanding CWHIP Loan represents Tranche A, the outstanding loan balance of the failed CWHIP loan and is necessary to balance the sources and uses of funds.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
<b>Non-Land Acquisition Costs</b>				
Building Acquisition Costs	\$0	\$640,000	\$640,000	\$640,000
Other:	\$0	\$0	\$0	\$0
<b>Total Non-Land Acquisition Costs</b>	<b>\$0</b>	<b>\$640,000</b>	<b>\$640,000</b>	<b>\$640,000</b>

*Notes to the Non-Land Acquisition Costs:*

1. Building Acquisition Costs represent the Borrower's assumption of the purchase price of the existing 8 units. Seltzer's recommendations are contingent upon receipt and satisfactory review of a final revised appraisal containing an "as is value" for the 8 existing units.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
Development Cost Before Land and Developer Fee	\$7,576,776	\$16,856,050	\$19,553,563	\$4,575,673
<b>Other Development Costs</b>				
Developer Fee on Acquisition of Buildings	\$0	\$0	\$0	\$0
Developer Fee	\$1,212,283	\$2,844,000	\$2,971,715	\$0
Other:	\$0	\$0	\$0	\$0
<b>Total Other Development Costs</b>	<b>\$1,212,283</b>	<b>\$2,844,000</b>	<b>\$2,971,715</b>	<b>\$0</b>

*Notes to the Other Development Costs:*

1. The Developer Fee is within the maximum 18% of development costs allowed exclusive of land acquisition, reserves and developer fees for tax-exempt bond transactions.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
Development Cost Before Land	\$8,789,059	\$19,700,050	\$22,525,278	\$4,575,673
<b>Land Acquisition Costs</b>				
Land	\$448,000	\$150,000	\$2,000,000	\$2,000,000
Other: Site Improvements	\$0	\$1,850,000	\$0	\$0
<b>Total Land Acquisition Costs</b>	<b>\$448,000</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>

*Notes to the Land Acquisition Costs:*

1. Applicant provided an undated Simple Form Purchase Agreement by and between BVLLC, ("Seller") and the Applicant indicating a purchase price of \$448,000 and a closing date on or before September 30, 2010. Applicant subsequently provided Purchase Agreements dated April 27, 2011 and August 5, 2011 between Seller and Applicant reflecting a purchase price of \$2,000,000 and \$2,640,000 respectively. The revised Purchase Agreement indicates the Purchase Agreement supersedes all prior agreements and understandings between the parties. The Purchase Agreement reflects a closing on or before December 31, 2011. Borrower advised the purchase price increased to account for \$1,850,000 paid for infrastructure. This amount has been included in the cost of the land because the improvements are not depreciable and will not be owned by the Applicant. Applicant and Seller are related party entities. This is not an arms length transaction. The land purchase price is supported by an "as is" land value of \$2,850,000. The "as is" land value plus infrastructure improvements related to the nine (9) scattered sites value is \$4,440,000. The "as is value" of the eight (8) existing units is not included in the revised appraisal. Seltzer's recommendations are contingent upon receipt and satisfactory review, prior to loan closing, of a revised final appraisal reflecting and "as is value" for the eight (8) existing units.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
<b>Total Development Cost</b>	<b>\$9,237,059</b>	<b>\$21,700,050</b>	<b>\$24,525,278</b>	<b>\$6,575,673</b>

## Operating Pro forma

DESCRIPTION	ANNUAL	PER UNIT
<b>Revenue</b>		
Gross Potential Rental Revenue	\$1,600,380	\$13,118
Other Income:		
Washer/Dryer Rentals	\$49,920	\$409
Cable Television Income	\$11,700	\$96
Miscellaneous Income	\$16,416	\$135
Alarm Monitoring Income	\$22,440	\$184
Gross Potential Income	\$1,700,856	\$13,941
Less:		
Vacancy Loss - 5.0%	(\$85,043)	(\$697)
Collection Loss - 1.0%	(\$17,009)	(\$139)
<b>Total Effective Gross Revenue</b>	<b>\$1,598,805</b>	<b>\$13,105</b>
<b>Expenses</b>		
Fixed:		
Taxes	\$134,200	\$1,100
Insurance	\$51,850	\$425
Variable:		
Management Fees - 5.0%	\$79,940	\$655
General and Administrative	\$45,750	\$375
Payroll Expenses	\$122,000	\$1,000
Utilities	\$100,650	\$825
Marketing and Advertising	\$14,250	\$117
Maintenance and Repairs	\$64,050	\$525
Grounds Maintenance and Landscaping	\$24,400	\$200
Security	\$0	\$0
Replacement Reserve	\$37,568	\$308
Resident Services	\$0	\$0
Other: Condo Association Fees	\$39,650	\$325
<b>Total Expenses</b>	<b>\$714,308</b>	<b>\$5,855</b>
<b>Net Operating Income</b>	<b>\$884,496</b>	<b>\$7,250</b>
<b>Debt Service Payments</b>		
MMRB-NIBP Loan	\$605,757	\$4,965
SAIL Loan	\$21,173	\$174
CWHIP Loan (Assumed)	\$20,693	\$170
Other Fees - Letter of Credit/Guarantee	\$0	\$0
Other Fees - Agency/Trustee/Service	\$0	\$0
<b>Total Debt Service Payments</b>	<b>\$647,623</b>	<b>\$5,308</b>
<b>Operating Income After Debt Service - Before Tax Cash Flow</b>	<b>\$236,874</b>	<b>\$1,942</b>

<b>Debt Service Coverage Ratios</b>	
Debt Service Coverage - MMRB-NIBP Loan	1.460
Debt Service Coverage - MMRB-NIBP Loan + SAIL Loan	1.411
Debt Service Coverage - All Mortgage Loans	1.366
Debt Service Coverage - All Mortgage Loans and Fees	1.366

<b>Financial Ratios</b>	
Operating Expense Ratio	44.7%
Break-Even Ratio	80.1%

*Notes to the Operating Pro forma and Ratios:*

- The MMRB and CWHIP Programs do not impose any rent restrictions. However, the Subject Development will be receiving 4% non-competitive HC from the Treasury Department. Therefore, the rent schedule is based upon the 2011 maximum HC restricted rents published by Florida Housing, less utility allowances as required by the HC Program. The Owner will pay for water and sewer and trash disposal and the residents will pay for electricity. The appraiser advises that the Subject will achieve maximum rents for the units based on the proposed 2011 maximum HC restricted. The 8 existing units that will be leased to residents earning 140% of AMI are considered Market Rents.

