First Housing

To:	Jan Rayboun Florida Housing Finance Corporation
From:	Tammy Haylock-Moore, Vice President Senior Credit Underwriter First Housing
Date:	September 30, 2004
Subject:	Stuart Pointe Apartments - $8,000,000 Tax-Exempt Series 2003 B-1, and $2,100,000 Taxable Series B-2 Florida Housing Finance Corporation MMRB Program Bonds.

At the request of the Florida Housing Finance Corporation ("FHFC"), First Housing has reviewed the Applicant's request for replacement of the above noted Taxable Series B-2 MMRB Program bonds, with tax-exempt bonds. This FHFC MMRB Program loan closed during January 16, 2003, and is enhanced under a weekly low floater structure that is credit enhanced by an "A" rated 10-year Letter of Credit from SunTrust Bank.

The subject development, known as Stuart Pointe Apartments, is located at 3521 N.W. Treasure Coast Drive, Jensen Beach, unincorporated Martin County, Florida. Stuart Pointe Apartments consists of 192 units in 14 garden-style residential buildings and a clubhouse. Total land area is 39.767 gross acres. Development amenities include a single story clubhouse building with pool, fitness center, and a resident computer/media room. The subject has 400 parking spaces, including 10 spaces that are designated as handicapped spaces. This equates to 2.08 spaces per unit, which conforms to local zoning. The improvements are almost completed, with only one certificate of occupancy still outstanding, and management reports that the completed buildings are fully occupied, resulting in an overall occupancy level of 86.5% at the present time. Based upon previous lease-up history, this property is expected to be fully stabilized upon 100% lien-free completion.

The scope of this analysis is limited to review of supporting information provided by the Applicant. In reviewing this information, First Housing found that historically, the taxable low floater bond rates ranged between 1.05% to 1.84% (annual average of about 1.246%), as compared to the tax-exempt low floater bond rates of 1.02% to 1.55% (annual average of about 1.10%); a resulting difference of approximately .15%. A review of the projected 15-year cash flows indicate that, with the proposed loan structure, debt service coverage should range from 1.23:1 to 1.36:1; which is well above FHFC's minimum requirement of 1.10:1. Based upon this review, it is anticipated that this development will benefit from the replacement of the existing taxable Series B-2 bonds with new tax-exempt bonds, as with this change, the property should experience a favorable reduction in annual debt service.

Another benefit is that, with additional tax-exempt bonds, this development will be able to meet the

IRS' Housing Credit 50% Test, without sustaining a significant hardship (i.e. reduction in developer's fees), as the additional tax-exempt bonds will serve to balance the negative affects caused by unanticipated increases in construction costs (over $2 million), primarily due to substantial "NIMBY" issues that resulted in numerous delays.

Based upon the review of the information submitted by the principals, and within the scope of this analysis as described herein, First Housing recommends the proposed replacement of the above noted Taxable Series B-2 MMRB Program bonds in the amount of $2,100,000, with an additional issue of Tax-Exempt bonds in the same amount. This recommendation is conditioned upon FHFC and counsels' review and satisfactory approval of this change.