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# **Florida Housing Finance Corporation**

*Credit Underwriting Report*

## ***Marina Del Ray Apartments***

**2002 FHFC Universal Application**

**SAIL Program and Housing Credit Program**

**2002-026CS**

**Section A - Board Summary**

**Section B – SAIL Loan Commitment Conditions and HC Allocation Contingencies**

**Section C - Supporting Information and Schedules**

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**Prepared by**

**FLORIDA COMMUNITY PARTNERS**

*Final Report*

**October 7, 2003**

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**FINAL REVIEW CHECKLIST**

**DEVELOPMENT**

**NAME:** Marina Del Ray Apartments

**DATE:** October 7, 2003

In accordance with the 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 ("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 allowed time frame. Unsatisfactory items, if any, are noted below and in the "Issues and Concerns" section of the Executive Summary.

FINAL REVIEW REQUIRED ITEMS:	STATUS	NOTE
	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.	
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 the 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 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.	
14. Firm commitment from the credit enhancer or private placement purchaser, if any.	N/A	
15. Firm commitment letter from the syndicator, if any.	Satis.	
16. Firm commitment letter(s) for any other financing sources.	Satis.	
17. Updated sources and uses of funds.	Satis.	

**HC PROGRAM & SAIL PROGRAM REPORT****FCP**

<b>FINAL REVIEW REQUIRED ITEMS:</b>	<b>STATUS</b>	<b>NOTE</b>
	<b>Satis. / Unsatis.</b>	
18. Draft construction draw schedule that shows 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: 35% 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.	

Revised 11/4/02

Notes and Applicant's Responses:

**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?	x	
Does the Applicant have site control at or above the level indicated in the Application?	x	
Does the Applicant have adequate zoning as indicated in the Application?	x	
Has the Development been evaluated for feasibility using the total length of set-aside committed to in the Application?	x	
Have the Development costs remained equal to or less than those listed in the Application?		2
Is the Development feasible using the set-asides committed to in the Application?	x	
If the Development has committed to serve a special target group (e.g. elderly, large family, etc.), do the development and operating plans contain specific provisions for implementation?	x	
HOME ONLY: If points were given for match funds, is the match percentage the same as or greater than that indicated in the Application?	n/a	
HC ONLY: Is the rate of syndication the same as or greater than that shown in the Application?	x	
Is the Development in all other material respects the same as presented in the Application?	x	

**THE FOLLOWING ARE EXPLANATIONS OF EACH ITEM CHECKED "NO" IN THE TABLE ABOVE:**

1. Bank of America replaces Neighborhood Lending Partners as the first mortgage Construction/Permanent Lender. The Citrus County SHIP funds increased from \$75,000 to \$150,000.
2. Development costs increased \$778,624 (10%), from \$7,746,043 to \$8,524,677. The increase is due primarily to:
  - a. \$458,465 increase in Financing Costs due to the cost of the Equity Bridge Loan during construction which was not anticipated
  - b. \$115,009 increase in Developer Fees
  - c. \$105,720 increase in Soft Costs
  - d. \$99,430 increase in Hard Cost Contingency

**Section A**  
**Board Summary**

## Executive Summary

This is a Florida Community Partners (“FCP”) Housing Credit (“HC”) and State Apartment Incentive Loan (“SAIL”) Credit Underwriting Report for a proposed 100-unit affordable apartment complex to be known as Marina Del Ray Apartments, located in Beverly Hills, Citrus County, Florida. The apartments will be designated as an Elderly project. The development will have 56% of the units set-aside for tenants earning a maximum of 50% of the AMI and 44% of the units set-aside for tenants earning a maximum of 60% of the AMI. The project will be situated on a 7.55 acre site and will consist of four, two-story garden-style apartment buildings each containing an elevator. Common area amenities will include a clubhouse with community room, kitchen, library, and exercise room, a car care center, swimming pool, and 2 shuffleboard courts.

Construction is expected to take 12 months, and stabilized occupancy should occur 10 months later, for a total construction/stabilization period of 22 months. This is based on the Market Study and Appraisal absorption estimate of 10 units per month. These reports also support a 95% Stabilization rate and Maximum HC Rents which are assumed by FCP in underwriting this transaction. The construction/stabilization term was established at 24 months by the first mortgage lender and syndicator to allow for any unanticipated delays.

### Ownership Structure:

The applicant, Creative Choice Homes XXVIII, Ltd., is a Florida limited partnership formed in July 2001 to construct and operate Marina Del Ray Apartments. The General Partner of the Applicant with a 1% interest is Creative Choice Homes XXXVIII, Inc. Dilip Barot is the initial limited partner with 99% interest. Franklin Capital Group is anticipated to be the syndicator of the HC and will replace Barot as the Limited Partner acquiring a 99.99% interest at closing with the General Partner retaining a .01% interest.

Mr. Barot owns 100% of the General Partner, the Developer (Creative Choice Homes, Inc.), and the General Contractor, Naimisha Construction, Inc. Creative Choice Homes (“CCH”) and Naimisha have extensive experience in the construction, rehabilitation and operation of affordable multifamily properties in four states, including Florida. Creative Choice has completed over 3,800 units, with fourteen projects financed by Florida Housing Finance Corporation (“FHFC or Florida Housing”).

### Housing Credit Program:

The applicant has applied to FHFC for 9% federal credits with an annual HC allocation of \$748,670.

An analysis of the credits available to the development was performed and resulted in the amount for which the Applicant was approved in the Commitment Letter from Franklin Capital Group.

The Commitment Letter indicates that the syndicator will purchase a 99.99% limited partnership interest at closing of the financing and reflects a syndication rate of 0.84. Capital Contributions total approximately \$6,288,200. At closing, a \$2,200,870 equity bridge loan will be funded, and \$628,810 in capital will be funded during construction to pay down the bridge loan. At 100% Completion, \$4,401,740 will be funded, with two additional installments of \$628,810 each due upon:

- 1) The later of (i) occupancy of all units (ii) Breakeven Date (iii) 3 months after 2nd installment or (iv) January 1, 2005, and
- 2) Receipt of i) IRS Form 8609, ii) Permanent Loan Conversion, iii) attainment of 1.15 DSC ratio for 3 consecutive months iv) certification of eligible basis to generate Credits v) 6 months after 3rd installment or vi) July 1, 2005. The final installment will most likely be adjusted to reflect applicable IRS rate terms and conditions following final cost certification.

**SAIL Loan:**

The applicant has applied for a \$1,100,000 SAIL loan to be issued by the Florida Housing to finance this development.

The SAIL loan term shall be co-terminus with the first mortgage with a 20-year term, including a 24-month construction/stabilization period, then an 18-year permanent loan as requested by the syndicator and permitted in the SAIL Rule. The SAIL loan will be non-amortizing and will bear 3% simple interest per annum. Annual payments of all applicable fees will be required. In addition and to the extent that development cash flow is available, interest payments at the 3% rate will be required. Any unpaid interest will be deferred until cash flow is available. However, at the maturity of the SAIL loan, all principal and unpaid interest will be due. This credit underwriting assumes interest payments at 3.35% (simple interest rate plus applicable fees). SAIL loan funds will be drawn pro rata with the First Mortgage loan during construction.

**Other Financing Sources:**

The applicant submitted a revised commitment letter dated August 18, 2003, from Bank of America to provide first mortgage construction and permanent financing. A first mortgage construction/perm loan in the amount of \$700,000 is structured on a 20-year commitment, including a 24-month construction/lease-up period, then conversion to an 18-year permanent loan based on a 30-year amortization. The interest rate is fixed at closing, with today's rate being 6.87%. In addition, Bank of America is providing a construction bridge loan in the amount of \$3,596,224, with interest only payable monthly floating at LIBOR + 225 bp, with a maximum term of 24 months.

The equity bridge loan in the amount of \$2,200,870 noted above in the Housing Credits Program section is structure on a 24-month commitment with interest only payable monthly at 15%. Principal will be repaid from the 2<sup>nd</sup> and 3<sup>rd</sup> installments of tax credit equity.

Citrus County has committed to a \$150,000 SHIP loan for this project. The loan will be documented as a 15-year non-amortizing, non-interest-bearing note, with no repayment required if the units remain affordable for at least the 15-year affordability period. The original commitment from Citrus County in the application was \$75,000.

In order to cover an estimated remaining shortfall in the amount of \$777,583 during the construction period, the developer has agreed to defer receipt of developer fees in this amount (which is equivalent to 74% of the total developer fees). Upon conversion to the permanent financing and additional tax credit equity contributions, the deferred developer fee will reduce to \$286,477.

FCP has prepared a 15 year proforma analysis of the subject. This analysis appears to indicate that the Deferred Developer Fee can be 100% recaptured in Year 8 of operations, however, FCP cannot offer any definitive assurances.

**Additional Information:**

1. Market Analysis and Absorption: A Market Study Report prepared by Realvest confirmed adequate demand for an elderly project in the Citrus County market. The report estimates absorption at 10 units per month and maximum rents achievable.

**Issues and Concerns:**

None

Recommendation(s):

1. FCP recommends that an annual HC allocation of \$748,670 be awarded to Creative Choice Homes XXVIII, Ltd. for the Marina Del Ray Apartments
2. FCP recommends that a \$1,100,000 SAIL loan be awarded to Creative Choice Homes XXVIII, Ltd. for the Marina Del Ray Apartments

This recommendation is made without regard to the status of the past due interest on another project financed by FHFC to a related Creative Choice entity. This matter will be addressed with the Board separately.

This recommendation is based upon the assumptions detailed in the Board Summary (Section A) and subject to the HC Allocation Recommendation, SAIL Loan Recommendation, Contingencies and General Conditions (Section B), with Supporting Information and Schedules (Section C).

The reader is cautioned to refer to these sections for complete information.

Prepared by:

*Karen M. Ledet*

Karen M. Ledet  
Senior Vice President

Reviewed by:

*Charles A. Rowe*

Charles A. Rowe  
Executive Director



**Marina Del Ray Apartments**

**2002- 026CS**

**SAIL Loan Recommendation: \$1,100,000**

**HC Allocation Recommendation**

Applicant Request: \$748,670  
 Annual HC per Qualified Basis: \$1,061,536  
 Annual HC per Gap Calculation: \$943,879

**HC Allocation Recommendation: \$748,670**

<u>Development Type</u> New Construction	<u>Set Aside</u> 56% at 50% AMI 44% at 60% AMI	<u>Set Aside Term</u> 50 years
<u>Demographic Commitment</u> Elderly	<u>Mortgagor</u> Creative Choice Homes XXVIII, Ltd.	<u>Principals</u> Dilip Barot
<u>Developer</u> Creative Choice Homes, Inc.	<u>Syndicator/Limited Partner</u> Franklin Capital Group	<u>HC Price</u> \$0.84
<u>Site Area</u> 7.55 acres	<u>Density</u> 13.24 units per gross acre	<u>Zoning</u> PDP (Planned Development Project Multi-Family)
<u>Net Operating Income</u> \$127,977	<u>Appraised Value</u> \$4,580,000 Market Rents-Market Financing \$2,390,000 Restricted Rents-Favorable Financing	<u>Total Development Cost</u> \$8,524,677

**Rent Roll**

**Citrus County**

Bed-rooms	Baths	No. of Units	Unit Size (SF)	Median Income %	Max. Gross HC Rents	Utility Allow-ance	Max Net HC Rents	Applicant Revised Rents	Underwriter Rents	Annual Rents
1	1	36	765	50%	\$388	\$53	\$335	\$335	\$335	\$144,720
1	1	30	765	60%	\$465	\$53	\$412	\$412	\$412	\$148,320
2	1	2	1,005	50%	\$466	\$83	\$383	\$383	\$383	\$9,192
2	1	2	1,005	60%	\$559	\$83	\$476	\$476	\$476	\$11,424
2	2	18	1,005	50%	\$466	\$83	\$383	\$383	\$383	\$82,728
2	2	12	1,005	60%	\$559	\$83	\$476	\$476	\$476	\$68,544
<b>Totals</b>		<b>100</b>	<b>80,640</b>							<b>\$464,928</b>

Note: The underwriter's estimate of rents is supported by the Appraisal. The project will not have a manager's unit. The Appraiser anticipates that the maximum rents will be realized.

**Sources of Funds**

Source	Lender/Enhancer	Application	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt Service
First Mortgage	Bank of America	\$700,000	\$700,000	\$700,000	7.000%	30.0	20	\$55,885
SAIL Loan	FHFC	\$1,100,000	\$1,100,000	\$1,100,000	3.350%	NA	20	\$36,850
Housing Credit Equity	Franklin Capital	\$5,839,043	\$6,288,200	\$6,288,200				
Deferred Developer Fees	Creative Choice Homes, Inc.	\$107,010	\$286,477	\$286,477				
SHIP Grant	Citrus County SHIP	\$75,000	\$150,000	\$150,000	0.00%	0	15	0
<b>Total</b>		<b>\$7,746,053</b>	<b>\$8,524,677</b>	<b>\$8,524,677</b>				<b>\$92,735</b>

**Ratios**

Debt Service Coverage<sup>1</sup>  
1.38x Combined Debt

Loan to Value<sup>1</sup>  
39% Market Rents-Market Financing  
75% Restricted Rents-Favorable Financing

Total Cost Per Unit  
\$85,247

SAIL Loan to Cost<sup>2</sup>  
13%

SAIL Loan per Unit<sup>2</sup>  
\$11,000

FHFC Assistance per Unit<sup>3</sup>  
\$18,487

1. Based on the total SAIL Loan of \$1,100,000 and the Bank of America First Mortgage Loan of \$700,000 for the first stabilized year. (See Exhibit 1 for subsequent years' DSC.)
2. Based on the SAIL Loan recommended.
3. Includes competitive 9% HC plus SAIL Loan.

**Construction Financing Sources**

**HC PROGRAM & SAIL PROGRAM REPORT**

**FCP**

Source	Lender	Applicant	Revised Applicant	Underwriter	Const. Int. Rate	Construction Debt Service
First Mortgage	Bank of America	\$1,920,610	\$700,000	\$700,000	6.870%	\$42,079
Bridge Loan	Bank of America	\$0	\$3,596,224	\$3,596,224	4.000%	\$107,887
SAIL Loan	FHFC	\$1,100,000	\$1,100,000	\$1,100,000	3.350%	\$32,244
Equity Bridge Loan	Franklin Capital	\$0	\$2,200,870	\$2,200,870	15.00%	\$577,728
Housing Credit Equity	Franklin Capital	\$3,795,378	\$0	\$0		
Deferred Developer Fee	Creative Choice Homes, Inc.	\$930,065	\$777,583	\$777,583		
SHIP Grant	Citrus County SHIP	\$75,000	\$150,000	\$150,000	0.00%	\$0
<b>Total</b>		<b>\$7,746,053</b>	<b>\$8,524,677</b>	<b>\$8,524,677</b>		<b>\$759,938</b>

*Notes to the Construction Period Sources of Funds:*

1. The Bank of America first mortgage loans require payments of interest only during the construction period. The \$700,000 construction/perm loan is fixed at closing with the current rate being 6.87%. The \$3,596,224 Bridge loan is floating during construction at LIBOR + 225 bp. The construction debt service is based on a 12-month construction period, an average outstanding loan balance of 50% of the total loan amount during construction, and an additional 12-month lease-up period following completion.
2. The Applicant is applying for a SAIL Loan in the amount of \$1,100,000. The SAIL Loan will have up to a 24-month construction/stabilization period. During construction, SAIL Loan funds are drawn pro-rata with the First Mortgage.
3. Capital Contributions total approximately \$6,288,200. At closing, a \$2,200,870 equity bridge loan will be funded, and \$628,810 in capital will be funded during construction. This first equity installment will be used to pay down the equity bridge loan. The equity bridge loan is structured on a 24-month commitment with interest payable monthly at 15%. At 100% Completion, \$4,401,740 will be funded, with two additional installments of \$628,810 each due upon:
  1. The later of (i) occupancy of all units (ii) Breakeven Date (iii) 3 months after 2nd installment or (iv) January 1, 2005, and
  2. Receipt of i) IRS Form 8609, ii) Permanent Loan Conversion, iii) attainment of 1.15 DSC ratio for 3 consecutive months iv) certification of eligible basis to generate Credits v) 6 months after 3rd installment or vi) July 1, 2005. The final installment will most likely be adjusted to reflect applicable IRS rate terms and conditions following final cost certification.
4. In order to cover an estimated remaining shortfall in the amount of \$777,583 during the construction period, the developer has agreed to defer receipt of developer fees in this amount (which is equivalent to 74% of the total developer fees). Upon conversion to the permanent financing and additional tax credit equity contributions, the deferred developer fee will reduce to \$286,477.
5. Citrus County has committed to a \$150,000 SHIP loan for this project. The loan will be documented as a 15-year non-amortizing, non-interest-bearing note, with no repayment required if the units remain affordable for at least the 15-year affordability period.

**Permanent Financing Sources**

Source	Lender/ Enhancer	Application	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt Service
First Mortgage	Bank of America	\$700,000	\$700,000	\$700,000	7.000%	30.0	20	\$55,885
SAIL Loan	FHFC	\$1,100,000	\$1,100,000	\$1,100,000	3.350%	NA	20	\$36,850
Housing Credit Equity	Franklin Capital	\$5,839,043	\$6,288,200	\$6,288,200				
Deferred Developer Fees	Creative Choice Homes, Inc.	\$107,010	\$286,477	\$286,477				
SHIP Grant	Citrus County SHIP	\$75,000	\$150,000	\$150,000	0.00%	0	15	0
<b>Total</b>		<b>\$7,746,053</b>	<b>\$8,524,677</b>	<b>\$8,524,677</b>				<b>\$92,735</b>

1. The Bank of America first mortgage loan, in the amount of \$700,000, is structured on a term of 20 years, including the 24-month construction/stabilization period, with monthly payments of principal and interest in arrears based on an amortization of 30 years, at a fixed rate to be established upon closing of the construction loan. Currently, the rate would be 6.87%, which was rounded to 7% for underwriting purposes.
2. The Applicant is applying for a SAIL Loan in the amount of \$1,100,000. The SAIL Loan will be co-terminus with the first mortgage. The loan is non-amortizing with all applicable fees due annually. Interest will accrue at 3% and will be deferred until cash flow is available. Underwriting assumes interest payments at 3.35% (simple interest rate plus applicable fees). However, at the maturity of the SAIL loan, all principal and unpaid interest will be due.
3. The Syndicator/Limited Partnership Agreement indicates that the syndicator will purchase a 99.99% limited partnership interest at closing. The Partnership Agreement reflects a syndication rate of \$0.84. Capital Contributions total approximately \$6,288,200. At closing, a \$2,200,870 equity bridge loan will be funded, and \$628,810 in capital will be available during construction which will be used to pay down the equity bridge loan. Upon 100% Completion, \$4,401,740 will be funded, with two additional installments of \$628,810 each due upon:
  - a. The later of (i) occupancy of all units (ii) Breakeven Date (iii) 3 months after 2nd installment or (iv) January 1, 2005, and
  - b. Receipt of i) IRS Form 8609, ii) Permanent Loan Conversion, iii) attainment of 1.15 DSC ratio for 3 consecutive months iv) certification of eligible basis to generate Credits v) 6 months after 3rd installment or vi) July 1, 2005. The final installment will most likely be adjusted to reflect applicable IRS rate terms and conditions following final cost certification.
4. Citrus County has committed to a \$150,000 SHIP loan for this project. The loan will be documented as a 15-year non-amortizing, non-interest-bearing note, with no repayment required if the units remain affordable for at least the 15-year affordability period.
5. Upon conversion to the permanent financing and additional tax credit equity contributions, the deferred developer fee will reduce to \$286,477.

**Uses of Funds**

	<b>Application Total Costs</b>	<b>Applicant's Revised Total Costs</b>	<b>Underwriter's Total Costs</b>	<b>HC Ineligible Costs</b>
<b>Actual Construction Cost</b>				
Site Work	\$0	\$550,000	\$550,000	
New Rental Units	\$4,045,984	\$3,535,984	\$3,535,984	
Rehabilitation of Existing Rental Units	\$0	\$0	\$0	
Accessory Buildings	\$275,000	\$275,000	\$275,000	
Recreational Amenities	\$40,000	\$0	\$0	
Other	\$0	\$0	\$0	
General Contractor Fees	\$610,538	\$610,538	\$610,538	
<b>Total Construction Contract</b>	<b>\$4,971,522</b>	<b>\$4,971,522</b>	<b>\$4,971,522</b>	
Hard Cost Contingency	\$149,146	\$248,576	\$248,576	
<b>Total Actual Construction Cost</b>	<b>\$5,120,668</b>	<b>\$5,220,098</b>	<b>\$5,220,098</b>	<b>\$0</b>

Notes to the Actual Construction Costs:

1. The Applicant provided a construction contract between the Applicant and Naimisha Construction, Inc., an affiliate of Creative Choice Homes.
2. The G/C fees are within the guideline of 14% of hard costs.
3. A 5% Hard Cost Contingency is included in the budget and is consistent with typical transactions of this type.
4. The General Contractor will provide a payment and performance bond to insure completion of the project.