**HMFA/County: West Palm Beach-Boca Raton / Palm Beach**

Bed-rooms	Baths	No. of Units	Unit Size (SF)	Median Income %	HC Max Gross Rents	Utility Allowance	Max Net Rents	Appraiser Rents	Applicant Rents	Underwriter Rents	Annual Rents
2	2	1	1,071	50%	\$856	\$71	\$785	\$785	\$785	\$785	\$9,420
2	2	17	1,071	60%	\$1,027	\$71	\$956	\$956	\$956	\$956	\$195,024
2	2	2	1,071	Mkt	n/a	n/a	n/a	\$1,125	\$1,125	\$1,125	\$27,000
3	2	18	1,561	60%	\$1,187	\$81	\$1,106	\$1,106	\$1,106	\$1,106	\$238,896
3	2	2	1,561	Mkt	n/a	n/a	n/a	\$1,350	\$1,350	\$1,350	\$32,400
3	3	38	1,544	60%	\$1,187	\$81	\$1,106	\$1,106	\$1,106	\$1,106	\$504,336
3	3	1	1,544	50%	\$989	\$81	\$908	\$908	\$908	\$908	\$10,896
3	3	2	1,544	Mkt	n/a	n/a	n/a	\$1,350	\$1,350	\$1,350	\$32,400
3	3	39	1,590	60%	\$1,187	\$81	\$1,106	\$1,106	\$1,106	\$1,106	\$517,608
3	3	2	1,590	Mkt	n/a	n/a	n/a	\$1,350	\$1,350	\$1,350	\$32,400
<b>Totals</b>		<b>122</b>	<b>181,134</b>								<b>\$1,600,380</b>

- Vacancy Loss and Collection Loss are based on the appraiser's estimate for vacancy and collection loss allowance.
- Washer/dryer income assumes a capture rate of 85% or 104 units at a rate of \$40/unit/month.
- Cable television hookups will be provided in each unit. Cable income is based upon a capture rate of 53% or 65 units at a rate of \$15/unit/month
- Miscellaneous income typically includes application fees, cancellation fees, late fees, and forfeited deposits as well as excessive cleaning charges, and vending machine income.

6. Alarm Monitoring will be provided in each unit. Alarm monitoring income is based on a capture rate of 70% of the units or 85 units at a rate of \$22/unit/month.
7. Management fees are based on the management agreement, which stipulates compensation of 5% of the gross rental income actually collected in the prior month.
8. Other operating expense estimates are supported by the appraisal based on data from comparable properties.
9. Replacement Reserves of \$308 per unit per year as recommended by CVI in the physical needs assessment for the eight (8) additional units and meets Florida Housing's minimum requirement of \$250 per unit per year.
10. The cost of Resident Programs is included in the Administrative budget. These costs primarily reflect resident activities.
11. Pest Control is included in the Maintenance budget.
12. Condo Association Fees are equal to \$325 per unit per year for the operation and maintenance of the common areas as required by the Declaration of Covenants, Restrictions and Reciprocal Easements for The Preserve at Boynton Beach Maintenance Association, Inc.
13. A 15-year income and expense projection shows increasing debt service coverage. This projection is attached to this report as Exhibit 1.

**Section B**

**Loan Conditions**

**Special Conditions**

The Multifamily Mortgage Revenue Bond ("MMRB"), CWHIP-Tranche B and CWHIP-Tranche A loan recommendations by Seltzer Management Group, Inc. ("SMG" or "Seltzer") are contingent upon receipt and satisfactory review of the following items by SMG and Florida Housing Finance Corporation ("FHFC" or "Florida Housing") at least 30 days prior to closing. Failure to receive approval of these items within this time frame may result in postponement of the Closing Date.

1. Verification of a Settlement with City to the satisfaction of Florida Housing and its legal counsel consistent with the terms and conditions of this credit underwriting report.
2. Approval by City of the FHFC re-negotiated terms and conditions of the restructured FHFC CWHIP loan including the terms and conditions of this credit underwriting report.
3. A response to The Preserve at Boynton Beach allegations from James R. Williams, President of JMWA Architects, indicating that his firm's architectural drawings for the existing six (6) residential CWHIP buildings (Buildings 2, 9, 12, 13, 14 and 15) and the existing Clubhouse are compliant with the Uniform Federal Accessibility standards. ("UFAS") In addition, out of an abundance of caution, and to ensure full compliance with the Fair Housing Act and the ADA, a further review of the building plans and specifications by a qualified third-party professional satisfactory to FHFC and the Loan Servicer.
4. Documentation acceptable to Florida Housing and its counsel and servicer of Perpetual Access and Reciprocal Use Agreements to provide ingress and egress to the residential units and all of the common areas including the Community Center which includes a Library, Computer Lab and Fitness Center, the Swimming Pool and Tot Lot/Playground and all areas deemed to be common areas under Applicable Law.
5. A letter from the City of Boynton Beach, Development Department, Planning and Zoning Division verifying that the zoning and concurrency will remain conforming if the Subject development changes ownership or a waiver of the requirements.
6. A final soil tests report or letter from TSF reflecting that the geotechnical engineer has had an opportunity to review the final design plan and specifications and included supplementary recommendations as deemed necessary by the engineer.
7. A firm commitment for permanent loan credit enhancement with terms and conditions as reflected within this credit underwriting report.
8. A firm commitment for construction period credit enhancement with terms and conditions as reflected within this credit underwriting report.
9. A firm commitment for an equity investment in the partnership with terms and conditions reflective of this credit underwriting report.
10. Certification by the surveyor that a part of the boundary of each of the scattered sites is located within ½ mile of the site with the most units and that each selected feature and amenity that is not unit-specific is located on each of the scattered sites or is no more than 1/16 mile from the site with the most units, or a combination of both.
11. Receipt and satisfactory review by FHFC, its Legal Counsel and SMG of releases of all liens or other encumbrance upon the common areas of The Preserve at Boynton Beach, including but not limited to the driveways, entrances and exits, sidewalks, paths, walks,

walkways and other areas suitable for pedestrian or vehicular traffic on or over portions of the common areas, the facilities, systems, equipment and devices located within or in connection with access, any clubhouse, swimming pools, tot lot/playground, library, computer lab, and fitness center or exercise room including the exercise equipment, and all other areas deemed to be common areas under Applicable Law.

