

**Florida Housing Finance Corporation  
Credit Underwriting Report**

**RFP 2006-05**

**Las Villas at Kenilworth  
Community Workforce Housing Innovation Pilot Program  
(CWHIP)**

**Section A: Report Summary**

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

**Section C: Supporting Information and Schedules**

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**Prepared by**

**First Housing Development Corporation of Florida**

**Final Report**

**January 11, 2008**

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Las Villas at Kenilworth

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

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**January 11, 2008**

## Executive Summary

The Highlands County Board of County Commissioners (“HCBCC” or “Borrower”) has partnered with a for-profit developer, Caribbean Real Estate Developers, LLC (“Caribbean Developers”) to develop and construct fifty (50) one-story, attached villas (25 structures duplex-style) of affordable housing within the one hundred fifty (150) unit Las Villas at Kenilworth development on a 19.77 acre site in Sebring, FL. A gazebo, swimming pool, spa, playground and park, will be located in the middle of the complex which will be available for use by the occupants in the development. The development will be landscaped, gated, and fenced.

## Recommendation

First Housing recommends a CWHIP Program loan in the amount of **\$2,500,000** for the new construction of The Las Villas Subdivision. The \$2,500,000 CWHIP Program loan allocation will pass through to Eligible Persons purchasing the units.

DEVELOPMENT & SET-ASIDES																			
Location	4113 Kenilworth Boulevard & 4200 Youth Care Lane Sebring, Highlands County, Florida																		
Number of Units/Unit Mix	<p style="text-align: center;"><b>Single-Family Attached</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Bedrooms</th> <th>Baths</th> <th>Garage (SF)</th> <th>No. of Units</th> <th>Total Unit Size (SF)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">2</td> <td style="text-align: center;">302</td> <td style="text-align: center;">50</td> <td style="text-align: center;">1,606</td> </tr> <tr> <td colspan="3" style="text-align: center;"><b>TOTAL</b></td> <td style="text-align: center;"><b>50</b></td> <td></td> </tr> </tbody> </table> <p>The total unit size includes 1,220 sq. ft. of heated and cooled living space, 302 sq. ft. garage, 12 sq. ft. entryway, and a 72 sq. ft. lanai</p>				Bedrooms	Baths	Garage (SF)	No. of Units	Total Unit Size (SF)	3	2	302	50	1,606	<b>TOTAL</b>			<b>50</b>	
Bedrooms	Baths	Garage (SF)	No. of Units	Total Unit Size (SF)															
3	2	302	50	1,606															
<b>TOTAL</b>			<b>50</b>																
Demographic Commitment	Workforce Housing - Homeownership																		
Set Asides	100% or 50 of the units set-aside for persons or families whose total annual household income does not exceed 140% AMI. 50% or 25 of the units will be set-aside for Essential Services Personnel.																		
Set Aside Term	The Applicant commits to maintaining all homes as Workforce Housing for homeownership for a minimum of 30 years.																		
County Size	Small																		
Development Category	New Construction																		
Development Type	Attached Villas (Duplex)																		
Occupancy Rate	N/A																		
Parking	Includes attached one-car garages with each home.																		
Land Improvements	Green Neighborhood Planning includes: Sidewalks, recreation park and green areas, drought tolerant landscaping, sprinkler systems, gazebo and barbeque area, underground utilities, hedge and fence buffering, private roads, street lights, HOA with covenants and common area maintenance.																		
Building Improvements	<b>Green Construction includes:</b> Insulated concrete form construction, energy efficient																		

