
Florida Housing Finance Corporation

Credit Underwriting Report

Normandy Apartments

2004-010H

Section A: Report Summary

Section B: HOME Program Special and General Conditions

Section C: Supporting Information and Schedules

Prepared by

First Housing Development Corporation of Florida

Final Report

May 18, 2005

Normandy Apartments

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Section A
Report Summary

Recommendation

First Housing recommends a HOME Program loan in the amount of \$4,166,882 for acquisition and rehabilitation of Normandy Apartments.

DEVELOPMENT & SET-ASIDES																								
Location	8441 Helen Terrace Jacksonville, FL 32210																							
Number of Units/Unit Mix	<table border="1"> <thead> <tr> <th>Bed-rooms</th> <th>Baths</th> <th>No. of Units</th> <th>Unit Size (SF)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>1</td> <td>40</td> <td>600</td> </tr> <tr> <td>2</td> <td>1</td> <td>44</td> <td>750</td> </tr> <tr> <td>3</td> <td>1</td> <td>16</td> <td>900</td> </tr> <tr> <td>Totals</td> <td></td> <td>100</td> <td>71,400</td> </tr> </tbody> </table>				Bed-rooms	Baths	No. of Units	Unit Size (SF)	1	1	40	600	2	1	44	750	3	1	16	900	Totals		100	71,400
Bed-rooms	Baths	No. of Units	Unit Size (SF)																					
1	1	40	600																					
2	1	44	750																					
3	1	16	900																					
Totals		100	71,400																					
Demographic Commitment	Family																							
Set Asides	100% HOME set aside (100 units): 20% (20 units) @ 50% or less of AMI 80% (80 units) @ 60% or less of AMI																							
Set Aside Term	50 Years																							
Maximum Per Unit Subsidies (If Applicable)	1 Bedroom	50%	\$41,340	Total Subsidy Allowed																				
	2 Bedroom	50%	\$50,269	\$4,905,932.																				
	3 Bedroom	50%	\$65,031																					
County Size	Large																							
Development Category	Rehabilitation/Substantial Rehabilitation																							
Development Type	Garden Apartments																							
Occupancy Rate	100% per rent roll dated January 31, 2005																							
Parking	195 spaces including 7 Handicapped spaces, which is equal to 1.95 parking spaces per unit.																							
Improvements	An existing garden style apartment complex consisting of 11 two story residential structures and a single story laundry facility/leasing center. Construction is concrete block/stucco buildings with slab on grade foundations.																							
Site Acre	7.0 gross acres																							
Density	14.29 units per acre																							
Zoning	RMD-E Residential Medium Density (maximum of 20 units per gross acre)																							
Flood Zone Designation	Flood Zone "X". Flood Insurance is not required.																							
DEVELOPMENT TEAM																								
Applicant/Borrower	VF Affordable Housing, Inc.																							
General Partner	Community Housing Partners Corporation (CHPC) is sole Member																							
Limited Partner	N/A																							

Guarantors	VF Affordable Housing, Inc. and CHPC
Developer	Community Housing Partners Corporation
General Contractor	Community Housing Partners Corporation
Management Company	Community Housing Partners Corporation
1 st Mortgage – Const.	Neighborhood Housing Services of America
1 st Mortgage – Perm.	Neighborhood Housing Services of America
FINANCING INFORMATION	
FHFC Programs	HOME Investment Partnerships Rental Program
Total 1 st Mtg. Loan Amount	\$1,846,886
“All in” Underwritten Interest Rate	7.25%
Term/Amortization	30 years/30 Years
HOME Loan Amount	\$4,166,882
Underwritten Interest Rate	0.0%
Term/Amortization	30 years (co-terminus with First Mortgage)/N/A
Restricted Rents/Favorable Financing Stabilized Value	\$3,930,000
Market Rent Value	\$4,145,000
Restricted Rents Loan to Value -1 st and 2 nd loans combined.	153%
Market Loan to Value – 1 st and 2 nd Loans combined.	145%
Projected Net Operating Income	\$182,285
Debt Service Coverage – 1 st Loan	1.206
Debt Service Coverage – 1 st and 2 nd loans combined	1.206
FHFC HOME Loan to Cost	69%
FHFC Assistance Per Unit	\$41,669

Construction/Permanent Sources:

<u>Source</u>	<u>Lender</u>	<u>Construction</u>	<u>Permanent</u>	<u>Loan/Unit</u>
First Mortgage	NHS	\$1,846,886	\$1,846,886	\$18,469
HOME Loan	FHFC	\$4,166,882	\$4,166,882	\$41,669
TOTAL		\$6,013,768	\$6,013,768	\$60,138

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?	N/A	
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?	N/A	
Is the Development in all other material respects the same as presented in the Application?		3

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

1. Neighborhood Housing Services of America has provided a \$1,846,886 commitment to cover the increase in rehabilitation cost triggered by the applicant's re-evaluation of the condition of the existing buildings. Although "grandfathered" in, the applicant will bring the existing buildings up to code where practical. This change is beneficial to the Development.
2. Development cost has increased by \$1,975,541 due to increased cost of rehabilitation. This change is beneficial to the Development since it will result in the property being more thoroughly renovated. This increase is offset by a larger First Mortgage.
3. The applicant has requested they be allowed to replace the existing gas heaters with gas hydronic combo unit HVAC (2 pts.) instead of the previously committed heat pumps (2 pts.) This change is beneficial to the development.

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

According to the April 26, 2005 FHFC Past Due Report and the April 29, 2005 FHFC Noncompliance Report, the Applicant and Principals show no past due or Non-compliance issues.

First Housing is unaware of any historical problems with VF Affordable Housing, Inc., or Community Housing Partners Corporation.

Closing of the Loan is conditioned upon verification that any outstanding past due, and/or non-compliance items noted at the time of closing are resolved.

Strengths:

1. The market study concluded that there is sufficient demand to support the proposed family development.
2. The market study indicates that the Development is currently leased at 100%.
3. The Market study confirms that the development is currently under a HUD HAP contract that expires in 2006 but is planned to be renewed annually.
4. The Appraisal indicates that the current occupancy rate is 100% and that the units will continue to be leased without either temporary or permanent relocation of the residents. Therefore, the subject property will be at or near 100% occupancy at completion.
5. The principals and development team, as well as the general contractor and management group are experienced in this field.
6. The Applicant and its Principals have sufficient experience and adequate financial resources to develop, construct and operate the proposed development.