12. Signed and sealed "as permitted" plans and specifications reflecting that all committed features and amenities are included in the units and on the subject site including verification that the following committed amenities for the Development are included outside of the Subject Development sites but within The Preserve at Boynton Beach common areas as approved by Florida Housing:
  - a. Exercise room with appropriate equipment
  - b. Playground/tot lot, accessible to children with disabilities (must be sized in proportion to the development's size and expected resident population with age appropriate equipment).
  - c. Library consisting of a minimum of 100 books and 5 current magazine subscriptions
  - d. Computer lab on-site with minimum one computer per 50 units, with basic word processing, spreadsheets and assorted educational and entertainment software programs and at least one printer.
  - e. Community center or clubhouse
  - f. Swimming pool
13. Applicant to provide two Letters of Credit ("LOC's") Cash collateral escrow accounts to be held by the Trustee, as follows:
  - a. A LOC or cash collateral escrow account in the amount of \$638,550 (5.0% of the \$12,771,000 construction contract), to be held by FHFC or the loan servicer and released upon 100% lien-free construction completion and receipt of all certificates of occupancy.
  - b. A LOC or cash collateral escrow account in the amount of \$34,049 (5% of \$680,965, representing a combined six months of operating expenses and debt service), to be held by FHFC or the loan servicer and released upon permanent loan conversion.
14. A \$419,000 Operating Deficit Reserve ("ODR") Account Agreement between Boynton Village Associates, Ltd. ("Applicant" or "Borrower") and Hudson Housing Capital LLC, Irvine, California, or its designee, that includes the following provisions:
  - a. Prior approval of ODR disbursements by FHFC.
  - b. Upon expiration of the ODR, the balance in the Reserve Account will be used to pay down FHFC administered Loan Debt, if any, with the remaining amount deposited to the Replacement Reserve Account.
15. Verification that CMS has attended the October 28, 2011 Florida Housing compliance workshop and remains an active management company for properties participating in Florida Housing's programs.
16. A final appraisal supporting the purchase price of the existing eight (8) units.



**General Conditions**

Seltzer's MMRB, CWHIP-Tranche B and CWHIP-Tranche A Loan Recommendations are contingent upon review and approval of the following items by SMG and Florida Housing at least 30 days prior to closing. Failure to receive approval of these items within this time frame may result in postponement of the Closing Date.

1. Borrower to comply with any and all recommendations noted in the Pre-Construction Analysis ("PCA") by Construvision, Inc., Land O' Lakes, Florida.
2. Signed and sealed survey, dated within 90 days of loan 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 Subject Development, easements, utilities, roads, means of access to public streets, total acreage, flood hazard area and any other requirements of FHFC.
3. Building permits and any other necessary regulatory approvals and permits (e.g., final site plan approval, Water Management District, Florida Department of Environmental Protection, United States Army Corps of Engineers, Florida Department of Transportation, etc.). An acceptable alternative to this requirement is receipt and satisfactory review of a letter from the local permitting and approval authority stating that the 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 such a letter is provided, copies of all permits and approvals will be required as a condition of the first post-closing draw.
4. Final "as permitted" (signed and sealed) site plan plus building plans and specifications showing all features and amenities committed to in the application. The Geotechnical Report must be bound within the final plans and specifications.
5. 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 upon the final draw schedule (see below), documentation of the closing costs and a 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.
6. A final construction draw schedule showing itemized sources and uses of funds for each monthly draw. MMRB Program and CWHIP-Tranche B loan proceeds shall be disbursed pro rata with other funding sources during the construction or rehabilitation phase, unless otherwise approved by the credit underwriter. The closing draw shall include appropriate backup and ACH wiring instructions.
7. During construction, the Developer is only allowed to draw a maximum of 50% of the total developer fee, but in no case more than the payable developer fee, which is determined to be "developer's overhead." No more than 35% of "developer's overhead" during construction will be allowed to be disbursed at closing. The remainder of the "developer's overhead" will be disbursed during construction 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.

8. Evidence of general liability, flood (if applicable), builders risk and replacement cost hazard insurance as certificates of occupancy ("C/O's") are received, reflecting FHFC as Loss Payee/Mortgagee, with coverage's, deductibles and amounts satisfactory to FHFC.
9. If the Subject Development is not 100% lien-free completed, a 100% Payment and Performance ("P&P") Bond 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 Applicant and the General Contractor. In either case, FHFC must be listed as co-obligee. The P&P Bond(s) must be from a company rated at least "A-" by A.M. Best & Co., with a financial size category at least FSC VI. FHFC and/or its legal counsel must approve the source, amount(s) and all terms of the P&P Bond(s) 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.
10. Architect, Construction Consultant and Borrower Certifications on forms provided by FHFC will be required for both design and as-built with respect to Section 504 of the Rehabilitation Act, the Americans with Disabilities Act ("ADA") and Federal Fair Housing requirements, as applicable.
11. Satisfactory resolution of any outstanding Past Due or Non-Compliance items.

Seltzer's Recommendations are contingent upon review and approval of the following items by Florida Housing and its Legal Counsel at least 30 days prior to closing. Failure to receive approval of these items, along with all other items listed on Legal Counsels Due Diligence list within this time frame may result in postponement of the Closing Date.

1. Documentation of the legal formation and current authority to transact business in Florida for the Borrower, the General Partner/Principal(s)/Manager(s) of the Borrower, the guarantors and the Limited Partner(s) of the Borrower.
2. Signed and sealed survey, dated within 90 days of Loan closing, unless otherwise approved by FHFC and its legal counsel based upon the particular circumstances of the transaction. The survey shall be certified to FHFC and its legal counsel, as well as the title insurance company, and shall indicate the legal description, exact boundaries of the Subject Development, easements, utilities, roads, means of access to public streets, total acreage, flood hazard area and any other requirements of FHFC.
3. An acceptable updated Environmental Audit Report, together with a reliance letter to Florida Housing, prepared within 90 days of loan closing, unless otherwise approved by Florida Housing and its legal counsel, based upon the particular circumstances of the transaction. Borrower to comply with any and all recommendations noted in the Environmental Assessment(s), Updates and the Environmental Review, as deemed appropriate by Florida Housing in its sole discretion.
4. Title insurance pro-forma or commitment for title insurance with copies of all Schedule B exceptions in the amount of the 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 MMRB, CWHIP-Tranche B and CWHIP-Tranche A Loans have been satisfied.