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	windows and lighting, separate washer/dryer utility area, and low flow water fixtures
Site Acre	19.77 total acres (per the appraisal) in the 150 unit development. CWHIP funded units account for 50 of the total units and according to the Developer will be built and sold first.
Density	7.58 units per acre The Developer entered into a Development Agreement, dated November 22, 2006, with the City of Sebring which allows for a density of no more than 150 residential units.
Zoning	18.74 acres zoned R-2 (Two Family Residential) 1.03 acres zoned C-1 (Commercial/Retail)
Flood Zone Designation	According to the surveyor, the City of Sebring did not participate in the FEMA flood determination, therefore the site is designated as "not in a flood zone district"
<b>DEVELOPMENT TEAM</b>	
Applicant/Borrower	The Highlands County Board of County Commissioners
Guarantors	The Highlands County Board of County Commissioners
Developer	Caribbean Real Estate Developers, LLC
Architect	John Piley & Associates, Inc.
Civil Engineer	Kennedy, Lynch & Associates, Inc.
General Contractor	<b>Site-Work</b> – KDL Underground and Development, Inc. – CUC029820 (Expires August 31, 2008) <b>Vertical Construction</b> - Carter Construction Company, LLC - CGC055960 (Expires August 31, 2008)
First Mortgage Construction Lender	Neighborhood Lending Partners of West Florida, Inc. ("NLP") is providing construction financing for the entire 150 unit development. FHFC funding is limited to 50 of those units.
<b>FINANCING INFORMATION</b>	
FHFC Programs	CWHIP
NLP Total Acquisition & Development Loan Amount	\$3,814,000
Underwritten Interest Rate	8.00%
Term/Amortization	18 months / N/A (Interest-Only)
NLP Total Construction Revolving Line of Credit Loan Amount	\$3,000,000
Underwritten Interest Rate	8.00%
Term/Amortization	2 years / N/A (Interest-Only)
FHFC CWHIP Loan Amount	\$2,500,000
Underwritten Interest Rate	Public Private Partnership – 3.00% simple interest per annum will accrue during construction and will be forgiven pro rata upon sale of the unit to an Eligible Person Eligible Persons – 1.00% simple interest will accrue per annum. Principal and interest shall be forgiven pro rata each year as long as the set aside unit remains in compliance.
Term/Amortization	Public Private Partnership – N/A Eligible Persons – not more than 30 years unless required to be coterminous with the first mortgage and is assumable by subsequent Eligible Persons.
Appraised Value	"As Is Value" - \$1,638,000

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	"Value Upon Completion" of the infrastructure - \$3,233,000 First Housing has reviewed a summary appraisal. A full or self contained appraisal has been ordered. Satisfactory receipt prior to loan closing will remain a condition of this report.
Unit Purchase Price	\$149,836
FHFC CWHIP Loan to Total Development Cost	31%
FHFC Assistance Per Unit	\$50,000

**Changes from the Application**

<b>COMPARISON CRITERIA</b>	<b>YES</b>	<b>NO</b>
Does the level of experience of the current team equal or exceed that of the team described in the application?	X	
Are all funding sources the same as shown in the Application?	X	
Are all local government recommendations/contributions still in place at the level described in the Application?	X	
Is the Development feasible with all amenities/features 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?	X	
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?	N/A	
Is the Development in all other material respects the same as presented in the Application?		1.

(Revised 8/14/03)

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

1. The Applicant originally submitted two (2) separate developments with two separate development partners as part of their response to the Request for Proposal. Per discussions with FHFC staff, the \$5,000,000 initial award is being split between the two developments at \$2,500,000 per development and due to differences in the respective construction starts for each; the developments are being underwritten separately. The second development is Ridgeview Subdivision, developed in partnership with The Highlands County Board of County Commissioners and National Development Foundation, Inc.

The Applicant originally committed to 80% or 40 of the units to be set aside as CWHIP funded Workforce Housing units. The Applicant has subsequently agreed to set aside

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100% or 50 of the units as Workforce Housing units. The Underwriter recommends this change as it is beneficial to the Development affordability.

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

According to the FHFC November 21, 2007, Asset Management Non-Compliance Report, The Highlands County Board of County Commissioners and Caribbean Real Estate Developers, LLC have the following non-compliance item(s) that are **not** in the correction period:

- None

The Past Due report dated December 20, 2007, indicates that The Highlands County Board of County Commissioners and Caribbean Real Estate Developers, LLC have the following past due item(s) that are not in the correction period:

- None

Closing of the loan is conditional upon verification that any outstanding past due, and/or non-compliance items noted at the time of closing, have been satisfied.

Innovation:

The Developer has incorporated many Green Neighborhood & Construction features in the design and plans for the Development including, a recreation park, drought resistant landscaping, insulated concrete form construction, and energy efficient windows, lighting and fixtures.