Other Considerations: None

Mitigating Factors: None

Waiver Requests/Special Conditions: None

Additional Information: None

Issues and Concerns: None

Mitigants: None

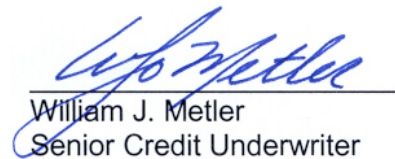
Recommendation:

1. First Housing recommends that a HOME Program loan allocation of \$4,166,882 be awarded to Normandy Apartments for the rehabilitation and permanent financing of this development.

These recommendations are based upon the assumptions detailed in the Board Summary (Section A), and Supporting Information and Schedules (Section C). In addition, these recommendations are subject to the HOME Program Special and General Conditions (Section B). **This recommendation is only valid for six months from the date of the report.**

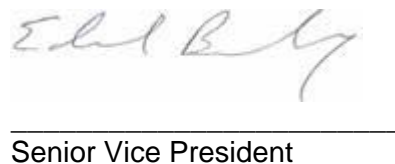
The reader is cautioned to refer to these sections for complete information.

Prepared by:



William J. Metler
Senior Credit Underwriter

Reviewed by:



Senior Vice President

Overview

Construction Financing Sources:

Source	Lender	Application	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Years	Annual Debt Service
First Mortgage	NHS	\$0	\$1,846,886	\$1,846,886	7.25%	30	30	\$151,188
HOME Loan	FHFC	\$4,177,102	\$4,166,882	\$4,166,882	0.00%	0	30	0
Total	N/A	\$4,177,102	\$6,013,768	\$6,013,768	N/A	N/A	N/A	\$151,188

The Applicant has a commitment from Neighborhood Housing Services of America-Community Development Financial Institution which provides for \$1,846,886 in permanent financing for the acquisition and rehabilitation of Normandy Apartments. The commitment calls for a 30 amortization and a 30 year term with a fixed interest rate of 6.75%. (The fixed rate may be adjusted until a closing date is determined.) The underwriter has adjusted the First Mortgage amount to balance the sources and uses.

The underwriter has used a 7.25% fixed rate for underwriting purposes to allow for anticipated increases in rates.

The first mortgage requires full amortization at inception and will be funded in full at closing. An amount equal to the ineligible HOME cost (\$712,832) will be funded by the first mortgage and held in escrow in order to cover these costs when they occur. Because the applicant is a not-for-profit entity 0.0% interest will be charged during the rehabilitation phase as well as the permanent phase of the HOME Loan.

Permanent Financing Sources:

Source	Lender	Application	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt Service
Source	Lender	\$0	\$1,846,886	\$1,846,886	7.250%	30	30	\$151,188
First Mortgage	NHS	\$4,177,102	\$4,166,882	\$4,166,882	0.00%	0	30	\$0
Total	N/A	\$4,177,102	\$6,013,768	\$6,013,768	N/A	N/A	N/A	\$151,188

Proposed HOME Program Structure:

The Applicant has a commitment from Neighborhood Housing Services of America-Community Development Financial Institution which provides for \$1,846,886 in permanent financing for the acquisition and rehabilitation of Normandy Apartments. The commitment calls for a 30 amortization and a 30 year term with a fixed interest rate of 6.75%. (The fixed rate may be adjusted until a closing date is determined.) The underwriter has adjusted the First Mortgage amount to balance the sources and uses.

The underwriter has used a 7.25% fixed rate for underwriting purposes to allow for anticipated increases in rates.

The Applicant has applied to Florida Housing for a \$4,166,882 construction/permanent HOME loan to finance this development. The HOME loan will have a 30 year term which is co-terminus with the first mortgage as allowed by the HOME Rule. It will be non-amortizing and will bear 0.0% simple interest per annum. Annual payments of all applicable fees will be required. At the maturity of the HOME loan, all principal will be due. This credit underwriting assumes interest payments at 0.0%. HOME Loan funds are to be utilized as an additional source, to cover general acquisition and rehabilitation cost.

Uses of Funds

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HOME Ineligible Costs
Actual Construction Cost				
Site Work		\$250,500	\$250,500	\$0
Rehabilitation of Existing Rental Units	\$880,000	\$1,548,700	\$1,548,700	\$0
Accessory Buildings	\$75,000	\$216,500	\$216,500	\$216,500
Recreational Amenities	\$25,000	\$0	\$0	\$0
Rehabilitation of Common Areas	\$0	\$458,275	\$458,275	\$100,000
General Contractor Fees (max 14%)	\$150,920	\$346,357	\$346,357	\$0
Total Construction Contract	\$1,130,920	\$2,820,332	\$2,820,332	\$316,500
Other (Bonds and Permits)	\$25,000	\$0	\$7,100	\$0
Other - Hard Cost Contingency	\$98,000	\$247,398	\$260,077	\$247,398
Total Actual Construction Cost	\$1,253,920	\$3,067,730	\$3,087,509	\$563,898

Notes to the Actual Construction Costs:

1. The Applicant has provided a "stipulated sum" construction contract dated April 26, 2005 in the amount of \$2,820,332. This is a Standard Form of Agreement between the Applicant, VF Affordable Housing, Inc. and the Contractor Community Housing Partners Corporation. Per this contract the date of commencement is to be fixed in a notice to proceed, and substantial completion is to be achieved no later than 540 calendar days after the date of commencement. The Owner will make monthly progress payments to the Contractor, based upon applications for payment approved by the Architect, and the Owner will withhold 10% retainage of the application for payments up to 50% completion of the Contract Amount and 0% for the remaining 50%. This agreement conforms to the general requirements of Florida Housing Finance Corporation.
2. The Contractor has also budgeted for the cost of a Letter of Credit representing no less than 25% of the Construction Contract. This cost is reflected within the Other (Bonds and Permits) line item.
3. The Rule 67-48.021(8)(f) requires that the funded hard cost and soft cost contingency not exceed 15% of Total development Cost. First Housing concurs that the funded hard cost and soft cost contingency of \$263,428 falls within the requirements of the rule.
4. The G/C fees are within the guideline of 14% of actual construction cost.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HOME Ineligible Costs
General Development Costs				
Accounting Fees	\$15,000	\$15,000	\$15,000	\$0
Appraisal	\$5,000	\$5,000	\$5,000	\$0
Architect's Fee - Design	\$12,000	\$25,000	\$25,000	\$0
Architect's Fee - Supervision	\$3,000	\$0	\$0	\$0
Builder's Risk Insurance	\$25,000	\$25,000	\$25,000	\$0
Building Permits	\$25,000	\$25,000	\$25,000	\$0
Closing Costs - Permanent	\$15,000	\$0	\$0	\$0
Engineering Fee	\$5,000	\$10,000	\$10,000	\$0
Environmental Report	\$2,500	\$2,500	\$2,500	\$0
FHFC Administrative Fee	\$0	\$0	\$0	\$0
FHFC Application Fee	\$100	\$100	\$100	\$0
FHFC Compliance Fee	\$0	\$0	\$0	\$0
FHFC Credit Underwriting Fee	\$0	\$0	\$0	\$0
Inspection Fees/Construction Admin.	\$5,200	\$5,200	\$5,200	\$0
Insurance	\$0	\$0	\$0	\$0
Legal Fees, Recording & Closing	\$35,000	\$35,000	\$35,000	\$0
Market Study	\$5,000	\$5,000	\$5,000	\$0
Marketing and Advertising	\$10,000	\$10,000	\$10,000	\$0
Pre-Construction Analysis	\$0	\$0	\$0	\$0
Property Taxes	\$0	\$0	\$0	\$0
Soil Test	\$1,500	\$1,500	\$1,500	\$0
Survey	\$2,000	\$2,000	\$2,000	\$0
Title Insurance	\$35,000	\$35,000	\$35,000	\$0
Other -	\$30,000	\$30,000	\$0	\$0
Soft cost contingency	\$0	\$23,130	\$23,130	\$23,130
Total General Development Costs	\$231,300	\$254,430	\$224,430	\$23,130