6. Evidence of general liability, flood (if applicable), builders risk and replacement cost hazard insurance as certificates of occupancy ("C/O's") are received, reflecting FHFC as Loss Payee/Mortgagee, with coverage's, deductibles and amounts satisfactory to FHFC.
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, any partnership or limited liability company that is the General Partner of Borrower ("GP"), any corporation, partnership or limited liability company that is the Managing General Partner of the GP and any corporate guarantor or any manager or entity signing on behalf of any corporate guarantor;
  - b. Authorization, execution, and delivery by Borrower and 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. That Borrower's and the guarantors' 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 Borrower is a party, or to which the Subject Development is subject to Borrower's Partnership Agreement and;
  - e. Such other matters as FHFC or its legal counsel may require.
8. Evidence of compliance with local concurrency laws, if applicable.
9. Such other assignments, affidavits, certificates, financial statements, closing statements and other documents as may be reasonably requested by FHFC or its legal counsel, in form and substance acceptable to FHFC or its legal counsel, in connection with the MMRB, CWHIP-Tranche B and CWHIP-Tranche A Loans.
10. Uniform Commercial Code ("UCC") Searches for Borrower and its partnerships and the guarantors, as requested by FHFC and/or its legal counsel.
11. Any other reasonable conditions established by FHFC and/or its legal counsel.

### **Additional Conditions**

Seltzer's Recommendations are also contingent upon the following additional conditions:

1. Compliance with all applicable provisions of Section 42 of the Internal Revenue Code, as amended, and all related Federal Regulations, plus Sections 420.507 and 420.5087, Florida Statutes, Rule Chapter 67-21, F.A.C. (MMRB Program Loan), Sections 420.507 (22) and 420.5087, Florida Statutes and Administrative Rules, including but not limited to Rule Chapter 67-48.
2. Award of Housing Credit ("HC") and purchase of HC by Hudson or affiliate under terms consistent with the assumptions of this report.

3. Acceptance by the Borrower and execution of all documents evidencing and securing the MMRB, CWHIP-Tranche B and CWHIP-Tranche A Loans in form and substance satisfactory to Florida Housing, including but not limited to the Promissory Note(s), the Loan Agreement(s), the Mortgage and Security Agreement(s), the Compliance, Financial Monitoring and Servicing Agreement, the Land Use Restriction Agreement and the CWHIP Assignment and Assumption Agreement and CWHIP Subordination Agreement.
4. MMRB Program Loan: All amounts necessary to complete construction must be deposited with the Bond Trustee prior to closing, or any phased HC equity pay-in amount necessary to complete construction shall be contingent upon an obligation of the entity providing , payments, regardless of any default under any documents relating to the HC's, as long as the First Mortgage continues to be funded. Notwithstanding the foregoing, at least 15% of all HC Equity (but not less than provided for in the Syndication Agreement or such higher amount as recommended by the Credit Underwriter) shall be deposited with the Bond Trustee at the MMRB Loan closing unless a lesser amount is approved by FHFC prior to closing. If bridge loan proceeds are used in lieu of HC equity funding during construction, said loan must close simultaneously or prior to the MMRB loan, and sufficient amounts will be drawn from the bridge loan at MMRB Loan closing in order to satisfy the 15% requirement.
5. 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.
6. Receipt and satisfactory review of a Joint Funding Agreement between Applicant and Hudson or affiliate, that requires funding of all HC Equity Installments during construction, even if the Borrower is in default under the Limited Partnership Agreement.
7. If applicable, receipt and satisfactory review of financial statements from all guarantors dated within 90 days of real estate closing.
8. Operating Deficit Reserves ("ODR") in the collective amount of up to six months of operating expenses and six months of debt service will be permitted within the Applicant's budget, unless the credit underwriter deems a larger reserve is necessary. The calculation of developer fee will be exclusive of the budgeted ODR and any ODR "proposed or required by a limited partner or other lender" in excess of the amount of the ODR deemed satisfactory by the credit underwriter will be a subset of developer fee.  
  
Upon expiration of the ODR, the balance in the reserve will be used to pay down CWHIP-Tranche B, MMRB, CWHIP-Tranche A or other FHFC administered loan debt, if any, and if there is no FHFC administered loan debt, then the balance of the ODR shall be deposited into a replacement reserve account.
9. Guarantors to provide the standard FHFC Construction Completion Guarantees, to be released upon lien-free completion as approved by the Servicer.
10. MMRB Program Loan: Guarantors are to provide the standard FHFC Operating Deficit Guarantee to be released upon achievement of an average 1.15 DSC on the First Mortgage (MMRB Program Loan), 90% occupancy and 90% of gross potential rental revenue, all for

twelve (12) consecutive months certified by an independent Certified Public Accountant ("CPA") and verified by the Servicer..

11. CWHIP-Tranche B Loan: Guarantors are to provide the standard FHFC Operating Deficit Guarantee to be released upon achievement of an average 1.15 debt service coverage for a minimum of twelve (12) consecutive months for the combined permanent 1st mortgage and CWHIP-Tranche B loan. For the CWHIP-Tranche B loan, the maximum debt service coverage shall be 1.50 for the CWHIP-Tranche B loan, including all superior mortgages.
12. Guarantors to provide standard FHFC Environmental Indemnity Guarantees.
13. Guarantors to provide standard FHFC Guaranty of Recourse Obligations.
14. A mortgagee title insurance policy naming FHFC as the insured, in the amount of the MMRB, CWHIP-Tranche B and CWHIP-Tranche A Program loans is to be issued immediately after loan closing. Any exceptions to the title insurance policy must be acceptable to FHFC and/or its legal counsel. The form of the title policy must be approved prior to loan closing.
15. Property tax and hazard insurance escrow(s) to be established and maintained by the Bond Trustee, First Mortgage Lender or the Servicer. In the event the reserve account(s) are held by Florida Housing's loan servicing agent, the release of funds shall be at Florida Housing's sole discretion.
16. Replacement Reserves in the amount of \$300 per unit per year will be required to be deposited on a monthly basis into a designated escrow account, to be maintained by the Bond Trustee, First Mortgagee or Florida Housing's loan servicing agent. Applicant has the option to prepay Replacement Reserves, in the amount of \$37,568 (one-half of the required Replacement Reserves for Years 1 and 2), in order to meet the applicable debt service coverage requirements. Applicant can waive this election, if at closing of the loans the required DSC is met without the need to exercise the option. It is currently estimated that Replacement Reserves will be funded from Operations in the amount of \$300 per unit per year for Years 1 and 2, followed by \$300 per unit per year beginning in Year 3. An inflation factor based upon the Consumer Price Index will be applied to the Replacement Reserve deposit beginning in Year 7, unless waived or reduced in the event Obligor provides a Physical Needs Assessment prepared by an independent third party acceptable to FHFC that evidences an increase in the deposit is excessive or unnecessary.
17. Construvision to act as Florida Housing's inspector during the Construction Phase.
18. A minimum of 10% retainage holdback will be required on all construction draws until the Subject Development is 50% complete and 0% thereafter. Retainage will not be released until successful construction completion and issuance of all certificates of occupancy. The September 17, 2010, Construction Contract between Applicant and CSG Construction, L.L.C., provides for retainage holdback at 10% until the Subject Development is 50% complete and none thereafter, which satisfies the minimum requirement.
19. The final construction contract may not provide for a bonus to the General Contractor that will cause the General Contractor's fee, including General Requirements, Profit and Overhead, to be in an amount that exceeds 14% of hard costs excluding any hard cost contingencies.