Strengths:

A letter from Mitchell L. Perlstein, P.A., as escrow agent for the Developer, dated July 2, 2007, indicates that there are currently 38 reservation deposits of \$250 each being held from potential homeowners.

Other Considerations:

Mitigating Factors:

Waiver Requests/Special Conditions:

Additional Information:

The Developer has agreed to contribute the General Contractor Fee and amenities to the eligible homeowner. The County will pay the impact fees on behalf of the eligible homeowner.

CWHIP funding will not be available for units that have begun construction prior to the date of this report.

Issues and Concerns:

First Housing has not reviewed an appraisal of the completed development. An appraisal has been ordered. Satisfactory receipt prior to loan closing will remain a condition of this report.



Recommendation:

First Housing recommends a CWHIP Program loan in the amount of **\$2,500,000** for the new construction of the Las Villas Subdivision. The \$2,500,000 CWHIP Program loan allocation will pass through to Eligible Persons purchasing the units.

These recommendations are based upon the assumptions detailed in the Report Summary (Section A), and Supporting Information and Schedules (Section C). In addition, these recommendations are subject to the CWHIP Program Special & 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:

Reviewed by:



Scott M. Eberhard  
Senior Credit Underwriter  
First Housing Development Corporation



Edward Busansky  
Senior Vice President

**Overview**

**Construction Financing Sources and Uses:**

Sources	Lender	Per CWHIP Unit	Const. Int. Rate	Max Term
Acquisition & Development Loan	NLP	\$25,427	8.00%	18 mos.
Construction Revolver	NLP	\$50,425	8.00%	2 years
CWHIP	FHFC	\$50,000	0.00%	N/A
Deferred Developer Fee	Caribbean	\$21,065	N/A	N/A
Developer Equity	Caribbean	\$2,920	N/A	N/A
Developer Contributions	Caribbean	\$11,884		
<b>Total Sources</b>		<b>\$161,720</b>		

Uses	Lender	Per CWHIP Unit	Const. Int. Rate	Max Term
<b>Total Uses</b>	N/A	<b>\$161,720</b>	N/A	N/A

**First Mortgage Construction Loans:**

First Housing has reviewed an executed Multifamily Note (Acquisition & Development Loan), dated November 29, 2006, from NLP in the amount of \$3,814,000 for acquisition and site development of the one hundred fifty (150) unit Las Villas at Kenilworth development. The Underwriter has estimated that approximately \$25,427 per unit will be used to fund acquisition and development of the fifty (50) CWHIP units. The loan is for a term of 18 months with monthly interest-only payments on the outstanding principal balance. The loan bears interest at prime rate plus 50 basis points. As of November 28, 2007 the prime rate was 7.50% for an ‘all in’ rate of 8.00%. The principal shall be repaid from lot releases set at 133% of the lot loan amount (estimated at \$33,817 by the first mortgage lender).

First Housing has reviewed an executed Multifamily Note (Revolving Line of Credit Loan), dated November 29, 2006, from NLP in the amount of \$3,000,000 for vertical construction of the one hundred fifty (150) unit Las Villas at Kenilworth development. The Underwriter has estimated that approximately \$50,425 per unit will be used to fund construction of the fifty (50) CWHIP units. The loan is for a term of 2 years with monthly interest-only payments on the outstanding principal balance. The loan bears interest at prime rate plus 50 basis points. As of November 28, 2007 the prime rate was 7.50% for an ‘all in’ rate of 8.00%. The principal shall be repaid from unit releases set at 100% of the unit loan amount (estimated at \$50,425 by the first mortgage lender).

**CWHIP Program Loan:**

Public-Private Partnership - The Applicant has requested a CWHIP loan in the amount of \$2,500,000 for Las Villas at Kenilworth. The CWHIP loan shall be in second lien position. The CWHIP loan proceeds shall be disbursed during the construction phase in an amount per draw which does not exceed the ratio of the CWHIP loan to the total development cost. According to the Developer, the CWHIP loan will be allocated to eligible persons purchasing the units based upon a per unit subsidy amount of \$50,000. During construction, interest will accrue at 3% simple interest per annum and will be forgiven upon sale of the unit to an eligible person. For CWHIP loans not eligible for forgiveness, the rate shall be 3% with full amortization.