**HC PROGRAM & SAIL PROGRAM REPORT**

**FCP**

	<b>Application Total Costs</b>	<b>Applicant's Revised Total Costs</b>	<b>Underwriter's Total Costs</b>	<b>HC Ineligible Costs</b>
<b>General Development Costs</b>				
Accounting Fees	\$15,000	\$20,000	\$20,000	\$10,000
Appraisal	\$7,500	\$7,500	\$7,500	
Architect's Fees	\$126,773	\$126,773	\$126,773	
Builder's Risk Insurance	\$20,000	\$82,500	\$82,500	
Building Permits	\$33,000	\$33,000	\$33,000	
Engineering Fee	\$38,000	\$44,000	\$44,000	
Environmental Report	\$7,500	\$10,000	\$10,000	
FHFC Administrative Fee	\$59,894	\$59,894	\$59,894	
FHFC Application Fee	\$2,000	\$2,000	\$2,000	
FHFC HC Compliance Fee	\$55,425	\$64,425	\$64,425	\$64,425
Credit Underwriting Fee	\$12,080	\$13,200	\$13,200	
Impact Fees	\$134,200	\$134,200	\$134,200	
Inspection Fees/Construction Admin.	\$22,000	\$20,000	\$20,000	
Insurance	\$12,500	\$0	\$0	
Legal Fees	\$69,500	\$89,500	\$89,500	\$50,000
Market Study	\$6,000	\$6,000	\$6,000	
Marketing and Advertising	\$50,000	\$50,000	\$50,000	\$50,000
Pre-Construction Analysis	\$0	\$1,600	\$1,600	
Property Taxes	\$9,000	\$9,000	\$9,000	
Soil Test	\$6,000	\$0	\$0	
Survey	\$25,000	\$25,000	\$25,000	
Title Insurance	\$40,000	\$40,000	\$40,000	
Utility Connection Fees	\$181,289	\$181,289	\$181,289	
Other: Furniture, Fixtures and WD	\$0	\$50,000	\$50,000	\$50,000
Other	\$51,500	\$0	\$0	
Soft Cost Contingency	\$0	\$20,000	\$20,000	\$0
<b>Total General Development Costs</b>	<b>\$984,161</b>	<b>\$1,089,881</b>	<b>\$1,089,881</b>	<b>\$224,425</b>

Notes to the General Development Costs:

1. Appraisal, Market Study and PCA are actual payments by Applicant to third-party professionals.
2. FHFC Administrative, Application, Compliance and Credit Underwriting Fees are actual costs. Legal fees are within the "greater of \$40,000 or 75 bp" maximum per FHFC guidelines.
3. Insurance expenses are included in Builder's Risk Insurance costs, and Soil Test expenses are included in Environmental Report.
4. The remaining General Development Costs are the applicant's updated estimates, which appear reasonable.

**HC PROGRAM & SAIL PROGRAM REPORT**

**FCP**

	<b>Application Total Costs</b>	<b>Applicant's Revised Total Costs</b>	<b>Underwriter's Total Costs</b>	<b>HC Ineligible Costs</b>
<b>Financial Costs</b>				
Construction Loan Credit Enhancement	\$0	\$0	\$0	\$0
Construction Interest Reserve	\$115,237	\$620,000	\$620,000	\$175,730
Construction Loan Fees	\$19,206	\$44,737	\$44,737	\$0
Construction Closing Costs	\$0	\$0	\$0	\$0
SAIL Loan Commitment Fee	\$11,000	\$11,000	\$11,000	\$0
Other Loan Closing Costs	\$0	\$1,500	\$1,500	\$750
Permanent Closing Costs	\$20,000	\$20,000	\$20,000	\$20,000
Permanent Loan Origination Fee	\$7,000	\$14,000	\$14,000	\$14,000
Reserves Required By Lender	\$180,329	\$100,000	\$100,000	\$100,000
<b>Total Financial Costs</b>	<b>\$352,772</b>	<b>\$811,237</b>	<b>\$811,237</b>	<b>\$310,480</b>

Notes to the Financial Costs:

1. All Financial Costs are based on estimates provided by the Applicant, which appear reasonable at this time.

	<b>Application Total Costs</b>	<b>Applicant's Revised Total Costs</b>	<b>Underwriter's Total Costs</b>	<b>HC Ineligible Costs</b>
Development Cost Before Developer Fee and Land Costs	\$6,457,601	\$7,121,216	\$7,121,216	\$534,905
<b>Other Development Costs</b>				
Net Developer Fee	\$938,452	\$1,053,461	\$1,053,461	\$10,000
<b>Total Developer's Fee</b>	<b>\$938,452</b>	<b>\$1,053,461</b>	<b>\$1,053,461</b>	<b>\$10,000</b>

Notes to the Other Development Costs:

1. The Total Developer's Fee is limited to 16% of total development costs exclusive of land acquisition and developer fees. However, note that eligible development costs are not determined until Final Cost Certification.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
<b>Acquisition Costs</b>				
Purchase Price of Land	\$350,000	\$350,000	\$350,000	\$350,000
<b>Total Acquisition Costs</b>	<b>\$350,000</b>	<b>\$350,000</b>	<b>\$350,000</b>	<b>\$350,000</b>

Notes to Acquisition Costs:

1. The appraisal estimated a land value at \$350,000 which is consistent with the purchase price paid by Creative Choice in December 2002.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
<b>Total Development Costs</b>	<b>\$7,746,053</b>	<b>\$8,524,677</b>	<b>\$8,524,677</b>	<b>\$894,905</b>



# Operating Pro Forma

DESCRIPTION		Annual	Per Unit
<b>Revenue</b>			
Gross Potential Rental Revenue		\$464,928	\$4,649
Other Income			
Washer/Dryer Rentals		\$10,800	\$108
Cable TV		\$6,000	\$60
Miscellaneous Income		\$11,100	\$111
Gross Potential Income		\$492,828	\$4,928
Less:			
Vacancy and Collection Loss	-5%	\$24,641	\$246
<b>Total Effective Gross Revenue</b>		<b>\$468,187</b>	<b>\$4,682</b>
<b>Expenses</b>			
Fixed:			
Real Estate Taxes		\$50,300	\$503
Insurance		\$35,000	\$350
Variable:			
Management Fee/Accounting Fee	5%	\$23,409	\$234
General and Administrative		\$22,500	\$225
Payroll Expenses		\$100,000	\$1,000
Utilities		\$33,000	\$330
Marketing and Advertising		\$8,500	\$85
Maintenance and Repairs		\$47,500	\$475
Mgmt. Unit		\$0	\$0
Reserve for Replacements		\$20,000	\$200
<b>Total Expenses</b>	72.7%	<b>\$340,209</b>	<b>\$3,402</b>
<b>Net Operating Income</b>	27.3%	<b>\$127,977</b>	<b>\$1,280</b>
<b>Debt Service Payments</b>			
First Mortgage		\$55,885	\$559
Other: SAIL Loan		\$36,850	\$369
<b>Total Debt Service Payments</b>		<b>\$92,735</b>	<b>\$927</b>
<b>Operating Income After Debt Service - Before Tax</b>		<b>\$35,242</b>	<b>\$352</b>
<b>Cash Flow</b>			

<b>Debt Service Coverage Ratios</b>	
Debt Service Coverage - First Mortgage	2.29
Debt Service Coverage - First and Second	1.38

<b>Financial Ratios</b>	
Operating Expense Ratio	73%
Break-even Ratio	88%

## Notes to the Operating Proforma and Ratios:

1. The rent schedule is based upon the 2003 Maximum Restricted Rents published by Florida Housing, less utility allowances, as required by the HC Program. Market comparables and the appraisal support the figures.
2. Vacancy loss (4%) and collection loss (1%) are based on appraisal estimates and supported by market comparables.
3. Based on operating data from comparable properties, third party reports (primarily the subject self-contained appraisal and market study), and the credit underwriter's independent due diligence, FCP represents that, in our opinion, estimates for rental income, vacancy and loss allowances, other income, and operating expenses fall within a band of reasonableness.
4. The Applicant has submitted a Management Agreement which reflects a management fee of 4% of actual receipts and contains the appropriate verbiage regarding compliance with tenant income and rent restrictions. An additional 1% incentive fee is payable upon meeting cash flow goals.
5. Replacement Reserves of \$200 per unit per year are required.
6. A 15-year income and expense projection assuming a 3% annual increase in revenues and a 4% increase in expenses indicates increasing debt service coverage. The projection is attached to this report as Exhibit 1.

**HC Allocation Calculation**

**Section I: Qualified Basis Calculation**

Total Development Cost (including land and ineligible costs)	\$8,524,677
Less Land Costs	\$350,000
Less Federal Grants & Loans	\$0
Less Other Ineligible Costs	\$544,905
Less Disproportionate Standard	\$0
Total Eligible Basis	\$7,629,772
Applicable Fraction	100%
QCT/DDA Basis Credit	130%
Qualified Basis	\$9,918,704
Housing Credit Percentage	8.27%
Annual Housing Credit Allocation	\$820,277

Notes to the Qualified Basis Calculation:

1. Other Ineligible Costs include construction loan interest incurred during the lease-up period, origination fees and closing costs related to the permanent loan, compliance fees, and advertising and marketing costs.
2. The development has a 100% set aside. The Applicable Fraction is, therefore, 100%.
3. The development is located in a Difficult Development Area (“DDA”) as defined in Section 42(d)(5)(c)(iii), IRC.
4. Per Florida Housing Rule 67-48.026 – Housing Credit Procedures, Part (8), Section (a) 2., 15 basis points are added to the actual percentage (8.1%) reported as of the Date of Invitation to Credit Underwriting for Housing Credits. For purposes of this report, a total Housing Credit Percentage of 8.27% is applied. This estimate considers current rates that are in effect.

**Section II: GAP Calculation**

Total Development Cost (including land and ineligible costs)	\$8,524,677
Less Mortgages	\$1,800,000
Less SHIP Loan	\$150,000
Equity Gap	\$6,574,677
HC Syndication Percentage to Investment Partnership	99.99%
HC Syndication Pricing	\$0.840
HC Required to meet Equity Gap	\$7,827,779
Annual HC Required	\$782,778

Notes to the Gap Calculation:

1. Mortgages are the Bank of America First Mortgage and the SAIL Second Mortgage loans.
2. HC Syndication Pricing and Percentage to Investment Partnership are based upon the July 18, 2003, Investment Commitment Letter.

**Section III: Summary**

HC Per Applicant Request	\$748,670
HC Per Qualified Basis	\$820,277
HC Per GAP Calculation	\$782,778
<b>Annual Estimated HC</b>	<b>\$748,670</b>
Syndication Proceeds based upon Annual Estimated HC	\$6,288,200

Notes to the Summary:

1. The annual HC Recommended is limited by the Applicant's Request.

**Section B**

**HC Allocation Recommendation, SAIL Loan Recommendation,  
Contingencies and General Conditions**

## State Apartment Incentive Loan Program Recommendation

Florida Community Partners (“FCP”) recommends a loan funded through Florida Housing’s State Apartment Incentive Loan (“SAIL”) Program under the conditions detailed in this section.

### Loan Amount

The SAIL loan amount recommended by FCP is **\$1,100,000**.

The loan amount is limited to the lesser of:

1. 25% of total development cost. The recommended SAIL loan is equal to 13% of total development cost.
2. An amount such that the combined SAIL loan and all superior debt do not exceed 100% of the appraised market value of the development. The combined SAIL loan and first mortgage is equal to 39% of the market value.
3. The amount necessary to make the development feasible, which is **\$1,100,000**.
4. Applicant’s request, which is **\$1,100,000**.

Therefore, the recommended SAIL loan amount is **\$1,100,000**.

Additionally, the combined debt service coverage ratio for the SAIL loan and all superior debt must not be less than 1.10 nor greater than 1.50 (debt service includes interest based on the pay rate, plus permanent loan servicing, and financial monitoring fees). FCP estimates the initial combined debt service coverage for the SAIL loan and the first mortgage to be 1.38, increasing to a maximum of 1.50.

## State Apartment Incentive Loan General Conditions

### Purpose:

To provide construction and permanent mortgage financing for Marina Del Ray Apartments, a proposed 100-unit multi-family rental development, located in Beverly Hills, Citrus County, Florida.

### Security/Collateral:

1. A second mortgage lien on the land and improvements
2. A security interest in all personalty of the development
3. Additional collateral as required by Florida Housing Finance Corporation

### Typical Documents:

1. Note, Mortgage, and Land Use Restriction Agreement
2. Assignment of leases, rents, profits
3. Assignment of management contract, service contracts, etc.
4. Loan Agreement
5. Construction Completion and Operation Deficit Guarantees
6. Environmental Indemnity
7. Guarantee of recourse Obligations
8. General Contractor Bond.
9. Other documents as may be required by Florida Housing and Rule Chapter 67-48, F.A.C.

### Term:

15 years including the construction/stabilization period. However, the term of the SAIL Loan may be extended to accommodate investment requirements associated with the syndication of Housing Credits awarded to the development, or to meet Fannie Mae requirements if it is financing the subject development.

### Rate:

3% simple interest per annum for Family, Elderly, Homeless and SRO loans. 1% simple interest per annum for developments that maintain an 80% occupancy of residents qualifying as Farmworkers over the life of the loan.

### Repayment Schedule:

Annual payments of interest and loan servicing fees, compliance monitoring fees, and financial monitoring fees. Interest and fees are calculated based on the outstanding principal balance of the loan. Required annual payments consist of all fees. Payments of interest are payable from development cash flow and may be deferred until there is adequate cash flow. However, all outstanding interest, principal and fees are due at maturity.

### Escrows:

The first mortgagee or Florida Housing's loan servicing agent shall maintain escrows for hazard insurance and property taxes throughout the term of the loan.

Replacement Reserves:

In accordance with Rule 67-048.012, F.A.C., a minimum of \$200 per unit per year, paid monthly, will be required to be deposited on a monthly basis into a designated escrow account, to be maintained by Florida Housing's loan servicing agent beginning on the first day of the first month after the final certificate of occupancy or at loan closing. At the borrower's election, the Borrower may pre-pay up to one-half of the required reserve amount for years one and/or two, so that only one-half of the reserve will be paid from development operations. Full replacement reserve deposits will be required beginning in year two or three.

Florida Housing shall have the right to attach the escrow accounts in the event of default under the loan documents. The application of funds by Florida Housing shall not be restricted and may include debt service payments and/or repairs.

The escrow account funds are to be used by the Borrower for capital expenditures only, and not for normal maintenance and repairs. Capital expenditures shall include, at Florida Housing's sole discretion, building structural repairs, roof replacement, kitchen appliance replacement, carpet replacement and major building systems replacement. The per unit per year amount may be increased based on a physical needs assessment.

A replacement reserve account maintained by the first mortgagee, with minimum deposits of \$200 per unit per year and terms satisfactory to the Florida Housing, will satisfy this requirement. The account shall be subject to the rights of the first mortgagee to hold replacement reserves and to disburse such funds. In the event the reserve account is held by Florida Housing's loan servicing agent, the release of funds shall be at Florida Housing's sole discretion.

Prepayment Penalty:

Prepayment is allowed at any time, without penalty.

Assumption

Assumable in some cases, subject to conditions specified in Rule Chapter 67-48, FAC, and subject to Florida Housing's written approval.



## Conditions

This recommendation is contingent upon the review and approval of the following items by FCP and Florida Housing **at least two weeks** before 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 as prepared by Consultech.
2. Signed and sealed survey, dated within 90 days of closing, certified to Florida Housing and its legal counsel indicating the legal description, exact boundaries of the Development, easements, utilities, roads, means of access to public streets, total acreage and flood hazard area and any other requirements of Florida Housing.
3. Building permits and any other necessary approvals and permits (e.g., final site plan approval, water management district, Department of Environmental Protection, Army Corps of Engineers, Department of Transportation, etc.) or a letter from the local permitting and approval authority stating that the above referenced permits and approvals will be issued upon receipt of applicable fees (with no other conditions). If a letter is provided, copies of all permits will be required as a condition to the first post-closing draw.
4. The final "as permitted" (signed and sealed) site plans, 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 on the final draw schedule (see below), documentation of the closing costs, and draft loan closing statement must also be provided. The final sources and uses of funds schedule will be attached to the Loan Agreement as the approved Development budget.
6. Final draw schedule to be approved prior to closing, itemized by line item, and showing the sources of funds for monthly draws. SAIL loan funds must be disbursed pro rata with other construction loan funds.
7. Evidence of general liability, flood (if applicable), builder's risk and replacement cost hazard insurance (as certificates of occupancy are received) reflecting Florida Housing as Loss Payee/Mortgagee, in coverages, deductibles and amounts satisfactory to Florida Housing.
8. 100% payment and performance bonds to secure the construction contract between the General Contractor Construction and the Borrower. These bonds must list Florida Housing as co-obligee. The amounts and all terms of these bonds must be approved by Florida Housing and its legal counsel. Alternatively, a letter of credit equal to 25% of the construction contract amount during the construction period. This letter of credit must list Florida Housing as the beneficiary, and all terms of this letter of credit must be approved by Florida Housing and its legal counsel.

9. Architect, Construction Consultant, and Borrower certifications on forms provided by Florida Housing will be required for both design and as-built with respect to Section 504, ADA, and the Federal Fair Housing Act requirements if applicable.

This recommendation is contingent upon the review and approval of the following items by Florida Housing and its legal counsel **at least two weeks** before closing. Failure to receive approval of these items 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) of the Borrower, the guarantors, and any limited partners of the Borrower.
2. Signed and sealed survey, dated within 90 days of closing, certified to Florida Housing and its legal counsel indicating the legal description, exact boundaries of the Development, easements, utilities, roads, means of access to public streets, total acreage and flood hazard area and any other requirements of Florida Housing.
3. Title insurance binder or commitment for title insurance with copies of all Schedule B exceptions in the amount of the Loan.
4. Florida Housing and its legal counsel shall review and approve all other lenders closing documents and the limited partnership agreement. Florida Housing shall be satisfied in its sole discretion that all legal and program requirements for the Loan have been satisfied.
5. Evidence of general liability, flood (if applicable), builder's risk, and replacement cost hazard insurance (as certificates of occupancy are received) reflecting Florida Housing as Loss Payee/Mortgagee, in coverage, deductibles and amounts satisfactory to Florida Housing.
6. Receipt of a legal opinion from the Borrower's legal counsel acceptable to Florida Housing addressing the following matters:
  - a. The legal existence and good standing of the Borrower and of any partnership that is the general partner of the Borrower (the "GP") and of any corporation or partnership that is the managing general partner of the GP and of any corporate guarantor;
  - b. The due authorization, execution, and delivery by the Borrower and the guarantors, of all Loan documents;
  - c. The Loan documents being in full force and effect and enforceable in accordance with their terms, subject to bankruptcy and equitable principles only;
  - d. That the Borrower and the Development are in compliance with all laws and regulations applicable to the construction, development and operation of the Development, and that all permits required for construction, rehabilitation and operation of the Development and any improvements related thereto have been obtained and are in full force and effect;

- e. The Borrower's and the corporate guarantor's execution, delivery and performance of the loan documents shall not result in a violation of, or conflict with, any judgments, orders, contracts, mortgages, security agreements or leases to which the Borrower is a party or to which the Development is subject to the Borrower's Partnership Agreement and;
  - f. Such other matters as Florida Housing or its legal counsel may require.
7. Evidence of compliance with local concurrency laws prior to closing of the Loan.
  8. Such other assignments, affidavits, certificates, financial statements, closing statements and other documents as may be reasonably requested by Florida Housing or its legal counsel in form and substance acceptable to Florida Housing or its legal counsel, in connection with the Loan.
  9. Any other reasonable conditions established by Florida Housing and its legal counsel.

This recommendation is also contingent upon satisfaction of the following additional conditions.

1. Compliance with all provisions of Sections 420.507(22) and 420.5087, Florida Statutes and Rule Chapter 67-48, F.A.C.
2. Acceptance by the Borrower and execution of all documents evidencing and securing the Loan in form and substance satisfactory to Florida Housing, including, but not limited to, the Promissory Note, the Loan Agreement, the Mortgage and Security Agreement, and the Land Use Restriction Agreement.
3. At all times there will be undisbursed loan funds (collectively held by Florida Housing, first mortgagee, or any other sources) sufficient to complete the Development. If at any time there are not sufficient funds (held by Florida Housing, first mortgagee and any other sources) to complete the Development, the Borrower will be required to expend additional equity on Development costs or to deposit additional equity with Florida Housing which is sufficient (in Florida Housing's judgment) to complete the Development before additional Loan funds are disbursed. This condition specifically includes escrowing at closing all syndication and other equity necessary to complete construction or another alternative acceptable to Florida Housing in its sole discretion.
4. Construction Completion Guarantee from Creative Choice Homes XXVIII, Ltd., Creative Choice Homes XXVIII, Inc., Creative Choice Homes, Inc., and Dilip Barot, to be released upon lien-free completion, and receipt of final certificate(s) of occupancy, as approved by the Servicer.
5. Operating Deficit Guarantee from Creative Choice Homes XXVIII, Ltd., Creative Choice Homes XXVIII, Inc., Creative Choice Homes, Inc., and Dilip Barot. This guarantee will be released upon achievement of 1.10:1 combined debt service coverage for the First Mortgage and SAIL Loan for six consecutive months.

6. Environmental Indemnity from Creative Choice Homes XXVIII, Ltd., Creative Choice Homes XXVIII, Inc., Creative Choice Homes, Inc., and Dilip Barot.
7. Guaranty of Recourse Obligation from Creative Choice Homes, Inc., Creative Choice Homes XXVIII, Inc., Creative Choice Homes XXVIII, Ltd., and Dilip Barot.
8. Consultech is to act as Florida Housing's inspector during the construction period.
9. A mortgagee title insurance policy naming Florida Housing as the insured in the amount of the Loan to be issued immediately after closing. Any exceptions to the title insurance policy must be acceptable to Florida Housing or its legal counsel.
10. Property tax and hazard insurance escrow to be established and maintained by the first mortgagee or the Servicer.
11. Replacement Reserves in the amount of \$200 per unit per year to be held by the first mortgagee or the Servicer.
12. Closing of the first mortgage loan simultaneous with or prior to closing of the Loan.
13. A 10% retainage holdback on all construction draws until the Development is 50% complete, and 5% retainage thereafter. Retainage will not be released until successful completion of construction and issuance of all certificates of occupancy.
14. An updated Environmental Audit Report prepared within 90 days of closing, acceptable to Florida Housing or its legal counsel, together with a reliance letter to Florida Housing. Borrower to comply with any and all recommendations noted in the Environmental Assessment(s) and Update and the Environmental Review.
15. Satisfactory achievement of the debt service coverage requirement will be based on the receipt and inspection of monthly and annual audited operating statements on the subject property.
16. Satisfactory completion of a pre-loan closing compliance audit conducted by FHFC or its Servicer, if applicable.
17. Any other reasonable requirements of the Servicer, Florida Housing and its legal counsel.

## Housing Credit Allocation Recommendation

Florida Community Partners ("FCP") recommends a preliminary annual Housing Credit ("HC") allocation of **\$748,670**. Please see the HC Allocation Calculation above in Section A for details.

### Contingencies

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

1. Building permits and any other necessary approvals and permits (e.g., final site plan approval, Department of Environmental Protection, Army Corps of Engineers, Department of Transportation, etc.).
2. Receipt and review of information recommended in the Plan and Cost Analysis.
3. Receipt and review of Final (signed and sealed) Site Plans and Building Permits and Specifications. The Geotechnical Report shall be bound within the Final Plans and Specifications.
4. Purchase of the HCs by Franklin Capital Group under terms consistent with or more favorable than the assumptions used in this report.
5. Any other reasonable requirements of Florida Community Partners or Florida Housing.

**HC PROGRAM & SAIL PROGRAM REPORT**

**FCP**

**EXHIBIT 1 - 15-Year Proforma**

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>Income</b>															
Gross Potential Rental Revenue	\$464,928	\$478,876	\$493,242	\$508,039	\$523,281	\$538,979	\$555,148	\$571,803	\$588,957	\$606,626	\$624,824	\$643,569	\$662,876	\$682,762	\$703,245
Other Income															
Washer/Dryer Rentals	\$10,800	\$11,124	\$11,458	\$11,801	\$12,155	\$12,520	\$12,896	\$13,283	\$13,681	\$14,092	\$14,514	\$14,950	\$15,398	\$15,860	\$16,336
Cable TV	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753	\$6,956	\$7,164	\$7,379	\$7,601	\$7,829	\$8,063	\$8,305	\$8,555	\$8,811	\$9,076
Miscellaneous Income	\$11,100	\$11,433	\$11,776	\$12,129	\$12,493	\$12,868	\$13,254	\$13,652	\$14,061	\$14,483	\$14,917	\$15,365	\$15,826	\$16,301	\$16,790
Gross Potential Income	\$492,828	\$507,613	\$522,841	\$538,526	\$554,682	\$571,323	\$588,462	\$606,116	\$624,300	\$643,029	\$662,320	\$682,189	\$702,655	\$723,735	\$745,447
Less:					\$0										
Vac. and Collect. Loss	\$24,641	\$25,381	\$26,142	\$26,926	\$27,734	\$28,566	\$29,423	\$30,306	\$31,215	\$32,151	\$33,116	\$34,109	\$35,133	\$36,187	\$37,272
Total Effective Gross Income	\$468,187	\$482,232	\$496,699	\$511,600	\$526,948	\$542,757	\$559,039	\$575,810	\$593,085	\$610,877	\$629,204	\$648,080	\$667,522	\$687,548	\$708,174
<b>Expenses</b>															
Fixed:															
Real Estate Taxes	\$50,300	\$52,312	\$54,404	\$56,581	\$58,844	\$61,198	\$63,646	\$66,191	\$68,839	\$71,593	\$74,456	\$77,435	\$80,532	\$83,753	\$87,103
Insurance	\$35,000	\$36,400	\$37,856	\$39,370	\$40,945	\$42,583	\$44,286	\$46,058	\$47,900	\$49,816	\$51,809	\$53,881	\$56,036	\$58,278	\$60,609
Variable:															
Management Fee (6%)	\$23,409	\$24,112	\$24,835	\$25,580	\$26,347	\$27,138	\$27,952	\$28,791	\$29,654	\$30,544	\$31,460	\$32,404	\$33,376	\$34,377	\$35,409
General and Administrative	\$22,500	\$23,400	\$24,336	\$25,309	\$26,322	\$27,375	\$28,470	\$29,608	\$30,793	\$32,025	\$33,305	\$34,638	\$36,023	\$37,464	\$38,963
Payroll Expenses	\$100,000	\$104,000	\$108,160	\$112,486	\$116,986	\$121,665	\$126,532	\$131,593	\$136,857	\$142,331	\$148,024	\$153,945	\$160,103	\$166,507	\$173,168
Utilities	\$33,000	\$34,320	\$35,693	\$37,121	\$38,605	\$40,150	\$41,756	\$43,426	\$45,163	\$46,969	\$48,848	\$50,802	\$52,834	\$54,947	\$57,145
Marketing and Advertising	\$8,500	\$8,840	\$9,194	\$9,561	\$9,944	\$10,342	\$10,755	\$11,185	\$11,633	\$12,098	\$12,582	\$13,085	\$13,609	\$14,153	\$14,719
Maintenance and Repairs	\$47,500	\$49,400	\$51,376	\$53,431	\$55,568	\$57,791	\$60,103	\$62,507	\$65,007	\$67,607	\$70,312	\$73,124	\$76,049	\$79,091	\$82,255
Management Unit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserve for Replacements	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
<b>Total Expenses</b>	\$340,209	\$352,784	\$365,854	\$379,440	\$393,561	\$408,240	\$423,499	\$439,359	\$455,846	\$472,983	\$490,797	\$509,314	\$528,562	\$548,571	\$569,370
<b>Net Operating Income</b>	\$127,977	\$129,449	\$130,845	\$132,160	\$133,387	\$134,516	\$135,541	\$136,451	\$137,239	\$137,895	\$138,407	\$138,766	\$138,960	\$138,977	\$138,804
<b>Debt Service Payments</b>															
First Mortgage	\$55,885	\$55,885	\$55,885	\$55,885	\$55,885	\$55,885	\$55,885	\$55,885	\$55,885	\$55,885	\$55,885	\$55,885	\$55,885	\$55,885	\$55,885
Other: SAIL Loan	\$36,850	\$36,850	\$36,850	\$36,850	\$36,850	\$36,850	\$36,850	\$36,850	\$36,850	\$36,850	\$36,850	\$36,850	\$36,850	\$36,850	\$36,850
<b>Total Debt Service Payments</b>	\$92,735	\$92,735	\$92,735	\$92,735	\$92,735	\$92,735	\$92,735	\$92,735	\$92,735	\$92,735	\$92,735	\$92,735	\$92,735	\$92,735	\$92,735
<b>Operating Income After Debt Service - Before Tax Cash Flow</b>	\$35,242	\$36,713	\$38,110	\$39,425	\$40,651	\$41,781	\$42,805	\$43,716	\$44,504	\$45,159	\$45,672	\$46,030	\$46,224	\$46,241	\$46,069
<b>Debt Service Coverage Ratios</b>															
DSC - First Mortgage	2.29	2.32	2.34	2.36	2.39	2.41	2.43	2.44	2.46	2.47	2.48	2.48	2.49	2.49	2.48
DSC - Total Mtgs. Plus Fees	1.38	1.40	1.41	1.43	1.44	1.45	1.46	1.47	1.48	1.49	1.49	1.50	1.50	1.50	1.50
<b>Financial Ratios</b>															
Operating Expense Ratio	73%	73%	74%	74%	75%	75%	76%	76%	77%	77%	78%	79%	79%	80%	80%
Break-Even Ratio	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%	89%	89%

EXHIBIT 2  
Marina Del Ray (2002-026CS)  
Citrus County

The Development will consist of 100 garden apartment units located in 4 two-story residential buildings.

Unit Mix:	66	One bedroom / one bath units containing a minimum of <u>765</u> square feet of heated and cooled living area
	30	Two bedroom / two bath units containing a minimum of <u>1,005</u> square feet of heated and cooled living area
	4	Two bedroom / one bath unit containing a minimum of <u>1,005</u> square feet of heated and cooled living area
	100	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 order 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.

Each unit will be fully equipped with the following:

1. Air conditioning (window units are not allowed, however, through-wall units are permissible for rehabilitation)
2. Window treatments for each window
3. Termite prevention and pest control throughout the entire affordability period
4. Cable or satellite TV hook-up
5. Range and oven
6. Refrigerator
7. At least two full bathrooms in all three bedroom or larger new construction units
8. Bathtub with shower in at least one bathroom in new construction non-elderly units

The Borrower has committed to provide the following features in the specified percentages of all Elderly units in new construction (NC) and Rehabilitation/Substantial Rehabilitation (SR) Developments. The requirement to provide the following features is in addition to the features committed to by the Borrower in the Construction Features and Amenities section of the Application.

EXHIBIT 2  
Marina Del Ray (2002-026CS)  
Citrus County

Roll-In Showers\* will be provided in 15% of NC units and 10% of SR units. 5% of this requirement may be met with walk-in type shower stalls with permanently affixed seat.

\*NOTE: This requirement may be waived in SR Developments if installation is determined to be not Feasible as documented by a registered architect.

The following features will be provided in 100% of the Elderly NC and SR units:

1. Thermostat placed at 48" maximum height
2. Tight-napped Berber-type carpet
3. 36" entrances on all exterior doors
4. All wall electrical outlets placed at 18" to 24"
5. Scald control valves on shower faucet
6. Fire retardant window treatments
7. Peephole at 4' 10" on all exterior doors
8. Toggle type switches for all lights and fans
9. Adjustable shelving in master bedroom closets
10. Lever-action handles on all doors in units and public areas
11. Horizontal grab bars around shower per ANSI requirements
12. Horizontal grab bars around toilet per ANSI requirements

The Borrower has committed to provide the following features in each unit:

1. Ceramic tile bathroom floors
2. Microwave oven
3. Marble window sills
4. Dishwasher in all new construction units
5. Garbage disposal in all new construction units
6. Steel exterior entry door frames
7. Emergency call service



EXHIBIT 2  
Marina Del Ray (2002-026CS)  
Citrus County

The Borrower has committed to the following amenities in the Development:

1. Exercise room with appropriate equipment
2. Community center or clubhouse
3. Swimming pool
4. Car care area (for cleaning/washing)
5. Outside recreation facility (such as shuffleboard court, putting green, tennis court, full basketball court, volleyball court, etc.)
6. Thirty-year expected life roofing on all buildings
7. Exterior lighting in open and common areas

The Borrower has committed to provide the following energy conservation features for all buildings in the Development:

1. Heat pump with minimum HSPF of 7.4 instead of electric resistance
2. Air conditioning with SEER rating of 12 or better
3. Electric water heater with Energy factor of .91 or better
4. Wall insulation of R-13 or better for frame-built construction or wall insulation of R-7 or better for masonry/concrete block construction
5. Attic insulation of R-30 or better
6. Ceiling fans in all bedrooms and living area

The Borrower has committed to provide the following Resident Programs:

1. Daily Activities: Borrower or its Management Agent must provide on-site supervised, structured activities, at no cost to the resident, at least five days per week.
2. Resident Assurance Check-In Program: Borrower commits to provide and use an established system for checking in with each resident on a pre-determined basis not less than once per day, at no cost to the resident. Residents may opt out of this program with a written certification that they choose not to participate.
3. Manager On-Call 24 Hours Per Day: Borrower must provide management personnel on the Development's premises at all times who will be available and accessible to the residents 24 hours per day, seven days per week, at no cost to the resident.

EXHIBIT 2  
Marina Del Ray (2002-026CS)  
Citrus County

4. 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.
5. Resident Activities: These specified activities are planned, arranged, provided and paid for by the Borrower or its Management Agent. These activities must be an integral part of the management plan. The Borrower 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.
6. Health and Nutrition Classes: At least eight hours per year, provided on site at no cost to the residents.
7. Computer Lab: The Borrower or its Management Agent must provide an area on-site, at no cost to the resident, with a minimum of one computer per 50 units, with basic word processing, spreadsheets and assorted educational and entertainment software programs. At least one printer must also be provided.