20. Any other reasonable requirement(s) of the FHFC, its Legal Counsel or its Servicer.

**Housing Credit Allocation Recommendation**

SMG has estimated an annual HC allocation in the amount of \$578,783. Please see HC Allocation Calculation in Exhibit 4 of this report for further details.

**Contingencies**

Seltzer's annual HC allocation is contingent upon the receipt and satisfactory review of the following by SMG and Florida Housing by the deadline established in the Preliminary Determination. Failure to submit these items within this time frame may result in forfeiture of the annual HC allocation.

1. Closing of the MMRB Loan, CWHIP-Tranche B loan and CWHIP-Tranche A loan assumption, and all other loans, if any, consistent with the assumptions of this credit underwriting report.
2. Purchase of the HC by Hudson or affiliated entity, under terms consistent with the assumptions of this credit underwriting report. The Amended and Restated Agreement of Limited Partnership shall be in form and substance satisfactory to FHFC, its legal counsel and Servicer.
3. Receipt and satisfactory review of a Joint Funding Agreement between Applicant and Hudson, or affiliate, that requires funding of all HC equity installments during construction, even if the Borrower is in default under the Limited Partnership Agreement.
4. Satisfactory resolution of any outstanding past due or non-compliance items.
5. Any other reasonable requirements of the Servicer, Florida Housing, or its legal counsel.