Eligible Persons - The loans shall be assigned to eligible persons on a pro-rata basis with each set-aside unit closing. CWHIP loans to eligible persons shall be for a period of not more than 30 years unless required to be coterminous with the first mortgage or otherwise approved by the FHFC Board. For forgivable loans, the loan, including the accruing 1% simple interest per annum, shall be forgiven pro-rata each year as long as the set-aside unit remains in compliance. For loans that are not forgivable, the repayment terms shall be at 3% interest fully amortizing for the term of the loan. The CWHIP loan to an eligible person must not be in lower than second lien position, unless otherwise

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approved by the Board. Units set-aside for workforce housing shall be deed-restricted for resale to eligible persons at a sales price of not more than 80 percent of the median sales price for that type of unit in that county, or the statewide median sales price for that type of unit, whichever is higher, at the time of resale.

**Deferred Developer Fee:**

The Developer will be paid developer fee out of the sales of the individual homes. The total developer fee is estimated at \$1,053,251 or \$21,065 per home which is within the maximum allowable 16%.

**Developer Equity:**

The Developer contributed equity in the amount of \$440,000 with the first mortgage lender at the construction closing. \$146,000 or \$2,920 per home is attributable to the fifty (50) CWHIP units.

**Developer Contributions:**

The Developer has agreed to contribute the general contractor fees and recreational amenities to the development. The County has agreed to contribute the impact fees to the development. The total amount of the combined contributions equals \$11,884 per unit. The unit sales price has been reduced to reflect this amount.

**Construction Uses of Funds**

	<b>Developer Total Costs</b>	<b>Underwriter Costs</b>
<b>Actual Construction Cost</b>		
Infrastructure/Site Work Contract	\$300,000	\$300,000
Vertical Construction Contract	\$3,250,000	\$3,250,000
Irrigation & Landscaping	\$118,500	\$118,500
Gates / Columns & Fencing	\$50,000	\$50,000
Recreational Amenities	\$64,200	\$64,200
Premium Appliance Package	\$262,000	\$262,000
General Contractor Fees	\$350,000	\$350,000
Construction Management Fee	\$179,518	\$179,518
Hard Cost Contingency	\$0	\$219,735
<b>Total Actual Construction Cost</b>	<b>\$4,574,218</b>	<b>\$4,793,953</b>

1. First Housing has reviewed an executed Agreement between Caribbean Developers and KDL Underground and Development, Inc. for the site-work of Las Villas at Kenilworth, dated April 9, 2007. The contract is in the amount of \$790,000 and indicates substantial completion within 180 days. The Developer has indicated that \$300,000 of the cost shall be attributable to the fifty (50) CWHIP funded units.
2. First Housing has reviewed an executed Agreement between Caribbean Developers and Carter Construction Company, LLC for the construction of Las Villas at Kenilworth, dated December 27, 2006 and an addendum to the Agreement, dated November 28, 2007. The contract indicates a not-to-exceed per unit price of \$65,000 or \$3,250,000 for the fifty (50) CWHIP funded units excluding site-work, soft costs and amenities.
3. The Developer and Applicant have agreed to contribute impact fees, amenities, and general contractor's fees at no charge to the homebuyer. These costs have been included in total development costs but, excluded from the purchase price of the units.
4. Construction Management Fee includes costs of overhead that are outside of the GC contract.
5. First Housing recommends a hard cost contingency of 5% or \$219,735.
6. The Notice of Commencement was filed by the Developer on January 30, 2007. First Housing has received a copy of the Notice of Commencement, dated March 20, 2007. Per the Developer, the site-work is complete and two (2) model units have been constructed. First Housing has reviewed two (2) building permits for the model units, one dated June 11, 2007 and the other June 20, 2007. The model units are ineligible for CWHIP financing as they are more than 50% complete prior to FHFC Board approval.