Notes to the General Development Costs:

1. General Development Costs are the applicant's updated estimates, which appear reasonable.
2. FHFC compliance and Credit Underwriting Fees are paid by FHFC due to the applicant applying as a not-for-profit entity under rule 67-48.002.
3. As a Not-for-Profit entity the Applicant has received Real Estate Tax Abatement.
4. The Pre-Construction Analysis is covered in "Other" expenses, according to the Applicant..

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HOME Ineligible Costs
Financial Costs				
Construction Loan Interest				\$0
Construction Loan Fees & Costs				\$0
Permanent Closing Cost		\$3,000	\$3,000	\$0
Permanent Loan Origination Fee	\$10,000	\$20,000	\$20,000	\$0
Reserves Required by Lender	\$50,000	\$125,304	\$125,304	\$125,304
Total Financial Costs	\$60,000	\$148,304	\$148,304	\$125,304

Notes to the Financial Costs:

- Reserves required by the First Mortgage provider are for Operating Expense and Debt Service Reserves required in its commitment.
- Financial cost and anticipated interest are the Applicant's detailed estimates, which were adjusted to reflect the actual estimates based upon historical data for these type transactions.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HOME Ineligible Costs
Non-Land Acquisition Costs				
Existing Buildings	\$2,033,750	\$1,663,083	\$1,663,083	\$0
Total Non-Land Acquisition Costs	\$2,033,750	\$1,663,083	\$1,663,083	\$0

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HOME Ineligible Costs
Development Cost Before Developer Fee and Land	\$1,545,220	\$3,470,464	\$3,526,764	\$712,332
Developer Fee	\$239,235	\$531,545	\$465,025	\$0
Total Developer's Fee	\$239,235	\$531,545	\$465,025	\$0

Notes to the Other Development Costs:

- The recommended Developer's fee is equal to approximately 13.15% of Development Cost excluding developer fee, acquisition cost of the existing development, and total land cost as shown in the proforma. This is consistent with the requirements of the Rule.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HOME Ineligible Costs
Acquisition Costs				
Land	\$358,897	\$358,897	\$358,897	\$0
Other - Developer Fee on existing building			\$66,520	\$0
Total Acquisition Costs	\$358,897	\$358,897	\$425,417	\$0

Notes to Acquisition Costs:

1. The purchase price of the Development "as is" is supported by the Market rent/Market rate cap "as is" value of \$3,060,000 according to the January 26, 2005 valuation by the appraiser.

	Applicant Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HOME Ineligible Costs
Total Development Costs	\$4,177,102	\$6,023,989	\$6,013,768	\$712,332

Notes to Total Development Cost:

1. None

OPERATING PRO-FORMA

DESCRIPTION	Annual	Per Unit
Revenue		
Gross Potential Rental Revenue	\$629,856	\$6,299
Other Income		
Washer/Dryer Rentals	\$2,400	\$24
Cable TV	\$0	\$0
Miscellaneous	\$12,000	\$120
Gross Potential Income	\$644,256	\$6,443
Less:		
Vacancy and Collection Loss @ 6%	\$38,655	\$387
Total Effective Gross Revenue	\$605,601	\$6,056
Expenses		
Fixed:		
Real Estate Taxes	\$0	\$0
Insurance	\$32,500	\$325
Variable:		
Management 9.20%	\$55,715	\$557
General and Administrative	\$65,000	\$650
Payroll Expenses	\$90,000	\$900
Utilities	\$75,000	\$750
Marketing and Advertising	\$15,000	\$150
Maintenance and Repairs	\$35,000	\$350
Grounds Maintenance and Landscaping	\$17,500	\$175
Security	\$0	\$0
Reserve for Replacements	\$25,000	\$250
Other- Pest Control	\$3,500	\$35
Total Expenses	\$423,315	\$4,233
Net Operating Income	\$182,285	\$1,823
Debt Service Payments		
First Mortgage	\$151,188	\$1,512
HOME Loan	\$0	\$0
Total Debt Service Payments	\$151,188	\$1,512
Operating Income After Debt Service - Before Tax	\$31,097	\$311
Cash Flow		

Debt Service Coverage Ratios	
Debt Service Coverage - First Mortgage	1.206
Debt Service Coverage - First and HOME	1.206

Financial Ratios	
Operating Expense Ratio	70%
Break-even Ratio	89%

Notes to the Operating Proforma and Ratios:

1. Gross Potential Rental Revenue is based upon the current HUD HAP contract rents or the 2005 HOME rents less utility allowance as required by the HOME Program, which are supported by the Market Study, and Appraisal. Below is the rent roll:

MSA - Jacksonville

Bed-rooms	Baths	No. of Units	Unit Size (SF)	Low HOME Rents	High HOME Rents	Utility Allowance	Net HOME rents	HAP contract rents	Underwriter Rents	Annual Rents
1	1	8	600	\$542	\$0	\$85	\$457	\$497	\$457	\$43,872
1	1	32	600	\$0	\$625	\$85	\$540	\$497	\$497	\$190,848
2	1	9	750	\$651	\$0	\$88	\$563	\$520	\$520	\$56,160
2	1	35	750	\$0	\$732	\$88	\$644	\$520	\$520	\$218,400
3	1	3	900	\$752	\$0	\$97	\$655	\$628	\$628	\$22,608
3	1	13	900	\$0	\$918	\$97	\$821	\$628	\$628	\$97,968
Totals		100	71,400							\$629,856

2. The vacancy and collection loss rate of 6 % is based on the Underwriter's assessment. The current HAP contract has historically provided for lower vacancies but the HAP contract is renewable yearly at the discretion of HUD.
3. Other Income is comprised of Washer/Dryer income and Miscellaneous income. The Washer and Dryer income is minimal based on \$3/unit per month based on a 66.67% penetration. Miscellaneous Income (i.e. late charges, pet deposits, forfeited security deposits, etc.) is calculated at \$10.00/unit per month on average. The appraisal estimates higher miscellaneous income estimates.
4. Based upon operating data from comparable properties, third-party reports (Appraisal and Market Study) and the Credit Underwriter's independent due diligence, First Housing represents that, in its professional opinion, estimates for Rental Income, Vacancy, Other Income, and Operating Expenses fall within a band of reasonableness. For purposes of this report, First Housing's estimate of net income is less than the Appraiser's estimate primarily due to HAP contract rent limitations.
5. The Applicant has submitted a Management Agreement which reflects a management fee of 9.2% of actual receipts and contains the appropriate verbiage regarding compliance with tenant income and rent restrictions.
6. Replacement Reserves of \$250 per unit per year are a condition of this report. 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 Study prepared by an independent third party acceptable to Florida Housing that evidences an increase in the deposit is excessive or unnecessary.
7. Based upon an anticipated NOI of **\$182,285**, the subject development can support the recommended HOME Program Loan of \$4,166,882 at a combined minimum DSC of 1.10 as long as total annual Debt Service does not exceed \$165,713. If at closing of the HOME

Program loan the annual “combined” debt service exceeds \$165,713, the First Mortgage Loan will have to be reduced so that annual Debt Service Coverage does not exceed 1.10.

8. Refer to Exhibit I, Page 1 for a 15-Year Proforma, which reflects rental income increasing at an annual rate of 3%, and expenses increasing at an annual rate of 4%.

Section B

HOME Program Special and General Conditions

Special Conditions

This recommendation is contingent upon the review and approval of the following items by the Servicer and Florida Housing **at least two (2) weeks** before closing. Failure to receive approval of these items within this time frame may result in postponement of the closing date.

1. C.A.S.I. is to act as construction inspector during the construction phase.
2. The developer is only allowed to draw a maximum of 25% of the total developer fee (if available) during construction, which is determined to be "developer's overhead". No more than 25% of "developer's overhead" will be funded 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 75% of total developer fee (if available) shall be considered attributable to "developer's profit", and may not be funded until the development is 100% completed, and only after retainage has been released.
3. Draft Land purchase closing statement consistent with the Purchase and Sales Contract if the land has not already closed to verify the final land purchase price, after any adjustments for real estate taxes, increases in price due to extended closing date, etc.
4. Receipt and satisfactory compliance with the geotechnical recommendations presented in the geotechnical report.
5. Receipt and satisfactory review of a Final Plan and Cost Review from CASI acceptable to First Housing and Florida Housing showing that all conditions and recommendations have been met.
6. Receipt and satisfactory review of 2004 audited financials or receipt and satisfactory review of 2004 tax returns and an unaudited financial statement dated within 90 days of closing for VF Affordable Housing, Inc.

General Conditions:

This recommendation is contingent upon the review and approval of the following items by the Servicer and Florida Housing **at least two (2) 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 and/or the Physical Needs Assessment which have been prepared by C.A.S.I.
2. Signed and sealed survey, dated within 90 days of 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 Development, easements, utilities, roads, and 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.). An acceptable alternative to this requirement is receipt and satisfactory review of 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), or evidence of 100% lien-free completion, if applicable. If a letter is provided, copies of all permits will be required as a condition of 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. A final construction draw schedule showing itemized sources and uses of funds for each monthly draw. HOME Program loan proceeds shall be disbursed during the construction or rehabilitation phase in an amount per Draw on a prorata basis with other financing unless otherwise approved by the Corporation or the Credit Underwriter. The closing draw must include appropriate backup and ACH wiring instructions.
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, with coverage's, deductibles and amounts satisfactory to Florida Housing.
8. If the development is not 100% lien-free completed, a 100% Payment and Performance 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 the GC and the Borrower. In either case, Florida Housing must be listed as co-obligee. The P&P bonds must be from a company rated at least "A-" by A.M. Best & Co with a financial size category of at least FSC VI. FHFC, and/or legal counsel must approve the source, amount(s) and all terms of the P&P bonds, or LOC. If the LOC option is utilized, the LOC must include "evergreen" language and be in a form satisfactory to Florida Housing, its Servicer 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 (2) weeks** before closing. Failure to receive approval of these items, along with all other items listed on Florida Housing

counsel's 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)/managers(s) of the Borrower, the guarantors, and any limited partners of the Borrower.
2. Signed and sealed survey, dated within 90 days of 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 Development, easements, utilities, roads, and means of access to public streets, total acreage and flood hazard area and any other requirements of Florida Housing.
3. An acceptable updated Environmental Audit Report, together with a reliance letter to Florida Housing, prepared within 90 days of closing, unless otherwise approved by Florida Housing, and legal counsel, based upon the particular circumstances of the transaction. Borrower to comply with any and all recommendations noted in the Environmental Assessment(s) and Update and the Environmental Review, if applicable
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 Loan have been satisfied.
6. 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.
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 and of any partnership or limited liability company 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, of any corporate guarantor and any manager.;
 - a. Authorization, execution, and delivery by the Borrower and the guarantors, of all Loan documents;
 - b. The Loan documents being in full force and effect and enforceable in accordance with their terms, subject to bankruptcy and equitable principles only;
 - d. The Borrower's and the 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;
- e. Such other matters as Florida Housing 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 Florida Housing or its legal counsel in form and substance acceptable to Florida Housing or its legal counsel, in connection with the Loan.
 10. UCC Searches for the Borrower, its partnerships, as requested by counsel.
 11. Any other reasonable conditions established by Florida Housing and its legal counsel.

This recommendation is also contingent upon the following additional conditions.

1. Compliance with all provisions of Section 420.507(22) and 420.5089, Florida Statutes and Rule Chapter 67-48, F.A.C., and HUD Rule 24 CFR Part 92 and any other State or Federal requirements.
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 Lender and any other sources) sufficient to complete the Development. If at any time there are not sufficient funds (held by Florida Housing, First Lender 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. If applicable, Guarantors to provide the standard FHFC Construction Completion Guarantee; to be released upon lien-free completion as approved by the Servicer.
5. Guarantors to provide the standard FHFC Operating Deficit Guarantees; to be released upon achievement of 1.10 combined debt service coverage for the first mortgage and the HOME Loan for six consecutive months.
6. Guarantors to provide the standard FHFC Environmental Indemnity.
7. Guarantors to provide the standard FHFC Guaranty of Recourse Obligations.
8. A mortgagee title insurance policy naming Florida Housing as the insured in the amount of the Loan is to be issued immediately after closing. Any exceptions to the title

insurance policy must be acceptable to Florida Housing or its legal counsel.

9. Property tax and hazard insurance escrow are to be established and maintained by the First Lender or the Servicer. 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.
10. Replacement Reserves in the amount of \$250 per unit per year will be required to be deposited on a monthly basis into a designated escrow account, to be maintained by the First Mortgagee or Florida Housing's loan servicing agent. 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 Study prepared by an independent third party acceptable to FHFC that evidences an increase in the deposit is excessive or unnecessary.
11. Closing of the first mortgage loan simultaneous with or prior to closing of the HOME Loan.
12. A minimum of 10% retainage holdback on all construction draws until the Development is 50% completed, and 0% retainage thereafter. Retainage will not be released until successful completion of construction and issuance of all certificates of occupancy. The GC contract indicates a 10% retainage holdback through 50% completion then 0% retainage holdback thereafter, which satisfies the minimum requirement.
13. Satisfactory resolution of any outstanding past due or non-compliance notices applicable to the Developer by closing of the loan(s).
14. Satisfactory evidence of compliance with the Davis-Bacon Act and other applicable Federal Labor Standards during the construction of this development. Evidence of compliance must be through satisfactory completion of a compliance audit by FHFC and its authorized subcontractor.
15. First Housing's recommendations are contingent upon receipt and satisfactory review of confirmation that this development will be in compliance with the requirements of the Application. Satisfactory completion of a pre-loan closing compliance audit conducted by Florida Housing or Servicer, if applicable.
16. Any other reasonable requirements of the Servicer, Florida Housing or its legal counsel.

Section C
Supporting Information and Schedules

Additional Development & Third Party Supplemental Information

Appraised Value: The Appraisal, dated February 8, 2005, was prepared by Realvest Appraisal Services, Inc. This report indicated a value upon completion and stabilization with restricted rents and favorable financing at \$3,930,000. The fee simple stabilized market rent/ market cap rate value is indicated to be \$4,145,000. The appraisal also indicated an "as is" value for the project subject to HAP Contract through September 2006, then market rents and no Real Estate Tax abatement of \$3,060,000 supporting the sales price of \$2,021,980 . First Housing concluded that the Appraisal was satisfactory.

Market Study: Realvest Appraisal Services, Inc. has performed a Market Study dated February 3, 2005 on the proposed development. The report has found that there is adequate demand to support the proposed development. Furthermore, it concluded that the subject site is physically and legally adequate for multifamily development.

As a renovated restricted rent property, the subject would be competitive with existing restricted rent product surveyed. The subject's number of units is appropriate based on the comparables and the size of the market area. The subject's lack of a pool is offset by its after school center.

The subject neighborhood is a suburban, mixed-use area of Jacksonville. The Development provides easy access to major highways in the area, including Interstate 295 and Interstate 10. It is located in close proximity to downtown Jacksonville and to the Jacksonville Naval Station, both of which are major employment centers in Jacksonville. It also has good access to retail, recreational, and healthcare facilities.

Occupancy rates in Duval County are below levels of previous periods, due to a significant amount of new construction and competition from home ownership. Occupancies for all properties surveyed in the subject's sub-market currently average 91.1%, down from 93.1% in the previous quarter. Occupancies for affordable apartments have also been trending downward in 2004, from an average of 92.3% in January 2004 to 87.9% in November 2004 for properties surveyed.

Average rental rates market-wide increased about 3.7% since the second quarter of 2003. However, competition in the subject's area is expected to increase, as the 288-unit Kimbers Cove Housing Credit property is under construction about three miles southwest of the subject. Kimbers Cove will have restricted rents, but the subject should compete very favorably since its rents will be based on income under the HAP contract. In addition, including the subject, three of the five projects funded in 2004 cycle are within a ten-mile radius of the

construction. Although the properties that were not funded this year could re-submit in future cycles, none are located within ten miles of the subject.

According to the demographic analysis, there is currently a marginal amount of households within the income band necessary to support potential demand for the subject's units at the estimated market rates as a renovated property.

Household growth will generate additional annual potential demand for about 147 additional rental units in the subject's price range within its three-mile ring over the estimated period elapsing prior to completion of renovations (18 months).

The appraisal report projects an average absorption rate for the subject as a market rental complex of 17 units per month. The subject will have lower rents as a restricted property, which will be offset by the income limitations. Therefore, it is estimated the same absorption rate for the subject as a restrict rent property. However, the appraisal also acknowledges that the subject development is currently leased at 100% and will most likely remain so with support of the renewable HAP contracts.

Occupancy rates of the competitive properties in the subject's area indicate that the subject's market is at or nearing saturation. The average occupancy of the competitive supply of apartments in the subject's primary market area is only 91%. However, excluding four properties with occupancies of 64%, 75%, 75%, and 86%, the remaining properties have occupancies of 90% to 100%, with an average of 94%. The properties with the low occupancies are older properties. The addition of 288 more units with the impending completion of the Kimbers Cove apartments is expected to further soften the affordable housing market in this area.

The subject has maintained high occupancy despite the existing competition, likely due to the HAP contract. It is expected that similar future performance will continue as proposed renovations are completed and with continued operation under the HAP contract; however, it would anticipate lower stabilized occupancy under the HOME program alone.

Environmental Report: A Phase I Environmental Site Assessment (ESA) Updated by EnviroLogic, Inc. dated March 16, 2004 was submitted for review. The ESA followed the American Society for Testing and Materials format E1527-00. Based on the conclusions of the Phase I ESA Update, no evidence of recognized environmental conditions were found, thus no further environmental testing was recommended for the subject property.

The original Phase I ESA conducted by PIES in June 2000, revealed no evidence of "recognized environmental conditions" for the subject site.

This underwriting report, and the conclusions reached are subject to satisfactory compliance with the recommendations presented in this report.

Soils Test Report:

A geotechnical investigation report for the subject site was completed by Universal Engineering Sciences dated February 15, 2005. The report included four (4) Standard Penetration Test (SPT) borings. One (1) in the picnic area, two (2) in the community center area, and one (1) in the car care center area. All tests were to depths of approximately 20 feet below existing ground surface. The borings generally encountered loose to medium dense light brown to brown sand to depths of 4.5 to 7.5 feet, followed by medium dense dark brown sand with silt to depths of 13.5 feet. The borings then encountered very dense to dense dark brown to reddish-brown sands to the termination boring depth of 20 feet. This report recommended that the proposed new structure be supported on a conventional, shallow spread foundation with an allowable soil bearing pressure of 2,500 pounds per square foot.

This underwriting report, and the conclusions reached are subject to satisfactory compliance with the geotechnical recommendations presented in this report.

Pre-Construction:

A Pre-Construction Analysis was provided by C.A.S.I., dated May 5, 2005. CASI's review of the Applicants' direct building construction cost (less contingencies) and cost per square foot of \$40.47, or \$28,203.31 per unit indicates that they are within the average square foot cost range for projects of this type as they compare to the comparables analyzed, and below the national average (adjusted for local conditions). Please note that the Marshall and Swift provided averages do not include any common area renovations and that there are common area renovations in the subject's proposed budget.

Based upon the information provided for their review, CASI found that the hard cost construction budget of \$2,820,332 should be sufficient to complete the proposed rehabilitation.

The plans submitted for review were generally complete and suitable for pricing, permitting and construction. The 540-day construction schedule is achievable.

CASI also indicates that all of the construction features and amenities noted in the Universal Application are included on the plans. Therefore, this development, as proposed, complies with the commitments noted in the application.

Features, Amenities**& Resident Programs:**

The Applicant committed to provide Features, Amenities and Resident Programs in Part III, Section B & F (Exhibit 7) of the Application. These Features, Amenities, and Resident Programs are included in this report as Exhibit 2

Site Inspection: The site, which is located in Jacksonville, Duval County, Florida, was inspected by First Housing on February 5, 2005. At the time of inspection, the Development looked to be a moderately maintained active Development with easy access and adequate parking.

The subject site consists of a somewhat rectangular key shaped parcel whose entrance is on Herlong Road. The Development is surrounded on two sides by residential subdivisions of mixed values.

The subject site is well located along Herlong Drive. The neighborhood is a mixed use, suburban area within close proximity to retail and commercial businesses as well as an elementary school and day care center.

In conclusion, the subject site possesses adequate accessibility characteristics, with supporting commercial and retail uses that are considered conducive to development of affordable rental product. Overall, this site appears well-suited for its proposed use as an affordable multi-family development.

Borrower Information

Borrower Name: VF Affordable Housing, Inc.

Borrower Type: A Florida non-profit corporation

Ownership Structure: The sole member of the Applicant is Community Housing Partners Corporation.

Copies of the Articles of Incorporation as well as current Certificates of Status have been provided on each of the ownership structure entities.

Contact Person(s): Taheera Lawrence

407-831-8740
407-831-8760 fax
Tlawrencechcp2@earthlink.net

Applicant Address: 500 North Maitland Avenue, Suite 103
Maitland, FL 32751

Federal Employer ID: 59-3652879

Experience: Applicant was created in 2000 as a not for profit entity solely for the purpose of owning, rehabilitating, and operating the subject development. It, in and of itself, has no development experience.

Community Housing Partners Corporation ("CHPC") has been actively engaged in multifamily preservation since 1975. It currently manages over 3500 affordable housing units. CHPC has utilized a variety of affordable housing programs to finance these developments including Section 8, HUD 221 (d) 3, HUD 236, HUD 811, Tax Exempt Bonds, and Housing Credits.

CHPC's special programs include housing for the elderly, women and children in transition, formerly homeless persons, chronically mentally ill, and individuals of low and very low income in the states of Virginia and Florida.

As outlined by its Strategic Plan, CHPC's top priority for the next five years is its commitment to housing preservation. Its dedication to affordable housing preservation will fuel the upcoming stages of its organizational growth. It is projecting they have the ability to acquire and preserve over 12,000 rental units during the next ten years. In order to achieve this higher level, CHPC has concentrated on the production of affordable, conventional housing in addition to tax credit and HUD assisted projects. The focus of these efforts will be the acquisition and preservation of existing, affordable units as compared to new construction. CHPC will seek to make these projects more "green" and sustainable.

Credit Evaluation: A Dun and Bradstreet Report for the Applicant VF Affordable Housing is not available.

A February 9, 2005 Dun and Bradstreet Report for CHPC reflects no significant adverse information. The D&B rating is High and indicates historical payment at prompt. The Financial strength rating indicates a range of \$10 and \$50 million.

References: Bank and Business References are not available for the applicant as they are newly formed.

Business and Banking references for CHPC indicate very good and above average relationships.

Financial Statements: Financial statements were provided for VF Affordable Housing, Inc. and CHPC. The underwriter has reviewed three years of tax returns (2001, 2002, and 2003) and financial statements for both entities. The results of our review are summarized as follows:

Community Housing Partners Corporation (CHPC)

<u>December 31, 2004</u>	<u>(Audited)</u>
Cash and Cash Equivalents:	\$3,657,727
Total Assets:	\$49,479,173
Total Liabilities:	<u>\$31,518,017</u>
Total Equity:	\$17,961,156

<u>December 31, 2003</u>	<u>(Audited)</u>
Cash and Cash Equivalents:	\$2,558,711
Total Assets:	\$37,463,842
Total Liabilities:	<u>\$22,736,154</u>
Total Equity:	\$14,727,688

VF Affordable Housing, Inc.

<u>December 31, 2004</u>	<u>(Un-audited)</u>
Cash and Cash Equivalents:	\$216,631
Total Assets:	\$2,282,079
Total Liabilities:	<u>\$2,064,567</u>
Total Equity:	\$217,512

<u>December 31, 2003</u>	<u>(Audited)</u>
Cash and Cash Equivalents:	\$218,362
Total Assets:	\$2,288,317
Total Liabilities:	<u>\$2,078,016</u>
Total Equity:	\$210,301

<u>December 31, 2002</u>	<u>(Audited)</u>
Cash and Cash Equivalents:	\$173,416
Total Assets:	\$2,238,374
Total Liabilities:	<u>\$2,162,102</u>
Total Equity:	\$76,272

Contingent Liabilities: First Housing reviewed a schedule of the principals' contingent liabilities, dated December 31, 2004, and concluded that none of the guarantees which comprise the contingent liabilities of the principals were an immediate threat to the liquidity position of the entity or principals. Contingent liabilities are related to operating deficit and construction completion guarantees for multi-family apartment communities.

Summary: The Applicant and Principals appear to have the experience and the financial resources to develop and operate Normandy Apartments and to act as Guarantors through standard Construction Completion, Operating Deficit, Environmental Indemnity and Recourse Obligations Guarantees.

Guarantor Information

Guarantor(s) Name: VF Affordable Housing, Inc. and Community Housing Partners Corporation

Address: 500 North Maitland Avenue
Suite 103
Maitland, Fl. 32751

(407) 831-8740 Telephone
(407) 831-8760 Facsimile

Nature of the Guarantees: The Guarantors will sign standard FHFC Construction Completion and Operating Deficit guarantees, the latter to be released when the subject development achieves 1.10 debt service coverage on the First Mortgage and HOME Program loan combined for six consecutive months

The Guarantors will also sign standard Environmental Indemnity and Recourse Obligations guarantees.

Financial Statements: Please refer to the "Borrower" portion of Section C within this Credit Underwriting Report for financial information on the Guarantors.

Contingent Liabilities: Please refer to the "Borrower" portion of Section C within this Credit Underwriting Report for information on the Guarantors' Contingent Liabilities.

Summary: Based upon review of the Financial Statements and the Schedule of Contingent Liabilities, First Housing concludes that the above referenced Guarantors, have sufficient Net Worth for the purpose of collateralizing the FHFC Guarantees.

General Contractor Information

General Contractor: Community Housing Partners Corporation

Type: General Contractor CGC1506289 expires August 31, 2005

Contact Person: Todd Peacock
540-382-2002

Address: 990 Cambria Street
Christiansburg, VA 24073

Experience: CHPC has been in the construction business since the 1970's. Initially, volunteer crews undertook simple home repairs for elderly and disabled households. Several years later, CHPC began providing weatherization services, utilizing its own crews to carry out this work. Construction activities continued to increase in volume and complexity as the company expanded, and by the mid 1980's CHPC became a Class A licensed General Contractor.

Today, rehabilitation and new construction projects take place throughout CHPC's footprint. The adaptive re-use of non-residential buildings for housing and the renovation of historic structures have been important components of CHPC's construction activities.

To date, the organization has designed and constructed over 270 single-family homes; rehabilitated or constructed over 2,000 multifamily homes; and completed more than 300 single-family rehabilitations. While much of this work has been on CHPC projects, the company also has significant experience working as a General Contractor for partner organizations with similar missions.

Credit Evaluation: A February 9, 2005 Dun and Bradstreet Report for CHPC reflects no significant adverse information. The D&B rating is High and indicates historical payment at prompt. The Financial strength rating indicates a range of \$10 and \$50 million.

References: Business and Banking references for CHPC indicate very good and above average relationships.

Financial Statements: See Borrower information.

Summary: First Housing is relying on the general contractor's experience and successful track record of rehabilitation of multi-family developments, as well as upon their financial statements, which indicate sufficient liquidity.

Property Manager Information

Management Company: Community Housing Partners Corporation

Type: A Virginia corporation

Contact Person: George Crawford
804-278-9781
804-278-9783 (Fax)

Address: 1520 West Main Street
Suite 200
Richmond, VA 23220

Experience: CHPC has been in the property management business for over 15 years. The company manages its own properties and offers its services to other like-minded organizations in and around our service area.

CHPC is committed to providing high-quality, holistic property management services. Its portfolio of managed units has grown from 31 in 1988 to over 3000 in 2002. CHPC plans to grow to manage over 12,000 units by 2012.

The types of properties CHPC manages include conventional and tax-credit properties, Section 8 eligible developments, and housing complexes designed to serve elderly, handicapped, and/ or disabled people.

Management Agreement: The Applicant has submitted a Management Agreement dated November 05, 2004, which reflects a management fee of 9.2% of gross income received during the accounting month. Gross collections include rental income and income from other sources such as coin-operated laundry equipment and vending machines. Management Agreement contains the appropriate verbiage regarding compliance with tenant income and rent restrictions.

Management Plan: The Applicant has submitted a Management Plan, which includes the various policies and procedures to be implemented in managing the subject development. The Plan references the appropriate record keeping requirements.

Summary: The management company has a significant amount of experience in the management of affordable multi-family housing and is currently an approved management company of the Florida Housing Finance Corporation's Compliance Department. Continued approval is subject to ongoing satisfactory performance.

Development Name: Normandy Apartments															
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
Income															
Gross Potential Rental Revenue	\$629,856	\$648,752	\$668,214	\$688,261	\$708,908	\$730,176	\$752,081	\$774,643	\$797,883	\$821,819	\$846,474	\$871,868	\$898,024	\$924,965	\$952,714
Other Income															
Washer/Dryer Rentals	\$2,400	\$2,472	\$2,546	\$2,623	\$2,701	\$2,782	\$2,866	\$2,952	\$3,040	\$3,131	\$3,225	\$3,322	\$3,422	\$3,524	\$3,630
Cable TV	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$12,000	\$12,360	\$12,731	\$13,113	\$13,506	\$13,911	\$14,329	\$14,758	\$15,201	\$15,657	\$16,127	\$16,611	\$17,109	\$17,622	\$18,151
Gross Potential Income	\$644,256	\$663,584	\$683,491	\$703,996	\$725,116	\$746,869	\$769,275	\$792,354	\$816,124	\$840,608	\$865,826	\$891,801	\$918,555	\$946,112	\$974,495
Less:					\$0										
Vacancy and Collection loss @ 6%	\$38,655	\$39,815	\$41,009	\$42,240	\$43,507	\$44,812	\$46,157	\$47,541	\$48,967	\$50,436	\$51,950	\$53,508	\$55,113	\$56,767	\$58,470
Total Effective Gross Income	\$605,601	\$623,769	\$642,482	\$661,756	\$681,609	\$702,057	\$723,119	\$744,812	\$767,157	\$790,171	\$813,877	\$838,293	\$863,442	\$889,345	\$916,025
Expenses															
Fixed:															
Real Estate Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance	\$32,500	\$33,800	\$35,152	\$36,558	\$38,020	\$39,541	\$41,123	\$42,768	\$44,478	\$46,258	\$48,108	\$50,032	\$52,034	\$54,115	\$56,279
Variable:															
Management @ 9.2%	\$55,715	\$57,387	\$59,108	\$60,882	\$62,708	\$64,589	\$66,527	\$68,523	\$70,578	\$72,696	\$74,877	\$77,123	\$79,437	\$81,820	\$84,274
General and Administrative	\$65,000	\$67,600	\$70,304	\$73,116	\$76,041	\$79,082	\$82,246	\$85,536	\$88,957	\$92,515	\$96,216	\$100,065	\$104,067	\$108,230	\$112,559
Payroll Expenses	\$90,000	\$93,600	\$97,344	\$101,238	\$105,287	\$109,499	\$113,879	\$118,434	\$123,171	\$128,098	\$133,222	\$138,551	\$144,093	\$149,857	\$155,851
Utilities	\$75,000	\$78,000	\$81,120	\$84,365	\$87,739	\$91,249	\$94,899	\$98,695	\$102,643	\$106,748	\$111,018	\$115,459	\$120,077	\$124,881	\$129,876
Marketing and Advertising	\$15,000	\$15,600	\$16,224	\$16,873	\$17,548	\$18,250	\$18,980	\$19,739	\$20,529	\$21,350	\$22,204	\$23,092	\$24,015	\$24,976	\$25,975
Maintenance and Repairs	\$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
Grounds Maintenance and Landscaping	\$17,500	\$18,200	\$18,928	\$19,685	\$20,473	\$21,291	\$22,143	\$23,029	\$23,950	\$24,908	\$25,904	\$26,940	\$28,018	\$29,139	\$30,304
Security	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserve for Replacements	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$26,000	\$26,780	\$27,583	\$28,411	\$29,263	\$30,141	\$31,045	\$31,977	\$32,936
Other: Tenant Programs	\$9,100	\$9,100	\$9,100	\$9,100	\$9,100	\$9,100	\$9,100	\$9,100	\$9,100	\$9,100	\$9,100	\$9,100	\$9,100	\$9,100	\$9,100
Other	\$3,500	\$3,640	\$3,786	\$3,937	\$4,095	\$4,258	\$4,429	\$4,606	\$4,790	\$4,982	\$5,181	\$5,388	\$5,604	\$5,828	\$6,061
Total Expenses	\$423,315	\$438,327	\$453,922	\$470,124	\$486,956	\$504,443	\$523,611	\$543,266	\$563,680	\$584,881	\$606,901	\$629,772	\$653,526	\$678,198	\$703,824
Net Operating Income	\$182,285	\$185,442	\$188,560	\$191,632	\$194,653	\$197,614	\$199,508	\$201,546	\$203,477	\$205,290	\$206,975	\$208,521	\$209,915	\$211,146	\$212,201
Debt Service Payments															
First Mortgage	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188
HOME Loan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service Payments	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188	\$151,188
Operating Income After Debt Service - Before Tax Cash Flow	\$31,097	\$34,254	\$37,372	\$40,444	\$43,465	\$46,426	\$48,320	\$50,358	\$52,289	\$54,102	\$55,787	\$57,333	\$58,727	\$59,958	\$61,013
Debt Service Coverage Ratios															
Debt Service Coverage - First Only	1.206	1.227	1.247	1.268	1.287	1.307	1.320	1.333	1.346	1.358	1.369	1.379	1.388	1.397	1.404
Debt Service Coverage - First and HOME	1.206	1.227	1.247	1.268	1.287	1.307	1.320	1.333	1.346	1.358	1.369	1.379	1.388	1.397	1.404
Financial Ratios															
Operating Expense Ratio	70%	70%	71%	71%	71%	72%	72%	73%	73%	74%	75%	75%	76%	76%	77%
Break-even Ratio	89%	89%	89%	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%	88%

EXHIBIT 2
Normandy Apartments (2004-010H)
Duval County

After rehabilitation, the Development will consist of 100 garden apartment units located in 11 residential buildings.

Unit Mix:	<u>40</u>	One bedroom / one bath units containing a minimum of 600 square feet of heated and cooled living area
	<u>44</u>	Two bedroom / one bath units containing a minimum of 750 square feet of heated and cooled living area
	<u>16</u>	Three bedroom / one bath units containing a minimum of 900 square feet of heated and cooled living area
	<u>100</u>	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, Section 504 of the Americans with Disabilities Act of 1973 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. Bathtub with shower in at least one bathroom in at least 90% of the new construction non-Elderly units

EXHIBIT 2
Normandy Apartments (2004-010H)
Duval County

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

1. New kitchen cabinets and counter top(s)
2. Microwave oven
3. Garbage disposal
4. Double compartment kitchen sink
5. New bathroom cabinet(s), excluding medicine cabinet
6. New range and oven
7. New refrigerator

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

1. Community center or clubhouse
2. Playground/tot lot accessible to children with disabilities (must be sized in proportion to Development's size and expected tenant population with age-appropriate equipment, including equipment accessible to children with disabilities)
3. Car care area (for cleaning/washing)
4. Picnic area with hard cover permanent roof of a design compatible with the Development, open on all sides, containing at least three permanent picnic tables with benches and an adjoining permanent outdoor grill
5. Library consisting of a minimum of 100 books and 5 current magazine subscriptions
6. Laundry facilities with full-size washers and dryers available in at least one common area on site
7. Computer lab on-site with minimum of one computer per 50 units, with basic word processing, spreadsheets and assorted educational and entertainment software programs, and at least one printer
8. 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. Gas Hydronic combo unit HVAC
2. Air conditioning with SEER rating of 12 or better
3. Gas water heater with energy factor of .58 or better or electric water heater with energy factor of .91 or better

EXHIBIT 2
Normandy Apartments (2004-010H)
Duval County

4. Attic insulation of R-30 or better
5. Double-pane glass on all windows

The Borrower has committed to provide the following Resident Programs:

1. After School Program for Children: This program requires the Borrower or its Management Agent to provide supervised, structured, age-appropriate activities for children during the after school hours, Monday through Friday. Activities must be on-site at no charge to the residents.
2. First Time Homebuyer Seminars: Borrower 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.
3. Literacy Training: Borrower or its Management Agent must make available, at no cost to the resident, literacy tutor(s) who will provide weekly literacy lessons to residents in private space on-site.
4. 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.
5. Health and Nutrition Classes: At least eight hours per year, provided on site at no cost to the residents.
6. Resident Assistance Referral Program: The Borrower or its Management Agent will make available to residents information about services such as crisis intervention, individual and family needs assessment, problem solving and planning, appropriate information and referral to community resources and services based on need, monitoring of ongoing ability to retain self sufficiency, and advocacy to assist clients in securing needed resources. This service must be provided at no cost the resident.
7. Mentoring: Establish a partnership with a primary or secondary education institution to encourage mentoring, tutoring and/or financial support that will benefit the residents of the affordable housing community. This service must be provided at no cost to the resident.

COMPLETENESS AND ISSUES CHECKLIST

DEVELOPMENT

NAME: NORMANDY APARTMENTS

DATE: MAY 18, 2005

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	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.	
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.	N/A	
16. Firm commitment letter(s) for any other financing sources.	Satis.	
17. Updated sources and uses of funds.	Satis.	

COMPLETENESS AND ISSUES CHECKLIST

FINAL REVIEW	STATUS	NOTE
REQUIRED ITEMS:	Satis. / Unsatis.	
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: 35% of the total equity to be provided prior to or simultaneously with the closing of the construction financing.	N/A	
22. Any additional items required by the credit underwriter.	Satis.	

NOTES AND DEVELOPER RESPONSES: NONE

Applicant's Response: NONE