DESCRIPTION	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>Revenue</b>															
Gross Potential Rental Revenue	\$1,600,380	\$1,632,388	\$1,665,035	\$1,698,336	\$1,732,303	\$1,766,949	\$1,802,288	\$1,838,334	\$1,875,100	\$1,912,602	\$1,950,854	\$1,989,871	\$2,029,669	\$2,070,262	\$2,111,667
Other Income:															
Washer/Dryer Rentals	\$49,920	\$50,918	\$51,937	\$52,976	\$54,035	\$55,116	\$56,218	\$57,342	\$58,489	\$59,659	\$60,852	\$62,069	\$63,311	\$64,577	\$65,868
Cable Television Income	\$11,700	\$11,934	\$12,173	\$12,416	\$12,664	\$12,918	\$13,176	\$13,440	\$13,708	\$13,983	\$14,262	\$14,547	\$14,838	\$15,135	\$15,438
Miscellaneous Income	\$16,416	\$16,744	\$17,079	\$17,421	\$17,769	\$18,125	\$18,487	\$18,857	\$19,234	\$19,618	\$20,011	\$20,411	\$20,819	\$21,236	\$21,661
Alarm Monitoring	\$22,440	\$22,440	\$22,440	\$22,440	\$22,440	\$22,440	\$22,440	\$22,440	\$22,440	\$22,440	\$22,440	\$22,440	\$22,440	\$22,440	\$22,440
Gross Potential Income Less:	\$1,700,856	\$1,734,424	\$1,768,664	\$1,803,588	\$1,839,211	\$1,875,547	\$1,912,609	\$1,950,412	\$1,988,972	\$2,028,302	\$2,068,420	\$2,109,339	\$2,151,077	\$2,193,650	\$2,237,074
Vacancy Loss - 5.0%	(\$85,043)	(\$66,744)	(\$88,479)	(\$90,248)	(\$92,033)	(\$93,894)	(\$95,772)	(\$97,667)	(\$99,581)	(\$101,514)	(\$103,467)	(\$105,440)	(\$107,433)	(\$109,446)	(\$111,478)
Collection Loss - 1.0%	(\$17,009)	(\$17,349)	(\$17,696)	(\$18,050)	(\$18,411)	(\$18,779)	(\$19,154)	(\$19,537)	(\$19,926)	(\$20,321)	(\$20,733)	(\$21,164)	(\$21,614)	(\$22,083)	(\$22,571)
<b>Total Effective Gross Revenue</b>	<b>\$1,598,805</b>	<b>\$1,630,332</b>	<b>\$1,662,490</b>	<b>\$1,695,291</b>	<b>\$1,728,748</b>	<b>\$1,762,874</b>	<b>\$1,797,683</b>	<b>\$1,833,187</b>	<b>\$1,869,402</b>	<b>\$1,906,342</b>	<b>\$1,944,020</b>	<b>\$1,982,451</b>	<b>\$2,021,652</b>	<b>\$2,061,636</b>	<b>\$2,102,420</b>
<b>Expenses</b>															
Fixed:															
Taxes	\$134,200	\$138,226	\$142,373	\$146,644	\$151,043	\$155,575	\$160,242	\$165,049	\$170,001	\$175,101	\$180,354	\$185,764	\$191,337	\$197,077	\$202,990
Insurance	\$51,850	\$53,406	\$55,008	\$56,658	\$58,358	\$60,108	\$61,912	\$63,769	\$65,682	\$67,652	\$69,682	\$71,773	\$73,926	\$76,143	\$78,428
Variable:															
Management Fees - 5.0%	\$79,940	\$81,517	\$83,124	\$84,765	\$86,437	\$88,144	\$89,884	\$91,659	\$93,470	\$95,317	\$97,201	\$99,123	\$101,083	\$103,082	\$105,121
General and Administrative	\$45,750	\$47,123	\$48,536	\$49,992	\$51,492	\$53,037	\$54,628	\$56,267	\$57,955	\$59,693	\$61,484	\$63,329	\$65,229	\$67,185	\$69,201
Payroll Expenses	\$122,000	\$125,660	\$129,430	\$133,313	\$137,312	\$141,431	\$145,674	\$150,045	\$154,546	\$159,182	\$163,958	\$168,877	\$173,943	\$179,161	\$184,536
Utilities	\$100,650	\$103,670	\$106,780	\$109,983	\$113,282	\$116,681	\$120,181	\$123,787	\$127,500	\$131,325	\$135,265	\$139,323	\$143,503	\$147,808	\$152,242
Marketing and Advertising	\$14,250	\$14,878	\$15,571	\$16,339	\$17,118	\$17,915	\$18,726	\$19,551	\$20,391	\$21,247	\$22,119	\$23,007	\$23,911	\$24,831	\$25,767
Maintenance and Repairs	\$64,050	\$65,972	\$67,951	\$69,989	\$72,089	\$74,252	\$76,479	\$78,773	\$81,137	\$83,571	\$86,078	\$88,660	\$91,320	\$94,060	\$96,881
Grounds Maintenance and Landscaping	\$24,400	\$25,132	\$25,886	\$26,663	\$27,462	\$28,286	\$29,135	\$30,009	\$30,909	\$31,836	\$32,775	\$33,735	\$34,719	\$35,730	\$36,767
Security	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Replacement Reserve	\$37,568	\$37,568	\$37,568	\$37,568	\$37,568	\$37,568	\$37,568	\$37,568	\$37,568	\$37,568	\$37,568	\$37,568	\$37,568	\$37,568	\$37,568
Other: Resident Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other: Condo Association Fees	\$39,650	\$39,650	\$39,650	\$39,650	\$39,650	\$39,650	\$39,650	\$39,650	\$39,650	\$39,650	\$39,650	\$39,650	\$39,650	\$39,650	\$39,650
<b>Total Expenses</b>	<b>\$714,308</b>	<b>\$732,599</b>	<b>\$751,423</b>	<b>\$770,795</b>	<b>\$790,733</b>	<b>\$811,251</b>	<b>\$833,495</b>	<b>\$855,229</b>	<b>\$877,596</b>	<b>\$900,617</b>	<b>\$924,309</b>	<b>\$948,694</b>	<b>\$973,790</b>	<b>\$1,000,781</b>	<b>\$1,027,366</b>
<b>Net Operating Income</b>	<b>\$884,496</b>	<b>\$897,733</b>	<b>\$911,067</b>	<b>\$924,495</b>	<b>\$938,015</b>	<b>\$951,623</b>	<b>\$964,187</b>	<b>\$977,959</b>	<b>\$991,806</b>	<b>\$1,005,725</b>	<b>\$1,019,711</b>	<b>\$1,033,758</b>	<b>\$1,047,861</b>	<b>\$1,060,855</b>	<b>\$1,075,053</b>
<b>Debt Service Payments</b>															
MMRB-NIBP Loan	\$605,757	\$605,757	\$605,757	\$605,757	\$605,757	\$605,757	\$605,757	\$605,757	\$605,757	\$605,757	\$605,757	\$605,757	\$605,757	\$605,757	\$605,757
CWHIP-Tranche B	\$21,173	\$21,173	\$21,173	\$21,173	\$21,173	\$21,173	\$21,173	\$21,173	\$21,173	\$21,173	\$21,173	\$21,173	\$21,173	\$21,173	\$21,173
CWHIP-Tranche A Loan (Assumed)	\$20,693	\$20,693	\$20,693	\$20,693	\$20,693	\$20,693	\$20,693	\$20,693	\$20,693	\$20,693	\$20,693	\$20,693	\$20,693	\$20,693	\$20,693
Other Fees - Letter of Credit/Guarantee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Fees - Agency/Trustee/Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Debt Service Payments</b>	<b>\$647,623</b>	<b>\$647,623</b>	<b>\$647,623</b>	<b>\$647,623</b>	<b>\$647,623</b>	<b>\$647,623</b>	<b>\$647,623</b>	<b>\$647,623</b>	<b>\$647,623</b>	<b>\$647,623</b>	<b>\$647,623</b>	<b>\$647,623</b>	<b>\$647,623</b>	<b>\$647,623</b>	<b>\$647,623</b>
<b>Operating Income After Debt Service - Before Tax Cash Flow</b>	<b>\$236,874</b>	<b>\$250,110</b>	<b>\$263,444</b>	<b>\$276,873</b>	<b>\$290,392</b>	<b>\$304,000</b>	<b>\$316,564</b>	<b>\$330,336</b>	<b>\$344,184</b>	<b>\$358,102</b>	<b>\$372,088</b>	<b>\$386,135</b>	<b>\$400,238</b>	<b>\$413,232</b>	<b>\$427,431</b>
<b>Debt Service Coverage Ratios</b>															
Debt Service Coverage - MMRB-NIBP Loan	1.480	1.482	1.504	1.526	1.549	1.571	1.592	1.614	1.637	1.660	1.683	1.707	1.730	1.751	1.775
Debt Service Coverage - MMRB-NIBP Loan + CWHIP-Tranche B Loan	1.411	1.432	1.453	1.475	1.496	1.518	1.538	1.560	1.582	1.604	1.627	1.649	1.671	1.692	1.715
Debt Service Coverage - All Mortgage Loans	1.366	1.386	1.407	1.428	1.448	1.469	1.489	1.510	1.531	1.553	1.575	1.596	1.618	1.638	1.660
Debt Service Coverage - All Mortgages and Fees	1.366	1.386	1.407	1.428	1.448	1.469	1.489	1.510	1.531	1.553	1.575	1.596	1.618	1.638	1.660
<b>Financial Ratios</b>															
Operating Expense Ratio	44.7%	44.9%	45.2%	45.5%	45.7%	46.0%	46.4%	46.7%	46.9%	47.2%	47.5%	47.9%	48.2%	48.5%	48.9%
Break-Even Ratio	80.1%	79.6%	79.1%	78.6%	78.2%	77.8%	77.4%	77.1%	76.7%	76.3%	76.0%	75.7%	75.4%	75.1%	74.9%



## A. The Development will consist of:

36 one-story flats and 78 three-story townhouse units located in 9 residential buildings

## Unit Mix:

Eighteen (18) two bedroom/two bath units containing a minimum of 1,071 square feet of heated and cooled living area.

Eighteen (18) three bedroom/two bath units containing a minimum of 1,561 square feet of heated and cooled living area.

Thirty-nine (39) three bedroom/ three bath units containing a minimum of 1,544 square feet of heated and cooled living area.

Thirty-nine (39) three bedroom/three bath units containing a minimum of 1,590 square feet of heated and cooled living area.

114 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, Federal Fair Housing Act and Americans with Disabilities Act ("ADA"), as applicable.

## B. Each unit will be fully equipped with the following:

1. Air conditioning in all units (window units are not allowed; however, through-wall units are permissible for rehabilitation).
2. Window treatments for each window and glass door inside each unit.
3. Termite prevention and pest control throughout the entire affordability period.
4. Peephole on all exterior doors.
5. Exterior lighting in open and common areas.
6. Cable or satellite TV hook-up in all units.

7. Full-size range, oven and refrigerator in all units.
  8. At least two full bathrooms in all 3 bedroom or larger new construction units.
  9. Bathtub with shower in at least one bathroom in at least 90% of the new construction non-Elderly units.
- C. The Applicant has committed to the following amenities in the Development:
1. 30 Year expected life roofing on all buildings
  2. Ceramic tile bathroom floors in all units
  3. Marble window sills in all units.
  4. Steel exterior entry door frames for all units.
  5. At least 1.5 bathroom (One full bath and one with at least a toilet and sink) in all 2 bedroom new construction units.
  6. Garbage disposal in all new construction units.
- D. The Applicant has committed to the following amenities in the Development:
1. Exercise room with appropriate equipment
  2. Community center or clubhouse.
  3. Swimming pool
  4. Playground/tot lot, accessible to children with disabilities (must be sized in proportion to Development's size and expected resident population with age-appropriate equipment).
  5. Library consisting of a minimum of 100 books and 5 current magazine subscriptions.
  6. Computer lab on-site with minimum one computer per 50 units, with basic word processing, spreadsheets and assorted educational and entertainment software programs and at least one printer.
  7. Each unit wired for high speed internet
  8. Laundry hook-ups and space for full-size washer and dryer inside each unit.

- E. The Applicant has committed to provide the following energy conservation features for all buildings in the Development:
1. Air conditioning with a minimum SEER rating of 15.
  2. Wall insulation of a minimum of R-7
  3. Attic insulation of R-30 or better.
  4. All windows single-pane with shading coefficient of .67 or better
  5. Energy Star certified refrigerator and dishwasher in each unit.
  6. Ceiling fans in all bedrooms and living areas in each unit.
- F. The Applicant commits to provide at least 10 of the Green Building options listed below:
1.  Programmable thermostats in each unit
  2.  Energy Star rated reversible ceiling fans in all bedrooms and living areas
  3.  Showerheads that use less than 2.5 gallons of water per minute
  4.  Faucets that use 2 gallons of water per minute or less in the kitchen and all bathrooms
  5.  Toilets that have dual flush options which include 1.6 gallons of water or less
  6.  Energy Star qualified lighting in all open and common areas
  7.  Motion detectors on all outside lighting that is attached to the units
  8.  Low VOC paint (less than 50 grams per gallon) in all units and common areas
  9.  Reduced Heat-Island Effect paving (use light colored or porous paving materials)
  10.  Energy Star rating for all refrigerators, dishwashers and washing machines that are provided by the Applicant
  11.  Energy Star rating for all windows in each unit
  12.  Carpet and Rug Institute Green Label certified carpet and pad for all carpeting provided

13. \_\_\_ Florida Yards and Neighborhood certification on all landscaping

14. X Install daylight sensors or timers on all outdoor lighting

G. The Applicant committed to provide the following Resident Programs:

1. Welfare to Work or Self-Sufficiency Type Programs - The Applicant commits to actively seek residents who are participating in or who have successfully completed the training provided by these types of programs.

2. Homeownership Opportunity Program

Financial Assistance with Purchase of a Home: Applicant commits to provide a financial incentive for the purchase of a home which includes the following provisions:

- the incentive must be applicable to the home selected by the resident and may not be restricted to or enhanced by the purchase of homes in which the Applicant, Developer, or other related party has an interest;
- the incentive must not be less than five percent (5%) of the rent for the resident's unit during the resident's entire occupancy (Note: Resident will receive the incentive for all months for which the resident is in compliance with the terms and conditions of the lease. Damages to the unit in excess of the security deposit will be deducted from the incentive.);
- the benefit must be in the form of a gift or grant and may not be a loan of any nature;
- the benefits of the incentive must accrue from the beginning of occupancy;
- the vesting period can be no longer than 2 years of continuous residency; and
- no fee, deposit or any other such charge can be levied against the resident as a condition of participation in this program.

3. First Time Homebuyer Seminars – Applicant or its Management Agent must arrange for and provide, at no cost to the resident, in conjunction with local realtors or lending institutions, semiannual on-site seminars for residents interested in becoming homeowners. Electronic media, if used, must be used in conjunction with live instruction.

4. Job Training – Applicant or its Management Agent must provide, at no cost to the resident, regularly scheduled classes in keyboarding, computer literacy, secretarial skills or other useful job skills, which will be provided at least once each quarter. 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.

5. Health Care - At least quarterly visits by health care professionals such as nurses, doctors, or other licensed care providers. At a minimum, the following services must

be provided: health screening, flu shots, vision and hearing tests. Regularly scheduled is defined as not less often than once each quarter. On-site space must be provided. Service must be provided at no cost to the residents, with the exception that the residents may be charged for medications.

6. Health and Nutrition Classes – At least eight hours per year, provided on-site at no cost to the residents.
7. Resident Activities - These specified activities are planned, arranged, provided and paid for by the Applicant or its Management Agent. These activities must be an integral part of the management plan. The Applicant must develop and execute a comprehensive plan of varied activities that brings the residents together and encourages community pride. The goal here is to foster a sense of community by bringing residents together on a regularly scheduled basis by providing activities such as holiday and special occasion parties, community picnics, newsletters, children's special functions, etc.
8. Financial Counseling – This service must be provided by the Applicant or its Management Agent, at no cost to the resident, and must include the following components: must be regularly scheduled at least once each quarter; must include tax preparation assistance by qualified professionals; must include educational workshops on such topics as "Learning to Budget," "Handling Personal Finances," "Predatory Lending," or "Comparison Shopping for the Consumer." Electronic media, if used, must be used in conjunction with live instruction.

## COMPLETENESS AND ISSUES CHECKLIST

DEVELOPMENT NAME: The Preserve at Boynton Beach, Phase I

DATE: September 29, 2011

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.

CREDIT UNDERWRITING	STATUS	NOTE
REQUIRED ITEMS:	Satis. / Unsatis.	
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.	1
7. Full or self-contained appraisal as defined by the Uniform Standards of Professional Appraisal Practice.	Satis.	2
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 agent.	Satis.	
12. Credit authorizations; verifications of deposits and mortgage loans.	Satis.	
13. Management Agreement and Management Plan.	Satis.	3
14. Firm commitment from the credit enhancer or private placement purchaser, if any.	Satis.	4
15. Firm commitment letter from the syndicator, if any.	Satis.	5
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.	Satis.	

**NOTES AND APPLICANT'S RESPONSES:**

1. The Geotechnical Engineering Service Report ("soil test report") performed by Tierra South Florida, Inc. ("TSF") dated June 17, 2010, and revised September 8, 2010, was not performed for the Borrower. In addition, only limited information regarding the proposed construction was available to TSF. Details of the proposed development and structural load information were not available at the time of the revised soil test report.

Applicant's Response. After the plans and specifications are more complete, the geotechnical engineer will be retained and provided the opportunity to review the final design plan and specifications to verify that the engineering recommendations have been properly incorporated in the design documents. Seltzer's recommendations are conditioned upon receipt and satisfactory review, prior to loan closing, of a letter from TSF reflecting that the Borrower may rely upon the report and that the geotechnical engineer has had an opportunity to review the final design plan and specifications and included supplementary recommendations as deemed necessary by the engineer.

2. The draft revised May 9, 2011 Appraisal performed by Integra did not include an "as is value" for the 8 existing units.

Applicant's Response: It is anticipated that a final appraisal will be provided prior to loan closing. Seltzer's recommendations are conditioned upon receipt and satisfactory review, prior to loan closing, of a final appraisal to include an "as is value" for the 8 existing units.

3. The management company, CMS, is has received conditional approval from Florida Housing. The approval is contingent upon key company personnel's attendance at the

October 28, 2011 Florida housing compliance workshop. Florida housing does reserve the right to remove this conditional approval upon failure to comply with any of the requirements outlined in the approval process.

Applicant's response: CMS will work with Florida Housing. Verification that CMS has attended the October 28, 2011 Florida Housing compliance workshop and remains an active management company for properties participating in Florida Housing's programs are conditions of Seltzer's recommendations.

Approval, prior to loan closing, by FHFC of CMS as the management company for The Preserve at Boynton Beach, Phase I is a condition of Seltzer's recommendation.

4. The following firm commitments for credit enhancement were not provided:
- a. Oak Grove Commercial Mortgage, L.L.C. d/b/a Oak Grove Capital ("OGC") provided a summary of terms for a Fannie Mae funded forward commitment for permanent non-recourse financing for the Subject Development.

Applicant's Response: A firm commitment for the Fannie Mae funding will be provided prior to loan closing. Receipt and satisfactory review, prior to loan closing, of a firm commitment for credit enhancement with terms and conditions as reflected within this credit underwriting report is a condition of Seltzer's recommendations.

- b. JP Morgan Chase Bank Community Development Banking ("Chase") provided a term sheet for a Direct-Pay Letter-of-Credit for construction-period credit enhancement for a loan to be funded by the issuance of tax-exempt bonds under the NIBP. The term sheet reflects the proposed development will be Boynton Village.

Applicant's Response: A firm commitment for the Chase Direct-Pay Letter-of-Credit for The Preserve at Boynton Beach, Phase I, for a loan to be funded by the issuance of tax-exempt market-rate and NIBP MMRB. Receipt and satisfactory review, prior to loan closing, of a firm commitment for construction period credit enhancement with terms and conditions as reflected within this credit underwriting report is a condition of Seltzer's recommendations.

5. In place of a firm commitment for syndication, Borrower provided a Letter of Intent from the Syndicator, Hudson, to provide equity investment in the partnership.

Applicant's Response: A firm commitment will be provided, prior to loan closing. Receipt and satisfactory review, prior to loan closing, of a firm commitment for an equity investment in the partnership with terms and conditions reflective of this credit underwriting report is a condition of Seltzer's recommendations.



**HC Allocation Calculation**

<b>Section I: Qualified Basis Calculation</b>	
Development Cost	\$24,525,278
Less Land Cost	(\$2,000,000)
Less Federal Funds	\$0
Less Other Ineligible Costs	(\$4,575,673)
Less Disproportionate Standard	\$0
<b>Total Eligible Basis</b>	<b>\$17,949,605</b>
Applicable Fraction	93.44%
DDA/QCT Basis Credit	100.00%
<b>Qualified Basis</b>	<b>\$16,776,316</b>
HC Percentage	3.45%
<b>Annual HC Allocation</b>	<b>\$578,783</b>

*Notes to the Qualified Basis Calculation:*

1. Other Ineligible Costs primarily include administrative and applications fees; marketing; property taxes and construction loan interest after construction completion; cost of issuance for the bonds; legal fees related to land acquisition, permanent financing, syndication and ongoing operations; title insurance costs allocated to land; Fannie Mae permanent loan conversion fee; Syndication fees; FHFC Special Asset Fees; and reserves, as shown in the HC Ineligible Costs column of the Uses of Funds schedules within Section A of this credit underwriting report.
2. The development has a 93.44% set-aside; therefore, the Applicable Fraction is 93.44%.
3. This development is not in a Qualified Census Tract ("QCT") or a Difficult Development Area ("DDA"). Therefore, a 130% basis credit has not been applied.
4. The Housing Credit Percentage is based on the tax credit rate as of the date of the Applicant's invitation into credit underwriting (3.30%) plus 15 basis points.

<b>Section II. Gap Calculation</b>	
Total Development Cost (Including Land and Ineligible Costs)	\$24,525,278
Less Loans/Mortgages	(\$15,601,999)
Less Grants	\$0
<b>Equity Gap</b>	<b>\$8,923,279</b>
Percentage to Investment Partnership/LLC	99.99%
HC Syndication Pricing	\$0.8719
<b>HC Required to Meet Gap</b>	<b>\$10,235,315</b>
<b>Annual HC Required</b>	<b>\$1,023,532</b>

*Notes to the Gap Calculation:*

1. Mortgages consist of the MMRB, CWHIP-Tranche B and CWHIP-Tranche A Loans.
2. HC Syndication Pricing and Percentage to Investment Partnership are based upon a September 14, 2011, Letter of Intent from Hudson as described in the Permanent Financing Sources section in Section A of this credit underwriting report.

<b>Section III: Tax-Exempt Bond 50% Test</b>	
Total Depreciable Cost	\$17,949,605
Plus Land Cost	\$2,000,000
Less Previous Infrastructure Improvements	
Aggregate Basis	\$19,949,605
Tax-Exempt Bond Amount	\$11,700,000
Less Debt Service Reserve	\$0
Less Proceeds Used for Costs of Issuance	(\$266,000)
Plus Tax-Exempt GIC Earnings	\$0
Tax-Exempt Proceeds Used for Building and Land	\$11,434,000
Proceeds Divided by Aggregate Basis	57.31%

*Notes to 50% Test:*

1. SMG estimates the Tax-Exempt MMRB loan amount to be 57.31% of Depreciable Development Costs plus Land Acquisition Costs. If, at the time of Final Cost Certification, the Tax-Exempt Bond Amount is less than 50%, developer fees will have to be reduced by an amount to ensure compliance with the 50% Test. That may, in turn, result in a reduction to HC Equity.

<b>Section IV: Summary</b>	
HC per Qualified Basis	\$578,783
HC per Gap Calculation	\$1,023,532
Annual HC Recommended	\$578,783

*Notes to the Summary:*

1. The Annual HC Recommended is limited by the Qualified Basis Calculation.