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	Developer Total Costs	Underwriter Costs
<b>General Development Costs</b>		
Appraisal	\$5,000	\$5,000
Architect/Engineering Fee	\$125,000	\$125,000
Builder's Risk Insurance	\$14,000	\$14,000
Building Permits	\$50,000	\$50,000
Consultant Fees	\$25,000	\$25,000
Broker Commissions / Advertising	\$525,000	\$525,000
Environmental Report	\$3,500	\$3,500
Credit Underwriting Fee	\$15,000	\$11,884
Performance & Monitoring Fees	\$82,500	\$82,500
Insurance	\$22,000	\$22,000
Impact Fees	\$180,000	\$180,000
Construction Inspection Fees	\$25,000	\$25,000
Taxes	\$20,843	\$20,843
Legal Fees	\$125,000	\$125,000
Market Study	\$4,000	\$4,000
Soil Test	\$6,000	\$6,000
Survey	\$20,000	\$20,000
Title Insurance	\$20,000	\$20,000
Utility Connection Fee	\$131,333	\$131,333
Contingency	\$495,070	\$69,803
<b>Total General Development Costs</b>	<b>\$1,894,246</b>	<b>\$1,465,863</b>

Notes to the General Development Costs:

1. The Developer has included \$525,000 for broker's commissions and advertising which equates to realtor fees of six percent (\$450,000 or approximately \$9,000 per home) and includes advertising of approximately \$75,000 or \$1,500 per home.
2. The Developer included a total project contingency amount of \$495,070. First Housing has broken out the contingency into hard and soft costs and recommends a soft cost contingency in the amount of \$69,803 or 5% of general development costs.

	Developer Total Costs	Underwriter Costs
<b>Financial Costs</b>		
Construction Loan Interest	\$250,000	\$260,000
Loan Origination Fees	\$34,000	\$34,000
Loan Closing Costs	\$29,000	\$29,000
<b>Total Financial Costs</b>	<b>\$313,000</b>	<b>\$323,000</b>

Notes to the Financial Costs:

1. The financial costs are the Developer's estimates which appear reasonable.

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	<b>Developer Total Costs</b>	<b>Underwriter Costs</b>
<b>Non-Land Acquisition Costs</b>		
Building Acquisition Costs	\$0	\$0
<b>Total Non-Land Acquisition Costs</b>	<b>\$0</b>	<b>\$0</b>

Notes to Non-Land Acquisition Costs:

- There are no non-land acquisition costs.

	<b>Developer Total Costs</b>	<b>Underwriter Costs</b>
<b>Development Cost Before Developer Fee and Land Costs</b>	\$6,781,464	\$6,582,816
Developer Fee	\$990,140	\$1,053,251
<b>Total Other Development Costs</b>	<b>\$990,140</b>	<b>\$1,053,251</b>

Notes to the Other Development Costs:

- The recommended Developer's fee is \$1,053,251 or 16% of the total Development Cost before Developer Fee and Land Costs; which falls within the maximum permitted of 16%.

	<b>Developer Total Costs</b>	<b>Underwriter Costs</b>
<b>Acquisition Costs</b>		
Land	\$546,000	\$449,955
<b>Total Acquisition Costs</b>	<b>\$546,000</b>	<b>\$449,955</b>

Notes to Acquisition Costs:

- First Housing has reviewed a settlement statement for the land closing, dated November 30, 2006. The contract sales price is \$1,350,000. The "As is Value" of the site is \$1,638,000 supporting the purchase price. The Underwriter has attributed 1/3 of the contract price or \$449,955 to the fifty (50) CWHIP funded lots.

	<b>Developer Total Costs</b>	<b>Underwriter Costs</b>
<b>Total Development Costs</b>	<b>\$8,317,604</b>	<b>\$8,086,022</b>

Notes to Total Development Cost:

**Purchase Price per Home (Excluding CWHIP subsidy)**

Unit Mix	# of Units	Sq. Ft.	Unit Purchase Price
3 Bed Villa	50	1,606	\$149,836
<b>Total</b>	<b>50</b>		<b>\$7,491,822</b>

**Affordability Analysis**

Number of Persons in the Household	Area Median Income	Gross Annual Income Limits	Gross Monthly Income Limits	29% Debt to Income Ratio	Maximum Mortgage Supported at 7% APR
1	80%	\$25,850	\$2,154	\$625	\$93,898
2	80%	\$29,500	\$2,458	\$713	\$107,157
3	80%	\$33,200	\$2,767	\$802	\$120,597
4	80%	\$36,900	\$3,075	\$892	\$134,037
1	120%	\$38,760	\$3,230	\$937	\$140,793
2	120%	\$44,280	\$3,690	\$1,070	\$160,844
3	120%	\$49,800	\$4,150	\$1,204	\$180,895
4	120%	\$55,320	\$4,610	\$1,337	\$200,946
1	140%	\$45,220	\$3,768	\$1,093	\$164,259
2	140%	\$51,660	\$4,305	\$1,248	\$187,651
3	140%	\$58,100	\$4,842	\$1,404	\$211,044
4	140%	\$64,540	\$5,378	\$1,560	\$234,437

Notes to the Affordability Analysis:

1. The income limits in the table are based on the FHFC 2007 Income Limits Adjusted to Household Size for Highlands County.
2. The analysis assumes that 29% of gross monthly income can be utilized for monthly amortized mortgage payments and does not consider other subsidies including down payment assistance.
3. The maximum mortgage is based on a 30 year amortizing loan at 7%.
4. The developer has indicated that SunTrust, Bank of America, and Highlands Independent Bank are pre-qualifying interested homeowners and will most likely be providing home mortgage loans to eligible persons. The programs and underwriting requirements will vary by lender.

In order to evaluate the correct subsidy levels to ensure eligible borrowers are not being over-subsidized or under-subsidized, the underwriting guidelines relating to the minimum allowable back-end or total debt ratio of 20% and the maximum allowable ratio of 45% will be used to determine if the CWHIP loan is over- or under-subsidizing the eligible borrower.

**Permanent Financing Sources**

	Per Unit
<b>Unit Sales Price</b>	<b>\$149,836</b>
Less:	
CWHIP Second Mortgage Loan	\$50,000
<b>Homebuyer Purchase Price</b>	<b>\$99,836</b>
Plus:	
Buyer Closing Costs	\$4,500
First Mortgage Financing	\$104,336
<b>Total Source of Funds</b>	<b>\$104,336</b>
<b>First Mortgage</b>	<b>\$104,336</b>
Interest Rate	7%
Term	360 months
Taxes & Insurance	\$200
Monthly Mortgage Payment	\$694
Avg. Homeowners Association Fees	\$75
<b>Total Monthly Housing Payment</b>	<b>\$969</b>
Total Monthly Housing Payment (as a % of Income) <b>80%</b> AMI Family of 4	<b>32%</b>
Total Monthly Housing Payment (as a % of Income) <b>80%</b> AMI Family of 3	<b>35%</b>
Total Monthly Housing Payment (as a % of Income) <b>80%</b> AMI Family of 2	<b>39%</b>
Total Monthly Housing Payment (as a % of Income) <b>120%</b> AMI Family of 4	<b>21%</b>
Total Monthly Housing Payment (as a % of Income) <b>120%</b> AMI Family of 3	<b>23%</b>
Total Monthly Housing Payment (as a % of Income) <b>120%</b> AMI Family of 2	<b>26%</b>
Total Monthly Housing Payment (as a % of Income) <b>140%</b> AMI Family of 4	<b>18%</b>
Total Monthly Housing Payment (as a % of Income) <b>140%</b> AMI Family of 3	<b>20%</b>
Total Monthly Housing Payment (as a % of Income) <b>140%</b> AMI Family of 2	<b>23%</b>



Notes to the Permanent Financing Analysis:

1. The Developer has indicated that they are considering installing washer/dryer units, refrigerator/freezer units, and bladed ceiling fans in each room. This will increase the purchase price approximately \$2,000 per unit.

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**Section B**

**CWHIP Program Special and General Conditions**

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**January 11, 2008**

## CWHIP Loan 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. During construction, the developer is only allowed to draw a maximum of 50% of the total developer fee but in no case more than the payable developer fee during construction, which is determined to be "developer's overhead". No more than 35% 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 the Servicer. The remaining unpaid developer fee shall be considered attributable to "developer's profit", and may not be funded until the development has achieved 100% lien free completion, and retainage has been released.
2. Satisfactory receipt and approval of a Full or Self-Contained Appraisal and funding schedule that complies with CWHIP Rule and underwriting requirements prior to loan closing.
3. Funding of the CWHIP loan will be limited to a maximum of ten (10) duplexes at a time. Additionally, each funded unit must have an approved qualified contract acceptable to the Servicer.
4. Cross collateralization of the NLP Acquisition and Development loan with the Construction Revolver loan will not be allowed on the fifty (50) CWHIP funded units.

### 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 which has been prepared by Design Circle Construction Consultants.
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

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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. CWHIP Program loan proceeds shall be disbursed on a pro rata basis during the construction or rehabilitation phase in an amount per Draw which does not exceed the ratio of the CWHIP loan to the Total Development Cost, net of deferred developer fees, unless otherwise approved by 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 coverages, deductibles and amounts satisfactory to Florida Housing.
8. 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 counsels due diligence list, within this time frame may result in postponement of the closing date.

1. Documentation of the legal formation and current authority to transact business in Florida for the Borrower, the general partner/principal(s)/managers(s) of the Borrower, the guarantors, and any limited partners of the Borrower.
2. 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
3. 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.

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4. 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.
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 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.
  - b. 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. 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.
7. Evidence of compliance with local concurrency laws.
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. UCC Searches for the Borrower, its partnerships, as requested by counsel.
10. Any other reasonable conditions established by Florida Housing and its legal counsel.

**CWHIP Loan Other Conditions**

1. Compliance with all provisions of Chapter 2006-69, Section 27, (LOF) and Chapter 67-58, 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,

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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 Environmental Indemnity.
6. Guarantors to provide the standard FHFC Guaranty of Recourse Obligations.
7. Design Circle Construction Consultants is to act as Florida Housing's inspector during the construction period.
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. Closing of the first mortgage loan simultaneous with or prior to closing of the CWHIP Loan.
11. 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.
12. Satisfactory completion of a pre-loan closing compliance audit conducted by Florida Housing or Servicer, if applicable.
13. Any other reasonable requirements of the Servicer, Florida Housing or its legal counsel.

## COMPLETENESS AND ISSUES CHECKLIST

**DEVELOPMENT**

**NAME: LAS VILLAS AT KENILWORTH**

**DATE: January 11, 2008**

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. Identity of Applicant (officers/general partners, limited partnership, not-for-profit) and principals, and legal documentation creating the Applicant entity.	Satis.	
2. Resumes and experience of Applicant and General Contractor.	Satis.	
3. Copy of marketing plan.	N/A	
4. Location map identifying site and reflecting commercial facilities, schools, and competitive developments.	Satis.	
5. Final plans and specs.	Satis.	
6. Final site plan.	Satis.	
7. Evidence of site control (recorded deed – executed contract)	Satis.	
8. Survey.	Satis.	
9. Permits or copy of a permit ready letter stating that but for the payment of fees, permits are ready to be issued.	Satis.	
10. Evidence of availability of utilities.	Satis.	
11. Evidence of concurrency.	Satis.	
12. Evidence of appropriate zoning.	Satis.	
13. Full or self-contained appraisal as defined by the Uniform Standards of Professional Appraisal Practice.		1.
14. Market Study separate from the Appraisal.	Satis.	
15. 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.	
16. Audited financial statements for the most recent fiscal year ended or acceptable alternative as stated in Rule for Applicant, General Partner, Principals, Guarantors and General Contractor.	Satis.	
17. Bank and business references; credit authorizations; verifications of deposits and mortgage loans.		2.
18. Sources and uses of funds schedule	Satis.	

## COMPLETENESS AND ISSUES CHECKLIST

19. Sales and expense projection schedule.	Satis.	
20. Commitment letter(s) for other financing sources (construction and permanent).	Satis.	
21. Executed general construction contract with "not to exceed" costs.	Satis.	
22. Plan and Cost Review		3.
23. Site Inspection	Satis.	

### NOTES AND DEVELOPER RESPONSES:

1. Need full or self contained appraisal with total development value and per unit value prior to loan closing.
2. Bank & Trade references for Carter Construction Company, LLC.
3. Need reliance letter for Plan & Cost review from Design Circle Consultants.

Applicant's Response: