Housing Finance Authority of Palm Beach County

Credit Underwriting Report

New South Bay Villas

Multifamily Housing Revenue Bond Program (“MHRB”)

Section A: Report Summary

Section B: Multifamily Housing Revenue Bond Special Conditions

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Prepared by

AmeriNat®

Final Report

February 2, 2017

New South Bay Villas

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Report Summary

Recommendation

AmeriNat® ("AmeriNat") recommends the issuance of a Multifamily Housing Revenue Bonds ("MHRB") in the amount of $18,500,000 by Housing Finance Authority of Palm Beach County ("HFAPBC"), subject to the receipt of a final executed general construction contract that is acceptable in form and substance with no material changes consistent with the analysis presented herein, be provided to New South Bay Villas, Ltd. ("Applicant") for the construction and permanent phase financing of New South Bay Villas (the proposed "Development").

DEVELOPMENT & SET-ASIDES

Development Name: New South Bay Villas

Address: 845 Palm Beach Road City: South Bay Zip Code: 33493

County: Palm Beach County Size: Large

Development Category: New Construction with Acquisition/Rehabilitation Development Type: Garden-style apartments

Construction Type: CMU

Demographic Commitment: Elderly: ______ Homeless: ______ ELI: ______ Units @ ____ AMI

Farmworker or Commercial Fish Worker: ______ Family: X Link: ______ Units

Bed Rooms	Bath Rooms	Units	Square Feet	AMI%	Gross HC Rent	Low HOME Rents	High HOME Rents	Utility Allow	RD/HUD Cont Rents	Net HC Rent	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
1.0	1.0	1	653	60%	$756			$98		$658	$482	$532	$532	$6,384
1.0	1.0	1	648	50%	$630			$135	$1,090	$955	$955	$955	$955	$11,460
2.0	1.0	28	723	50%	$756			$155	$1,364	$1,209	$1,209	$1,209	$1,209	$406,224
3.0	1.0	16	984	50%	$873			$189	$1,860	$1,671	$1,671	$1,671	$1,671	$320,832
4.0	2.0	20	1603	50%	$975			$221	$2,248	$2,027	$2,027	$2,027	$2,027	$486,480
1.0	1.0	1	648	60%	$756			$135	$1,090	$955	$955	$955	$955	$11,460
2.0	1.0	28	723	60%	$907			$155	$1,364	$1,209	$1,209	$1,209	$1,209	$406,224
3.0	1.0	16	984	60%	$1,048			$189	$1,860	$1,671	$1,671	$1,671	$1,671	$320,832
4.0	2.0	20	1603	60%	$1,170			$221	$2,248	$2,027	$2,027	$2,027	$2,027	$486,480
		131	138045											$2,456,376

Rental Assistance Units: 130

Buildings: Residential - 16 Non-Residential - 4

Parking: Parking Spaces - 260 Accessible Spaces - 11

Set Asides:

Program	% of Units	# of Units	% AMI	Term (Years)
MHRB	49.6%	65	50%	30
MHRB	50.4%	66	60%	30
HC	49.6%	65	50%	30
HC	50.4%	66	60%	30

Absorption Rate: 30 units per month for 5 months.

Occupancy Rate at Stabilization: Physical Occupancy 95.00% Economic Occupancy 94.00%
Occupancy Comments CMA is 98.0% occupied per December 2016 market study

DDA?: No QCT?: Yes
Site Acreage: 11.15 Density: 11.75 Flood Zone Designation: TBD
Zoning: R-3, Multiple Family Dwelling District Flood Insurance Required?: TBD

DEVELOPMENT TEAM		
Applicant/Borrower:	New South Bay Villas, Ltd.	% Ownership
General Partner 1:	New South Bay Villas, LLC	0.01%
General Partner 2:	Palm Beach County Housing Authority	
General Partner 3:	McCurdy Senior Housing Corporation	
Limited Partner 1:	R4 Capital LLC or an affiliate thereof	99.99%
Guarantor(s):	New South Bay Villas, Ltd.	
	New South Bay Villas, LLC	
	Dwight Stephenson	
	Harry Darling	
	Wallace Sanger	
Pvt Placement Purchaser:	R4 Capital Funding LLC	
Developer:	Palm Beach County Housing Authority	
Principal 1	Van Johnson	
Principal 2	Digna Mejia	
Principal 3	Paul Dumars	
Principal 4	Charlie Fetscher	
Principal 5	Arasalia Byrd	
Principal 6	Brenda Clements	
Co-Developer:	McCurdy Senior Housing Corporation	
Principal 1	Joseph S. Glucksman	
Principal 2	Albert Dowdell	
Principal 3	Barbara Bell-Spence	
Principal 4	Jean Chase	
Principal 5	Mary Quinn	
Principal 6	Steven Bruh	
General Contractor 1:	D. Stephenson Construction, Inc.	
Management Company:	Royal American Management, Inc. / Spectra Companies, Inc.	
Const. Credit Enhancer:	JPMorgan Chase Bank, N.A.	
Syndicator:	R4 Capital LLC	
Bond Issuer:	Housing Finance Authority of Palm Beach County	
Architect:	Eugene R. Fagan	
Market Study Provider:	Meridian Appraisal Group, Inc.	
Appraiser:	Meridian Appraisal Group, Inc.	

PERMANENT FINANCING INFORMATION						
	1st Source	2nd Source	3rd Source	4th Source	5th Source	Other
Lien Position	1st	2nd				
Lender/Grantor	HFAPBC/R4 Capital Funding LLC	Palm Beach County Housing Authority				
Amount	$17,050,000	$3,360,000				
Underwritten Interest Rate	5.84%	6.00%				
All In Interest Rate	5.84%	6.00%				
Loan Term	30	30				
Amortization	35	0				
Market Rate/Market Financing LTV	140.2%	167.8%				
Restricted Market Financing LTV	75.1%	90.0%				
Loan to Cost	43.0%	51.5%				
Debt Service Coverage	1.20	1.20				
Operating/Deficit Service Reserve	$1,048,497					
Period of Operating Expenses/Deficit Reserve in Months	6					

Deferred Developer Fee	$4,157,582
Land Value	$1,570,000
As-Is Value (Rehabilitation)	$4,820,000
Market Rent/Market Financing Stabilized Value	$12,160,000
Rent Restricted Market Financing Stablized Value	$22,690,000
Projected Net Operating Income (NOI) - Year 1	$1,368,175
Projected Net Operating Income (NOI) - 15 Year	$1,676,541
Year 15 Pro Forma Income Escalation Rate	2.00%
Year 15 Pro Forma Expense Escalation Rate	3.00%
Bond Structure	Direct Purchase
Housing Credit Syndication Price	$1.10

CONSTRUCTION/PERMANENT SOURCES:				
Source	Lender	Construction	Permanent	Perm Loan/Unit
First Mortgage	HFAPBC/R4 Capital Funding LLC	$18,500,000	$17,050,000	$130,153
Second Mortgage	Palm Beach County Housing	$3,360,000	$3,360,000	$25,649
HC Equity	R4 Capital LLC	$11,467,640	$15,089,000	$115,183
ODR Escrow	Developer	$1,048,497	$0	$0
Deferred Developer Fee	Developer	$5,280,445	$4,157,582	$31,737
TOTAL		$39,656,582	$39,656,582	$302,722

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?		1
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?	x	
Is the Development in all other material respects the same as presented in the Application?		2

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

1. The Application listed $3,292,086 ($2,542,086 in soft financing and $750,000 in cash) of construction/permanent funding from the Palm Beach County Housing Authority ("PBCHA"); that amount is now $3,360,000 during both phases. The original bond amount/permanent phase loan amount increased from $16,000,000 to $18,500,000. The total anticipated HC equity has increased from $11,585,341 in the Application to $15,089,000. HOME Investment Partnership funding of $1,033,996 as shown in the Application is no longer a source. Deferred Operating Deficit Reserve has been added as a source

2. Total Development Costs of have increased $8,467,749 from $31,188,833 to $39,656,582 due to increases in construction, general development, financial, Building Acquisition, and Developer Fee costs since the Application.

Strengths:

1. The Development Team has demonstrated the ability to successfully develop and operate affordable multifamily rental communities using a variety of different subsidies.

2. There will be a Section 8 HAP contract in place for 130 of 131 units. An Agreement to enter into a Housing Assistance Payment ("AHAP") contract, a draft copy of which was provided by the Applicant. The AHAP will be executed at loan closing, and a HAP contract will be executed thereafter that will have an initial term of 20 years.

3. A Market Study performed by Meridian Appraisal Group, Inc. ("Meridian") dated January 24, 2017 concludes that the Development should benefit from the rental rate advantage it will have over market rents. Based on the proposed rents, the Development will have a rental rate advantages of between 51% and 92% for its units when compared to the achievable market rents for the area; however, the consultant did indicate that 60% of AMI rents are not achievable based on the metrics presented in the market study.

4. Properties identified by Meridian as comparable to the Development that are located in the Competitive Market Area ("CMA"), which is defined as being an approximate 40-mile radius centered on the Development, have an average physical occupancy rate of 98.0%.

5. The operations of the property confirm a break-even economic occupancy ratio of 85.3%.

Other Considerations:

1. The analysis presented herein contemplates that the Development, once complete, will be eligible for a real estate tax exemption based on the conveyance of such through a ground lease from the owner of the land parcels, the Palm Beach County Housing Authority, that will comprise the land on which the Development occupies. Confirmation of said exemption is central to the viability of the Development, and receipt of this confirmation is a condition precedent to loan closing.

2. The market study performed by Meridian concludes the Development should not have an appreciable short- or long-term negative impact on the affordable housing properties located within the PMA (a 10-mile ring centered on the Development) of the Development. There are no Guarantee Fund properties located in the PMA. There are three Guarantee Fund projects in Palm Beach County; however, all three are in excess of 30 miles east of the Development and therefore should not be impacted.

Issues and Concerns:

1. The three parcels of land in the transaction are owned by PBCHA and will be part of a ground lease to the Applicant. In addition, PBCHA (51% member of the General Partner) and McCurdy Senior Housing Corporation (a Florida 501(c)(3) and 49% member of the General Partner) will be part of the ownership structure of the Applicant; as a result, the Development would be exempt from real estate taxes. The assumption is that the only taxes owed will be for non-ad valorem assessments covering the storm water management area and for trash services. As such, the non-ad valorem taxes upon completion will total approximately $20,022 annually before any discounts. This estimate is based on the findings of the appraisal completed by Meridian dated

January 24, 2017. Please note that Meridian estimated taxes for the Development operating as a rent-restricted project with no tax exemption to be $2,811 per unit, or $368,250 annually. Should the Development not qualify for the tax exemption, the transaction would become infeasible as it would not be able to sufficiently service the proposed debt as presented in this report, with an estimated DSC of 0.89 to 1.00 on the First Mortgage and 0.89 to 1.00 inclusive of all mortgages and fees.

<u>Mitigant</u>
The Applicant has advised that the tax exemption will convey; however, documentation confirming the real estate tax exempt status of the Development is a condition precedent to loan closing.

2. The land on which the proposed Development will be constructed/rehabilitated does not have an official flood zone designation. The Federal Emergency Management Agency ("FEMA"), per their website, has not completed a study in order to determine the flood hazard for the Development's particular location; therefore, a flood map has not been published at this time. As a result, any added cost relating to flood insurance, if FEMA determines the Development to be located in a flood zone and flood insurance is therefore necessary, could have a negative impact on the operations of the Development. Additionally, it is unknown as to whether or not flood insurance can be procured in this geographical area.

   <u>Mitigant</u>
   AmeriNat received Standard Flood Zone Hazard Determination forms provided by the Construction Period Bond Credit Enhancer, JPMorgan Chase Bank, N.A., which identified the parcels involved in the transaction as residing in Flood Zone "CX", an area that is determined to be outside of the 100- and 500-year floodplains. AmeriNat recommends that the Applicant provide further documentation acceptable to PBCHFA confirming the flood zone designation for the property as well as providing the requisite property insurance coverage, including flood coverage if applicable, as a condition precedent to loan closing.

3. Per the appraisal performed by Meridian, zoning requirements state that two parking spaces per unit plus additional parking for common area buildings be provided. Per the site plan supplied by the Applicant and reviewed by the appraiser, the Development will have 290 parking spaces. The site plan includes a day care facility which has 20 parking spaces; however, the day care center will not be part of the Development. Removing those reflects a total of 270 parking spaces. The site plan also indicates there are eight existing spaces on the community center parcel, which as of the date of the appraiser's inspection consisted of dirt spaces to the rear of that building. The proposed site plan eliminates the dirt spaces, further reducing parking to 262 total spaces. This would yield two spaces per unit but it would include no spaces for common areas. Further, the number of spaces represented in the site plan shows only 260 spaces, not 262 spaces. So, the actual parking space count for the entire Development as proposed is 260 spaces which does not appear to conform to current zoning requirements. The number of parking spaces combined with the high number of three and four bedroom units could present a parking issue on site.

Mitigant
The Applicant will need to resolve the parking issue (as a conforming or non-conforming use) to the satisfaction of HFAPBC as a condition precedent to loan closing.

4. Per the market study, metrics that measure the demographic-based viability of the Development are poor at best. The Development's Level of Effort for the three-, five-, and 10-mile rings are significantly higher than the range of the comparable properties, suggesting no market depth for HC units. Capture Rates in all three rings are much higher than the range of the comparable counties indicating that the Development is too large relative to the number of income-qualified renter households. Lastly, Remaining Potential Demand is very low for all three rings indicating a lack of depth in the market. Coupled with indicators that overall growth is modest in all three of the ring areas, the demographic data indicates very limited demand for the Development solely as a HC program property.

   Mitigant
   The Development will operate under a HAP contract wherein 130 of the 131 units will have rental assistance in the form of a Section 8 HAP contract. This, in the opinion of Meridian, makes the Development more than feasible based on current market inventory.

5. One of the proposed Guarantors in the transaction, Mr. Wallace Sanger, indicated he has one bankruptcy/reorganization filing and one pending or threatened proceeding before a court of law that could materially or adversely affect his financial condition or assets.

   Mitigant
   The bankruptcy was ordered in the Southern District Bankruptcy Court (case #11-16491-EPK) on September 6, 2011 as part of Mr. Sanger's association with Royal Professional Builders, Inc. Mr. Sanger explained that following the 2008 economic recession, it became necessary to file for bankruptcy and that it was amicably resolved with creditors. The pending or threatened legal proceeding was filed in the Circuit Court of the Fifteenth Judicial Circuit of Palm Beach County on September 16, 2016 as a petition for dissolution of marriage (case #502016DR007762XXXXNB). No other issues were noted. Additionally, the remaining Guarantors in the transaction provide satisfactory financial support.

Waiver Requests:

None

Special Conditions:

1. Receipt of a final executed general construction contract that is acceptable in form and substance exhibiting no material changes consistent with the analysis presented herein is a condition precedent to loan closing.

2. Receipt of a final PCR acceptable to HFAPBC and AmeriNat is a condition precedent to loan closing.

3. An AHAP contract will be executed at and is a condition precedent to loan closing.

4. Confirmation that the Development is exempt from paying real estate taxes is a condition precedent to loan closing.

5. Confirmation that parking to be provided on site meets the local zoning ordinance(s) is a condition precedent to loan closing.

6. Confirmation of the flood zone designation and the requisite insurance(s) applicable thereto are in place and acceptable to HFAPBC is a condition precedent to loan closing.

7. Receipt of a revised ground lease that indicates the initial up-front rent payment of $500,000 due to PBCHA will consist of $390,000 payable at loan closing and $110,000 in the form of a 2nd Mortgage Note (the "Note") held by PBCHA. The Note will also include the purchase of improvements on the site, excluding the day care center, for $3,250,000. As such, the total amount of the Note will be $3,360,000.

<u>Additional Information</u>:

None

<u>Recommendation</u>:

AmeriNat recommends issuance of MHRB by HFAPBC in the amount of $18,500,000, subject to receipt of a final executed general construction contract that is acceptable in form and substance exhibiting no material changes consistent with the analysis presented herein, to be utilized for the construction and permanent phase financing of the Development.

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 MHRB Special Conditions Recommendation (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:
	Kimberly A Thorne
George J. Repity	Kimberly A. Thorne
Senior Credit Underwriter	Credit Underwriter

Overview

Construction Financing Sources:

Source	Lender	Applicant's Total	Applicant's Revised Total	Underwriter's Total	Interest Rate	Debt Service During Construction
First Mortgage	HFAPBC/R4 Capital Funding LLC	$16,000,000	$18,500,000	$18,500,000	5.34%	$987,900
Second Mortgage	Palm Beach County Housing Authority	$3,292,086	$3,360,000	$3,360,000	6.00%	$0
Third Mortgage	HOME - PBCHA	$1,033,996	$0	$0		
HC Equity	R4 Capital LLC	$11,585,341	$11,467,640	$11,467,640		
Rental Income during Construction	Borrower	$0	$730,990	$0		
ODR Escrow	Developer	$0	$0	$1,048,497		
Deferred Developer Fee	Developer	$277,410	$4,701,063	$5,280,445		
	Total :	**$32,188,833**	**$38,759,693**	**$39,656,582**		**$987,900**

Proposed First Mortgage Loan:

The Applicant provided a letter of intent ("LOI") prepared and executed by R4 Capital Funding LLC ("R4CF") dated March 23, 2016 and revised as of April 11, 2016 and January 13, 2017. The terms outlined in the LOI provide that R4CF, under their Direct Bond Purchase Program, will purchase $18,500,000 in tax-exempt bonds (the "Bonds") to be issued by the HFAPBC. R4CF will provide financing by facilitating the private placement and acquisition of the Bonds at closing. The Bonds will mature as of April 1, 2059, subject to redemption prior to maturity. AmeriNat has been advised that Western Alliance Business Trust, a Delaware statutory trust, or its designee or nominee, will acquire the bonds at closing. JPMorgan Chase Bank, N.A. will credit enhance the Bonds during the construction and lease-up periods through a letter of credit, per a January 13, 2017 term sheet provided.

AmeriNat estimates that a Construction Loan of $18,500,000 will be necessary during the construction phase. Based upon a "stepped" coupon structure, fixed rate(s) of interest on the Bonds will be established approximately one week prior to closing based upon the 15 year Municipal Market Data ("MMD") index (presently at 2.54%) plus a 2.15% spread; the spread is in effect from loan closing through month 26 following closing, with the construction period not to exceed 21 months. The loan is interest only for a period not to exceed 26 months from closing. AmeriNat included 15 basis points ("bps") for the Governmental Lender (Issuer) Fee and a 50 bps cushion to account for potential rate volatility to derive the "all-in" interest rate of 5.34% during the construction phase. An annual Trustee Fee of $4,500 is also due; a total of $9,000 is included in the Cost of Issuance fee for the Bonds which constitutes two years' worth of fees which will be collected at loan closing.

Proposed Second Mortgage Loan - PBCHA:

The Applicant has provided a draft loan agreement and promissory note ("the loan documents") as of January 27, 2017 which outline the terms upon which Palm Beach County Housing Authority ("PBCHA") will lend a total of $3,360,000 to the Applicant. The value of the Note, per a purchase and sale agreement draft received January 26, 2017, includes the improvements ($3,250,000) less the day care center on site, and $110,000 of the $500,000 ground lease for the property. The loan documents state that interest will accrue on the 30 year loan at the rate of 6.00% per annum compounded annually. Upon the occurrence and during the continuation of an Event of Default as defined in the Note, interest shall accrue on the outstanding principal balance of the Note at rate of 3.00% per annum over the Interest Rate. No payments of principal or interest will be required during the 15-year tax credit compliance period applicable to the Development (the “Compliance Period”). Beginning after the expiration of the Compliance Period for all buildings at the Development, all accrued but unpaid interest and all outstanding principal shall be payable annually from cash flow. The outstanding principal amount of the Note, together with all accrued but unpaid interest thereon, is due and payable 30 years after the date of the Note.

<u>Additional Construction Sources of Funds:</u>

The Applicant will receive a net equity contribution of $15,089,000 from R4 Capital LLC (“R4C”), or an affiliate of, for a 99.99% interest in the Applicant in return for a proportionate share of the total HC allocation they estimate to be $13,717,980, as evidenced by the LOI dated January 13, 2017. The HC allocation will be syndicated at a rate of $1.10 for each $1.00 of tax credits delivered. A total of $3,017,800 (20.00% of total equity) will be funded at construction loan closing, which is an amount sufficient to meet the 15% criteria. R4C has provided the Borrower with a letter outlining the terms and conditions for which they would make an equity investment in the Borrower. An additional $8,449,840 in equity will be provided throughout the construction period, as follows: $3,319,580 at 50% construction completion, $1,508,900 at 75% construction completion, and $3,621,360 at 98% construction completion.

<u>Deferred Operating Deficit Reserve (“ODR”)</u>

Per the R4C equity LOI, the ODR is to be funded out of the 5th equity Installment, which occurs at the latest of the conditions outlined on page A-11 of this report. As such, it is being shown as a deferred source of funding during the construction period.

<u>Deferred Developer Fee</u>:

As indicated in the LOI’s provided by R4C, any payment of developer fee prior to permanent loan conversion is subject to R4C’s approval. The Applicant will be required to defer $5,280,445 or 90.84% of the total developer fee available during the construction phase.

Permanent Financing Sources:

Source	Lender	Applicant's Total	Applicant's Revised Total	Underwriter's Total	Interest Rate	Amortization Years	Term Years	Annual Debt Service
First Mortgage	HFAPBC/R4 Capital Funding LLC	$15,000,000	$18,500,000	$17,050,000	5.84%	35	35	$1,144,707
Second Mortgage	Palm Beach County Housing Authority	$3,292,086	$3,360,000	$3,360,000	6.00%	0	30	$0
Third Mortgage	HOME - PBCHA	$1,033,996	$0	$0				
HC Equity	R4 Capital LLC	$11,585,341	$15,089,000	$15,089,000				
Deferred Developer Fee	Developer	$277,410	$1,810,693	$4,157,582				
	Total :	**$31,188,833**	**$38,759,693**	**$39,656,582**				**$1,144,707**

<u>Proposed First Mortgage Loan</u>:

Beginning month 27 following closing and thereafter, the R4CF loan converts to a fixed rate equal to the 15 year Municipal Market Data ("MMD") index (presently at 2.54%) plus a 2.65% spread. AmeriNat added 15 bps for the Governmental Lender (Issuer) Fee and 50 bps to account for rate volatility to derive the "all-in" interest rate of 5.84%. The annual Trustee Fee of $4,500 has been included as part of the operating proforma. Mandatory redemption of the Bonds shall then occur on a monthly basis sufficient to fully amortize the Bonds over 35 years. Western Alliance Business Trust, a Delaware statutory trust, or its designee or nominee, will be acquiring the bonds used to finance the Development.

The Bonds shall be sized to a minimum 1.20x Debt Service Coverage Ratio ("DSCR") and a maximum 85% Loan to Value Ratio ("LTV"). The Development shall be required to achieve Stabilization not later than 30 months from the Closing (the "Stabilization Date"). Upon Stabilization, the final sizing of the Bonds shall be determined. Stabilization requires that: (i) the ratio of net operating income of the Development for the prior three months to the maximum debt service in any three month period equal or exceed 1.20 to 1.00 and (ii) and the average economic occupancy in each of the three months equals at least 90%. The First Mortgage amount has been sized accordingly so as to meet the 1.20 DSC requirement.

Upon the 16th anniversary of Stabilization, the Bondholder shall have the option to require a mandatory tender of the Bonds. The Bondholder shall be required to provide six (6) months' notice for such mandatory tender. Optional prepayment of the Bonds shall not be permitted prior to the 15th anniversary of Stabilization. Thereafter, the Bonds may be prepaid at par upon 30 days' notice to the Bondholder.

<u>Second Mortgage Loan</u>:

The Applicant has provided a draft loan agreement and promissory note ("the loan documents") as of January 27, 2017 which outline the terms upon which PBCHA will lend a total of $3,360,000 to the Applicant, as previously outlined. The loan documents state that interest will accrue on the 30 year loan at the rate of 6.00% per annum compounded annually. Upon the occurrence and during the continuation of an Event of Default as defined in the Note, interest shall accrue on the outstanding principal balance of the Note at rate of 3.00% per annum over the Interest Rate. No payments of principal or interest will be required during the 15-year tax credit compliance period applicable to the Development (the "Compliance Period"). Beginning after the expiration of the Compliance Period for all buildings at the Development, all accrued but unpaid interest and all outstanding principal shall be payable annually from cash flow. The outstanding principal amount of the Note, together with all accrued but unpaid interest thereon, is due and payable 30 years after the date of the Note.

Additional Permanent Sources of Funds:

According to the LOI dated January 13, 2017 between R4C and the Applicant, R4C or an affiliate thereof will purchase a 99.99% interest in the limited partnership at loan closing. With $13,717,980 of syndicated HC and a syndication rate of $1.10 per dollar of HC, the Limited Partner anticipates a $15,089,000 net HC equity contribution to be paid as follows:

Capital Contributions	Amount	Percent of Total	Due upon
1st Installment	$3,017,800	20.00%	Admission of the Limited Partner to the Partnership
2nd Installment	$3,319,580	22.00%	Latest of (i) 50% Construction Completion, (ii) the General Partner has made a 168(h) election, (iii) 11 months after Payment #1, or (iv) January 1, 2018
3rd Installment	$1,508,900	10.00%	Latest of (i) 75% Construction Completion, (ii) six months after Payment #2, or (iii) July 1, 2018
4th Installment	$3,621,360	24.00%	Latest of (i) 98% Construction Completion, (ii) four months after Payment #3, or (iii) November 1, 2018
5th installment	$2,263,350	15.00%	Latest of (i) Rental Achievement, (ii) five months after Payment #4, or (iii) April 1, 2019
6th Installment	$1,358,010	9.00%	Latest of (i) Receipt of IRS Forms 8609 for all buildings in the Project, (ii) six months after Payment #5, or (iii) October 1, 2019
Total:	**$15,089,000**	**100%**	

Annual Credits Per Syndication Agreement	$1,371,798
Total Credits Per Syndication Agreement	$13,717,980
Calculated HC Rate:	$1.10
Limited Partner Ownership Percentage	99.99%
Proceeds During Construction	$11,467,640

Deferred Developer Fee:

As indicated in the LOI's provided by R4C, any payment of developer fee prior to permanent loan conversion is subject to R4C's approval. The Applicant will be required to permanently defer $4,157,582 or 71.52% of the total developer fee after stabilization which is payable over an approximate 12 year period.

Uses of Funds

CONSTRUCTION COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Accessory Buildings	$0	$0	$0	$0	
Demolition	$150,000	$399,973	$399,973	$3,053	
New Rental Units	$12,060,000	$9,629,450	$9,629,450	$73,507	
Recreational Amenities	$0	$0	$0	$0	
Rehab of Existing Common Areas	$0	$0	$0	$0	
Rehab of Existing Rental Units	$0	$4,246,690	$4,246,690	$32,417	
Site Work	$3,000,000	$3,719,130	$3,719,130	$28,390	
General Conditions	$822,600	$1,079,715	$1,079,715	$8,242	
Overhead	$0	$359,905	$359,905	$2,747	
Profit	$1,096,800	$1,079,715	$1,079,715	$8,242	
General Liability Insurance	$0	$183,358	$183,358	$1,400	
Payment and Performance Bonds	$100,000	$151,000	$151,000	$1,153	
Furniture, Fixture, & Equipment	$0	$0	$0	$0	
Total Construction Contract/Costs	$17,229,400	$20,848,936	$20,848,936	$159,152	$0
Hard Cost Contingency	$1,438,260	$1,979,992	$1,930,687	$14,738	
Other: Asbestos abatement	$0	$354,150	$354,150	$2,703	
Other: Appliances and Window Treatments	$0	$195,969	$195,969	$1,496	
Total Construction Costs:	**$18,667,660**	**$23,379,047**	**$23,329,742**	**$178,090**	**$0**

Notes to Actual Construction Costs:

1. A draft Standard Form of Agreement Between the Owner and Contractor where the basis of payment is the cost of the work plus a fee with a Guaranteed Maximum Price in the amount $22,389,050 (the "Construction Contract") has been provided. Total Construction Costs as underwritten include additional contingency funds further explained in item #3 below. The Construction Contract will be entered into between the Applicant and D. Stephenson Construction, Inc. (the "General Contractor"). It contains a production schedule indicating completion within 644 days from the date of commencement. The Construction Contract states, "10 percent retainage will be held until the Development is 50 percent complete. At 50 percent complete, no additional retainage will be held from the remaining draws. There will be no retainage held on Bonds or Insurances." Receipt of a final executed Construction Contract that is acceptable in form and substance exhibiting no material changes consistent with the analysis presented herein is a condition precedent to loan closing.

2. A plan and cost review was engaged by AmeriNat and performed by GLE Associates, Inc. ("GLE"). GLE summarized their review of the construction contract, schedule of values, and plans and specifications in a draft report dated December 22, 2016. The PCR indicates the estimated value of the projected hard construction costs for the site work is $3,719,130, or approximately $7.65 per square foot for the approximate 11.15 acres of developed area. The total cost per unit equates to $194,687 based on a total construction cost of $22,389,050, which is within the comparable range of $184,948 to $199,537 per unit. Receipt of a final PCR acceptable to HFAPBC and AmeriNat is a condition precedent to loan closing.

3. The underwritten hard cost contingency equates to a total of 10.5% of hard construction costs and is supported by the plan and cost review. Rule Chapter 67-21 F.A.C. permits up to 5% contingency for new construction and up to 15% of hard costs for rehabilitation. The underwritten amount was calculated based on applying the allowable percentages for each to the construction hard costs

associated with the new construction portion and the rehabilitation portion of the transaction as listed in the schedule of values for the Construction Contract.

4. General Contractor's Fee (consisting of general requirements, overhead, and profit) does not exceed 14.0% of hard construction costs and is calculated exclusive of general contractor's fees, payment and performance bonds, and insurance.

5. The General Contractor will secure a Payment and Performance Bond to secure the Construction Contract and its cost is included within the Construction Contract's schedule of values.

GENERAL DEVELOPMENT COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Accounting Fees	$30,000	$40,000	$40,000	$305	
Appraisal	$15,000	$17,400	$17,400	$133	
Architect's and Planning Fees	$400,000	$650,000	$606,300	$4,628	
Architect's Fee - Landscape	$0	$0	$40,700	$311	
Architect's Fee - Supervision	$0	$150,000	$150,000	$1,145	
Building Permits	$379,353	$225,000	$225,000	$1,718	
Builder's Risk Insurance	$50,000	$110,000	$110,000	$840	
Capital Needs Assessment/Rehabilitation	$0	$0	$3,175	$24	
Engineering Fees	$50,000	$50,000	$43,500	$332	
Environmental Report	$75,000	$170,000	$170,000	$1,298	
FF&E paid outside Construction Contract	$450,000	$182,720	$182,720	$1,395	
FHFC Administrative Fees	$124,696	$112,744	$108,786	$830	$108,786
FHFC Application Fee	$0	$0	$3,000	$23	$3,000
FHFC Credit Underwriting Fee	$0	$25,924	$11,696	$89	$11,696
FHFC HC Compliance Fee (HC)	$0	$0	$0	$0	$0
Lender Inspection Fees / Const Admin	$25,000	$25,000	$37,025	$283	
Insurance	$75,000	$75,000	$75,000	$573	
Legal Fees	$270,000	$282,868	$282,868	$2,159	
Market Study	$5,000	$8,000	$8,000	$61	$8,000
Marketing and Advertising	$20,000	$20,000	$20,000	$153	$20,000
Plan and Cost Review Analysis	$45,000	$6,100	$2,925	$22	
Property Taxes	$0	$0	$0	$0	
Soil Test	$0	$0	$0	$0	
Survey	$35,000	$35,000	$35,000	$267	
Tenant Relocation Costs	$240,340	$304,988	$304,988	$2,328	$304,988
Title Insurance and Recording Fees	$60,000	$281,435	$281,435	$2,148	$281,435
Utility Connection Fees	$5,000	$206,541	$206,541	$1,577	
Soft Cost Contingency	$50,000	$100,000	$148,302	$1,132	$148,302
Other: Consultant Fees	$325,500	$0	$0	$0	
Total General Development Costs:	**$2,729,889**	**$3,078,720**	**$3,114,361**	**$23,774**	**$886,207**

Notes to the General Development Costs:

1. AmeriNat estimated the costs associated with the Application to Florida Housing Finance Corporation ("FHFC") for 4% Tax Credits.

2. The costs associated with the Architects and Engineer have been adjusted accordingly to reflect the amounts represented in the executed contracts between the consultants' and the Borrower that were reviewed by the Underwriter.

3. The Environmental Report line item includes the following: $33,450 for an initial structural inspection, Phase I ESA, Asbestos; $5,310 for a geotechnical study; $19,035 for a Phase I update / Phase II report; $21,160 for further site assessment (borings, water monitoring); $77,914 for soil management plans; and $13,131 for additional plan modifications and inspections.

4. Tenant Relocation costs are based on the relocation budget provided by the Borrower.

5. A soft cost contingency of 5% has been underwritten, which is consistent with underwriting standards and may be utilized by the Applicant in the event soft costs exceed these estimates.

6. The remaining general development costs appear reasonable.

FINANCIAL COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Construction Loan Origination Fee	$320,000	$231,250	$231,250	$1,765	$231,250
Construction Loan Interest	$1,466,641	$1,319,142	$1,396,070	$10,657	$411,625
Permanent Loan Origination Fee	$75,000	$0	$0	$0	
Local HFA Bond Underwriting Fee	$36,000	$0	$14,228	$109	$14,228
Reserves - Operating Deficit	$962,542	$1,048,497	$1,048,497	$8,004	$1,048,497
Financial Advisor Fee	$75,000	$90,000	$90,000	$687	$90,000
Other: Syndicator Fees	$45,000	$45,000	$45,000	$344	$45,000
Other: Cost of Issuance Fees	$125,000	$136,250	$136,250	$1,040	
Other: Subsidy Layering Review	$2,126	$0	$0	$0	
Other: Construction Letter of Credit Fee	$0	$503,087	$503,087	$3,840	$503,087
Other: Construction LoC Commitment Fee	$0	$185,755	$185,000	$1,412	
Total Financial Costs:	**$3,107,309**	**$3,558,981**	**$3,649,382**	**$27,858**	**$2,343,687**

Notes to the Financial Costs

1. Financial costs were derived from the representations illustrated in the letters of intent for equity and construction and permanent financing and appear reasonable to AmeriNat.

2. An interest reserve for the Construction Loan is supported by the construction loan rate illustrated in the letter provided by R4C, the duration of construction referenced in the Construction Contract and the resultant calculation completed by AmeriNat through the use of a construction draw schedule provided by the Applicant.

3. The equity LOI provided by the Applicant outlines the terms and conditions for which an affiliate of R4C would make an equity investment in the Borrower. An Operating Deficit Reserve (“ODR”) equal to approximately six (6) months of operating expenses and debt service is required. An ODR of $1,048,497 is to be funded upon the 5th equity installment (the “Rental Achievement” installment). Rental Achievement is defined as when (i) all of the Development’s permanent financing has closed (or will close simultaneously with payment of the Rental Achievement Capital Contribution), (ii) all of the set-aside apartments in the Development have qualified for Credits, (iii) the Development has maintained a physical occupancy rate of at least 95% and a debt service coverage ratio of at least 1.20 to 1.00 (assuming a 5% vacancy factor based on the greater of actual or underwritten assumptions) for three (3) consecutive months, (iv) the Limited Partner has received a certificate from the Development’s independent accountant(s) stating the amount of the first year Credits, Eligible Basis, Qualified Basis, Applicable Percentage, the amount of annual Credits to which the Development is entitled and the Limited Partner Credit Share.

4. Cost of Issuance is associated with the MHRB and includes various associated fees including multiple legal counsel fees, closing, application, TEFRA, and Trustee fees. The costs are based upon representations of the Borrower.

5. The Construction Letter of Credit fee is based upon the LOI provided by JPMorgan Chase for construction period bond enhancement. The underwritten amount is equal to an annual fee of 1.25% of the Bond amount over an approximate two year construction/stabilization period.

6. The Construction Letter of Credit Commitment fee is based upon the LOI provided by JPMorgan Chase for construction period bond enhancement. The underwritten amount is equal to 1.00% of the Letter of Credit amount.

NON-LAND ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Building Acquisition Cost	$2,542,086	$3,250,000	$3,250,000	$24,809	
Total Non-Land Acquisition Costs:	**$2,542,086**	**$3,250,000**	**$3,250,000**	**$24,809**	**$0**

Notes to the Non-Land Acquisition Costs:

1. A draft Amended and Restated Purchase and Sale Agreement ("P&SA") forwarded as of January 16, 2017 between PBCHA and the Applicant was provided in the amount of $3,250,000. This agreement includes the existing structures on site, less the day care center. According to the appraisal prepared by Meridian, the "As Is" appraised value of the Development is $4,820,000, which supports the acquisition cost. The lesser of the two values was used for underwriting purposes.

OTHER DEVELOPMENT COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Development Cost Before Developer Fee and Land Costs	$27,046,944	$33,266,748	$33,343,485	$254,530	$3,229,894
Developer Fee on Acquisition of Buildings	$0	$0	$585,000	$4,466	
Developer Fee	$4,141,889	$4,992,945	$5,228,097	$39,909	
Total Other Development Costs:	**$4,141,889**	**$4,992,945**	**$5,813,097**	**$44,375**	**$0**

Notes to the Other Development Costs:

1. The total Developer Fee of $5,813,097 does not exceed 18.00% of Total Development Costs ("TDC"), less Developer Fee, Land, and Reserves. The Developer Fee on Acquisition of Buildings equals 18.00% of Building Acquisition costs, as allowed by Rule for transactions using tax-exempt bond financing.

LAND ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Land Lease Payment	$0	$500,000	$500,000	$3,817	$500,000
Total Acquisition Costs:	**$0**	**$500,000**	**$500,000**	**$3,817**	**$500,000**

Notes to Land Acquisition Costs:

1. The land will be leased by the Applicant or associated entity thereof from PBCHA under the terms of a draft ground lease agreement (the "Agreement") received January 16, 2017. The Agreement specifies an initial rent payment of $500,000 due upon execution of the Agreement; however, receipt of a revised ground lease which indicates that $390,000 will be payable on the date of execution with the balance ($110,000) payable as part of the 2^{nd} Mortgage provided by PBCHA is a condition

precedent to loan closing. The lease has a term of 75 years from the date of execution (expected to occur at closing) and an annual rent payment of $1 due on the yearly anniversary of the lease execution date.

2. An appraisal performed by Meridian identifies an "As Is" value of the land of $1,570,000 which supports the total lease price.

TOTAL DEVELOPMENT COSTS:	**$31,188,833**	**$38,759,693**	**$39,656,582**	**$302,722**	**$3,729,894**

Notes to Total Development Costs:

1. Total Development Costs of have increased $8,467,749 from $31,188,833 to $39,656,582 due to increases in construction, general development, financial, land acquisition, and Developer Fee costs since the Application.

OPERATING PRO FORMA

	FINANCIAL COSTS:			Year 1	Year 1 Per Unit
OPERATING PRO FORMA					
INCOME:	Gross Potential Rental Income			**$2,456,376**	**$18,751**
	Other Income				**$0**
	Ancillary Income			$23,580	**$180**
	Miscellaneous			$7,074	**$54**
	Gross Potential Income			**$2,487,030**	**$18,985**
	Less:				
	Economic Loss	Percentage:	6.00%	$149,222	**$1,139**
	Total Effective Gross Income			**$2,337,808**	**$17,846**
EXPENSES:	Fixed:				
	Ground Lease			$1	**$0**
	Real Estate Taxes			$20,022	**$153**
	Insurance			$72,050	**$550**
	Variable:				
	Management Fee	Percentage:	7.00%	$163,647	**$1,249**
	General and Administrative			$52,400	**$400**
	Payroll Expenses			$286,104	**$2,184**
	Utilities			$104,800	**$800**
	Marketing and Advertising			$6,550	**$50**
	Maintenance and Repairs/Pest Control			$104,800	**$800**
	Grounds Maintenance and Landscaping			$52,400	**$400**
	Security			$54,365	**$415**
	Reserve for Replacements			$52,495	**$401**
	Total Expenses			**$969,634**	**$7,402**
	Net Operating Income			**$1,368,175**	**$10,444**
	Debt Service Payments				
	First Mortgage - R4CF			$1,144,707	**$8,738**
	Second Mortgage - PBCHA			$0	**$0**
	Other Fees - FHFC HC Compliance Monitoring			$3,024	**$23**
	Other Fees - Trustee			$4,500	**$34**
	Total Debt Service Payments			**$1,152,231**	**$8,796**
	Cash Flow after Debt Service			**$215,943**	**$1,648**
				Annual	Per Unit
	Debt Service Coverage Ratios				
	DSC - First Mortgage			**1.20**	**1.20**
	DSC - Second Mortgage			**1.20**	**1.20**
	DSC - All Mortgages and Fees			**1.19**	**1.19**
	Financial Ratios				
	Operating Expense Ratio			**41.5%**	
	Break-even Economic Occupancy Ratio (all debt)			**85.3%**	

Notes to the Operating Pro forma and Ratios:

1. Gross Potential Rental Income is based upon a Section 8 HAP rent schedule for 130 of the 131 units at the Development. HAP Rents were confirmed via a Subsidy Layering Review ("SLR") approved by the U.S. Department of Housing and Urban Development ("HUD") that will be in effect for the Development under a proposed 20 year contract. The Public Housing Authority ("PHA"), the PBCHA, enters the effective date for each stage after completion and PHA acceptance of all units in that stage. The PHA enters the effective date for each stage in the "Execution of HAP contract for contract units completed in stages". The annual anniversary date of the HAP contract for all contract units in this multi-stage project is the anniversary of the effective date of the HAP contract for the contract units included in the first stage. The expiration date of the HAP contract for all of the contract units completed in stages must be concurrent with the end of the HAP contract term for the units included in the first stage. LIHTC rents shown are effective as of March 28, 2016 per the FHFC website. The utility allowances are $135 for one-bedroom units, $155 for two-bedroom units, $189 for three-bedroom units, and $221 for four-bedroom units and were based on the utility allowance amounts presented in the SLR. The Applicant has applied for Housing Credits which will impose rent restrictions on all units and are reflected herein. The utility allowance for the unit that is not covered by the HAP contract is based on the Palm Beach County Housing Authority Utility Allowance chart as of October 2015. A rent roll for the Development property is illustrated in the following table:

   MSA (County): West Palm Beach-Boca Raton, FL MSA (Palm Beach)

Bed Rooms	Bath Rooms	Units	Square Feet	AMI%	Gross HC Rent	Low HOME Rents	High HOME Rents	Utility Allow	RD/HUD Cont Rents	Net HC Rent	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
1.0	1.0	1	653	60%	$756			$98		$658	$482	$532	$532	$6,384
1.0	1.0	1	648	50%	$630			$135	$1,090	$955	$955	$955	$955	$11,460
2.0	1.0	28	723	50%	$756			$155	$1,364	$1,209	$1,209	$1,209	$1,209	$406,224
3.0	1.0	16	984	50%	$873			$189	$1,860	$1,671	$1,671	$1,671	$1,671	$320,832
4.0	2.0	20	1603	50%	$975			$221	$2,248	$2,027	$2,027	$2,027	$2,027	$486,480
1.0	1.0	1	648	60%	$756			$135	$1,090	$955	$955	$955	$955	$11,460
2.0	1.0	28	723	60%	$907			$155	$1,364	$1,209	$1,209	$1,209	$1,209	$406,224
3.0	1.0	16	984	60%	$1,048			$189	$1,860	$1,671	$1,671	$1,671	$1,671	$320,832
4.0	2.0	20	1603	60%	$1,170			$221	$2,248	$2,027	$2,027	$2,027	$2,027	$486,480
		131	138045											$2,456,376

   The average market rental rates are in excess of 110% of the applicable maximum HC rental rates; however, please note that based on the findings of the market study performed by Meridian, the 60% of AMI rent maximums are deemed not achievable due to the very low income levels for residents in the Development's market area. Meridian opines that the 50% of AMI rents are the maximum achievable level in the market.

2. A 6.00% economic vacancy (5.00% physical and 1.00% collection loss) rate was concluded by the appraisal based on comparables in the market. AmeriNat relied upon this figure for underwriting purposes.

3. Ancillary Income is comprised of fees associated with vending income, late charges, pet deposits, forfeited security deposits, and other income related to multifamily operations.

4. Miscellaneous Income is based on laundry facility income with a 50% penetration rate.

5. AmeriNat utilized a real estate tax expense of $153 per unit based on the analysis performed by Meridian. The three parcels of land in the transaction are owned by PBCHA, who along with McCurdy Senior Housing Corporation, are members of the General Partner of the Applicant and will render the Development exempt from real estate taxation. The Applicant is leasing the land via a ground lease. The assumption is that the only taxes owed will be for non-ad valorem assessments covering the storm water management area at $35.25 per acre and for trash services currently milled at approximately $150 per unit (estimated based on the findings of the appraisal). As such, the non-ad valorem taxes upon completion will total approximately $20,022 annually before any discounts. Please note that Meridian estimated taxes for the Development operating as a restricted project with no tax exemption to be $2,811 per unit, or $368,250 annually. Should the Development not qualify for the tax exemption, the transaction would become infeasible as it would not be able to sufficiently service the proposed debt as presented in this report, with an estimated Debt Service Coverage ratio ("DSC") of 0.89 to 1.00 on the First Mortgage and 0.89 to 1.00 inclusive of all mortgages and fees. As such, confirmation of the real estate tax exemption is a condition precedent to loan closing.

6. AmeriNat utilized an estimate of $550 per unit for insurance. The figure used is consistent with insurance expenses for restricted rent comparables presented by the appraiser, which ranged from $28 to $2,435 per unit. The flood zone designation for the property was unable to be verified. As a result, confirmation of flood zone designation and insurance(s) in place acceptable to HFAPBC is a condition precedent to loan closing.

7. The Applicant has submitted a draft Management Agreement as of December 7, 2016 between Royal American Management, Inc. ("RAM") and the Applicant. The agreement states the initial term will be for one year with automatic one year renewals thereafter. The Agreement provides for compensation to the Management Company in the amount of 5.00% of collected Gross Rents and subsidies or such higher amount as HUD may permit and Owner approves. The fee is payable on the 10th day of the month following the month in which the services were rendered. An additional 2.00% management fee is due to Spectra, a PBCHA-related entity, for supervisory management services per a draft agreement received December 13, 2016, for a sum total management fee of 7.00%. The appraisal concluded a management fee of 3.00% which is supported by comparable properties in the market that ranged from 3% to 6%. The above-mentioned management agreements will be executed at closing. AmeriNat has utilized the proposed total management fee of 7.00% for underwriting purposes.

8. Replacement Reserves of $401 per unit have been utilized. This figure is based on the findings of the Capital Needs Assessment ("CNA") performed by GLE Associates, Inc. for the 65 rehab units which yielded an estimate of $503/unit. The remaining 66 units of new construction were estimated at $300/unit, in accordance with FHFC Rule Chapter 67-21, F.A.C. As such, a weighted average of the two values was calculated to arrive at the underwritten value.

9. The FHFC HC Compliance Monitoring Fee is equal to $3,024, which represents the minimum monthly fee of $252. The FHFC HC Compliance Monitoring Fee is subject to adjustment annually, but not decreased, based on the South Region Consumer Price Index for the twelve month period ending each November 30th, which this automatic increase shall not exceed three percent (3%) of the prior year's fee.

10. The Trustee Fee represents the $4,500 fee due annually.

11. Based upon an estimated Net Operating Income ("NOI") of $1,368,175 for the proposed development's initial year of stabilized operations; the first mortgage loan can be supported by operations at a DSC of 1.20 to 1.00. The combined amount of all mortgage loans and fees yields a DSC ratio of 1.19 to 1.00 in the initial year of operations.

12. A 15-year Operating Pro forma attached hereto as Exhibit 1 reflects rental income increasing at an annual rate of 2% and expenses increasing at an annual rate of 3%

Section B

MHRB Special and General Loan Closing Conditions

Special Conditions

This recommendation is contingent upon receipt of the following item by HFAPBC at least two weeks prior to loan closing. Failure to submit this item within this time frame may result in postponement of the loan closing date.

1. A final executed general construction contract acceptable in form and substance and without material changes consistent to the analysis presented herein.

2. A final Plan and Cost Review performed by GLE satisfactory to HFAPBC and AmeriNat.

3. Confirmation of proposed real estate tax exemption for the Development.

4. Confirmation that parking to be provided on site meets the local zoning ordinance(s).

5. Confirmation of the flood zone designation for the Development and that the appropriate insurance(s) relating thereto, as applicable, have been procured.

6. Receipt of a revised ground lease which indicates that $390,000 of the $500,000 initial up-front rent payment will be payable on the date of execution with the balance of the lease ($110,000) payable as part of the 2nd Mortgage provided by PBCHA.

Section C

Supporting Information & Schedules

Additional Development & Third Party Supplemental Information

Appraised Value:

AmeriNat received and satisfactorily reviewed an appraisal prepared by Meridian Appraisal Group, Inc. ("Meridian") dated January 24, 2017. The appraisal was executed by Robert Von, a State Certified General Appraiser whose Florida license number is RZ1604.

The report estimates the hypothetical value, "As If Stabilized" of the Development's fee simple interest, subject to unrestricted rents, as of November 7, 2016, is $12,160,000. This conclusion is based on a market capitalization rate of 6.00% and a Net Operating Income derived from market rents and expenses supported by comparable market rate properties within the Development's market. The resulting loan to value is equal to 140.2% upon stabilization for the First Mortgage and 167.8% for all debt.

The report also estimates the hypothetical value, "As If Stabilized" of the Development's fee simple interest, subject to the rental restrictions under the Local Bond/HC/HAP programs, as of November 7, 2016 is $22,690,000. This conclusion is a based on a capitalization rate of 6.50% and a Net Operating Income derived from rents restricted by the aforementioned programs with expenses supported by comparable income-restricted properties within the Development's market. The resulting loan to value is equal to 75.1% upon stabilization for the First Mortgage and 90.0% for all debt. This value is dependent upon securing a real estate tax exemption, confirmation of which is a condition precedent to loan closing.

The report concludes that the Development's "As Is" (vacant land) market value of the real estate as of November 7, 2016 is $1,570,000. The "As Is" value of the Development (land and existing structures) is $4,820,000, which supports the purchase price of $3,250,000. The lesser of the two values was used for underwriting purposes.

Market Study:

A separate market study prepared by Meridian dated January 24, 2017 was received and satisfactorily reviewed by AmeriNat. The study concludes, based on market research and demographic analysis, that there is demand for the Development as proposed. Demand in the market is supported by the Section 8 HAP contract for 130 of the 131 proposed units and the strong Competitive Market Area ("CMA") weighted average occupancy rate of 98.0%.

The Development is located in Palm Beach County in what is considered the South Florida Regional Area ("RA") in the southern portion of Florida. The region has a total population of 6,110,137 people, 2,299,185 total households and has an average household size of 2.62 people. The unemployment rate for the region as of August 2016 was 5.1%, the statewide unemployment rate was 4.9% while the national unemployment rate was 5.0%. Multifamily permits peaked in 2005 and declined significantly through 2009. They have been on a gradual upward trend since 2009 with 2013 levels about the same as 2008 levels. Multifamily permits saw a peak in October for the region over the last 12 months and was on a downward trend, but saw an increase in the last month reported. Single family permits peaked in 2005 and declined significantly through 2009. They have generally been on a gradual upward trend since 2009 with 2013 levels slightly better than 2008 levels, but saw a decline in 2014 but recovered in 2015 to levels above 2013. Single family permits saw a decline followed by an upward trend then a downward trend over the last 12 month. The region is served by three international airports, the Miami International Airport located in Miami/Dade County, the Palm Beach International Airport located in Palm Beach County and the Fort Lauderdale/Hollywood International Airport located in Broward County. The region is also served by three deep water ports and a very good network of major highways providing easy access to and from the metro.

The Development's Primary Market Area ("PMA") is considered to be a 10-mile ring centered on the Development. The area determination is based on data gathered in the Small Area Data ("SAD") Case Study that can be found on the FHFC website. The study indicated that most affordable projects receive about 2/3 to 3/4 of their tenants from within ten miles. The Competitive Market Area ("CMA") is defined as those projects lying in closest proximity to the Development that are competitive with the subject property. In large markets, numerous competitive properties can be found in close proximity (within two to three mile rings). In smaller markets, the CMA may expand beyond the PMA to capture sufficient projects. The Development's CMA, or sub-market, for the purpose of determining a like-kind inventory of competitive units consists of an approximate 40-mile radius centered on the Development and consists of six existing properties with a total of 1,316 units.

The apartment market in Development's county ring has 1,744 apartment projects of all sizes totaling 102,217 units with an average project size of 59 units. The current vacancy rate is 5.1% and current concessions average higher in the most recent year compared to the five year average. The average asking rent for the county was $1,297 per month for all unit types with average rents for studio units at $908 per month, one-bedroom units at $1,200 per month, two-bedroom units at $1,435 per month and three-bedroom and larger units at $1,644 per month. Rental rates have been generally on an upward trend since 2011. Occupancy saw a decline in the last indication, but remains about 95%. The vacancy rate is 7.4% in the PMA and 5.5% in the three-mile ring. Concessions have been on a downward trend in the three-mile ring but on an upward trend in the 10-mile ring and at the county level. There are currently 43 projects under construction or property at the county level, with no project under construction in the three-mile or 10-mile rings and only one project is proposed.

The Development's neighborhood has an adequate network of transportation arterials allowing convenient access to, from and around the neighborhood. The neighborhood has a population of 27,334 people with 7,808 households and population increased 4.27% over the last six years and households increased 5.71%. The median household income is $30,876 (well below the county-wide AMI of $64,900) and the average household income is $44,631, both of which are much lower than the statewide and nationwide data. New single family residential development is non-existent and, based on data culled from floridarealtor.com, the average home value for the area is approximately $65,000. Commercial development in the neighborhood is limited but support facilities are proximate to the residential development and there is adequate commercial development to support the existing and near term development of the area.

The Development's site is irregular in shape and contains 11.15 acres. The site has approximately 639 of frontage along the south side of Dr. Martin Luther King, Jr. Boulevard and has two access points from Dr. Martin Luther King, Jr. Boulevard. Access to the Development's site is considered average to good while exposure of the site is at best average.

The Development's three-mile Level of Effort ("LOE") is 30.7%, which is in the range of the comparison counties of 19.9% to 54.4%. The Development's five-mile LOE is 60.5% and the PMA LOE is 54.6%, both of which are outside the upper end of the range of the comparison counties. The three-mile ring LOE suggests adequate market depth but the high LOE for the five-mile and PMA rings suggest no market depth for Housing Credit units based the existing supply of units relative to the number of income-qualified renter households in the market areas.

The Development's three-mile Capture Rate ("CR") is 15.2% while the comparison counties ranged from 4.3% to 19.9%. The Development's five-mile CR is 7.0% and the PMA CR is 6.4%, both of which are slightly higher than the upper end of the range of the comparable counties. A high CR suggests that a property will offer too many units for the depth of the market area. The size of the Development project appears adequate for the three-mile market area but too large for the five-mile and PMA ring areas due to significant existing inventory.

The Development's three-mile Remaining Potential Demand ("RPD") is 594 units while the comparison counties ranged from 1,084 to 4,423. The five-mile RPD is 729 units and the PMA RPD is 927 units, both of which are lower than the comparison counties. All three market areas have positive RPD's and all three are show demand greater than the size of the Development, which is a positive demographic factor.

To summarize, the Development's LOE's for all three rings are significantly higher than the range of the comparable projects suggesting no market depth for Housing Credit units. CR's in all three rings are much higher than the range of the comparable counties indicating that the Development is too large relative to the number of income-qualified renter households. RPD is very low for all three rings indicating a lack of depth in the market. Growth is modest in all three the ring areas. While the demographic data indicates very limited demand for the Development solely as a Housing Credit program project, the fact that 130 of the 131 units in the project have rental assistance makes the Development more than feasible based on current market inventory.

The Development will benefit from the rental rate advantage it will have over each of the Development's market rate unit types. The units set-aside for tenants with incomes at or below 50% of AMI are between 51% and 92% less than the estimated market rents. The units set-side for tenants with incomes at or below 60% of AMI have the identical advantages because the consultant determined that the 50% of AMI rents are the maximum achievable in the market. Meridian estimated market rents of $900 for one-bedroom units, $950 for two-bedroom units, $1,250 for three-bedroom units, and $1,500 for four-bedroom units. The average market rental rates are in excess of 110% of the applicable maximum HC rental rates. Notwithstanding that benchmark, it is worth noting that based on Meridian's analysis, the 60% of AMI rent maximums are not achievable in the market due to the very low income levels for residents in the Development's market area. Meridian believe the 50% of AMI rents are the maximum achievable. However, the Development will also have additional revenue from the Palm Beach Housing Authority Section 8 Project Based Voucher Rental Assistance Program.

Within the CMA, there are six existing properties with a total of 1,316 units. Meridian concludes that the Development as proposed will not have short-term impact on the properties in the CMA. Short-term is defined as the period it takes the Development to lease to stabilized occupancy. Any impact beyond the Development's lease-up period would be considered long term. The occupancy of the CMA projects is strong as is occupancy on a countywide level. There are a limited number of funded projects but this is due to the fact that almost 40% of the area population makes too little income to qualify. As such, most of the projects in the Development's area are rental assistance or subsidized projects. All of the CMA projects are far enough away as to not be impacted by the Development as proposed. The one proposed project, Calusa Estates, will be restricted by the Housing Credit program and as such the impact on the Development's location in the short-term could be noticeable but the fact that the Development will have Section 8 vouchers in addition to the Housing Credit rents will negate any long-term impact. Based upon the representations in the market study, it is unlikely there will be a material, negative long-term impact on the CMA developments in the opinion of AmeriNat. There are three Guarantee Fund projects in Palm Beach County; however, all three are in excess of 30 miles east of the Development and should not be impacted by the presence of the Development.

The Development's unit mix is reasonably consistent with the properties comprising the CMA. The unit sizes for the Development's unit types are somewhat smaller (one- and two-bedroom units) and typical (three- and four-bedroom units) when compared to the average sizes indicated by the restricted rent comparables and Meridian's statewide study. The Development as proposed should have a competitive unit mix, unit sizes, competitive unit features, and project amenities that will be in good condition after completion. Based on the absorption history within the area, Meridian assumes that the Development will be 50% leased by the completion date (65 units in the rehabilitate buildings). The remaining unit would lease at an absorption rate of 30 units per month.

Environmental Reports: A Phase I Environmental Site Assessment ("ESA") was performed by ATC Group Services, Inc. ("ATC") and their assessment was compiled in a report dated September 6, 2016. The ESA was conducted in accordance with ASTM Practice E1527-13 and United States Department of Housing and Urban Development ("HUD") Multi-Family Accelerated Processing ("MAP") Chapter 9 Environmental Review Requirements, revised January 29, 2016. This assessment has revealed evidence of recognized environmental conditions ("RECs") in connection with the property, as follows:

ATC reviewed state regulatory information and previous reports for the property. A Phase I ESA was completed by Cardno ATC (now known as ATC Group Services LLC) for the South Bay and Marshall Heights facilities on October 24, 2014. During the Phase I ESA process, review of historical aerial photographs indicated that both parcels were previously utilized for agricultural purposes. The historical agricultural usage of the property was considered to represent a REC to the property. A Phase II Limited Subsurface Assessment ("LSA") was completed at the Marshall Heights property in October 2014. The Phase II LSA included the collection and analysis of soil samples for organochlorine pesticides, chlorinated herbicides and the 8 RCRA metals (arsenic, barium, cadmium, chromium, lead, mercury, selenium and silver), potential Contaminants of Concern ("COCs"). Organochlorine pesticides, arsenic and barium were detected in soil samples at concentrations above the Residential Direct Exposure Soil Cleanup Target Levels ("SCTLs"). In addition, dieldrin, an organochlorine pesticide, and selenium were detected in soil samples above the Leachability Based on Groundwater SCTL. Based upon the findings of the Phase II LSA, ATC recommended the implementation of a comprehensive site assessment to define the horizontal and vertical extent of organochlorine pesticides and metals in soil at the property, and preparation of a Soil Management Plan ("SMP") for implementation during future demolition and construction. To address this REC, the following actions were undertaken in accordance with Chapter 62-780, Florida Administrative Code ("FAC"):

1. A Site Assessment was implemented at the Marshall Heights parcel in February 2015 and the South Bay Villas parcel in April 2015. Groundwater was not found to be impacted by organochlorine pesticides or metals at either parcel. Arsenic was identified as a COC at the South Bay Villas parcel. A Site Assessment Report ("SAR") was submitted to the FDEP Southeast District for the Marshall Heights parcel on June 15, 2015 and the South Bay Villas parcel on July 2014. The SARs documented the results of the soil and groundwater assessment conducted between March and May 2015. Based on the presence of organochlorine pesticides and arsenic in the upper two

feet of soil at concentrations above the Residential Direct Exposure SCTLs at the Marshall Heights parcel and arsenic only at the South Bay Villas parcel, the SARs recommended preparation of a Remedial Action Plan ("RAP") in the form of an SMP for each site to address these COCs in the upper two feet of soil at each site respectively. The SARs for the Marshal Heights and South Bay Villas parcels were approved by the FDEP Southeast District in correspondence dated June 24, 2015 and August 5, 2015, respectively.

2. Individual RAPs/SMPs, prepared for the South Bay Villas and the Marshall Heights parcels, were submitted to the FDEP on November 23, 2015 and December 7, 2015, respectively. The RAPs/SMPs engineering controls to remove and/or isolate the impacted soils per Chapter 62-780, FAC. The recommended engineering controls include: excavation of the highly organic surficial soil from the majority of the landscaped/grass portions of the property; placement of a geotextile demarcation fabric in excavated areas followed with one foot of clean fill; use of the concrete building pads and asphalt parking areas as engineering controls; and relocation of the excavated surficial soils to nearby agricultural lands upon receipt of approval from the land owners and the FDEP. The SMP, soil excavation and placement of engineering controls, is slated for implementation in conjunction with the planned redevelopment of the property. Upon completion of the actions proposed in the RAPs/SMPs, a No Further Action with Conditions Chapter 62-780, FAC Risk Management Option III) will be pursued by submitting a Restrictive Covenant (RC) Package to the FDEP for areas where impacted soil will be capped in place. The RAPSMPs were approved by the FDEP on December 4 and 15, 2015, respectively.

Based on the reviewed regulatory information and information from previous investigations, the actions proposed in the RAPM/SMPs will mitigate the recognized environmental condition (i.e. surficial soils with COCs above Residential SCTLs at the property). ATC recommends that the client ensure implementation and monitoring of the RAP/SMP until such time that a NFA with Conditions is approved by the FDEP for the property.

The assessment additionally revealed the following ASTM Non-Scope conditions in connection with the property:

1. A NESHAP pre-demolition asbestos survey was performed by ATC during the week of January 27, 2014, the results of which were presented under separate cover. Asbestos was detected in nine types of building materials at the Marshall Heights Apartments. If the apartment buildings are scheduled for demolition, any regulated asbestos containing materials (RACM) identified in this report must be removed by a Florida licensed asbestos abatement contractor prior to demolition. If demolition will not occur in the near future, ATC recommends the development and implementation of an Operations

and Maintenance ("O&M") plan. The purpose of the O&M plan is to manage the ACM in-place and minimize potential exposure to occupants as per OSHA requirements.

2. Microbial growth was observed in select units at the Marshall Heights portion of the property. Per the user, the Marshall Heights portion of the property is slated to be razed and redeveloped into multi-family apartment complex. The South Bay Villas portion of the property is currently under renovation. Based on the proposed future redevelopment plan, appropriate precautions and handling of building materials should be taken during the demolition and renovation process.
3. Based on a review of a Hazardous Materials Survey conducted by ATC at the Marshall Heights Apartments from January 27, 2014 to January 29, 2014, light ballasts, light bulbs and various other fixtures were identified as potentially containing Polychlorinated Biphenyls ("PCBs"), Chlorofluorocarbons (CFCs) and mercury. Appropriate removal and disposal of these items is recommended prior to demolition activities.
4. A lead based paint assessment was not requested by the owner. Based on the date of construction of the Marshall Heights Apartment buildings, lead-based paint ("LBP") is assumed to be present onsite. Per the user, the Marshall Heights portion of the property is slated to be razed and redeveloped into multi-family apartment complex. Based on the proposed future redevelopment plan, appropriate precautions, handling, and disposal of building materials should be taken during the demolition process. Based on the construction date of the South Bay Villas, lead-based paint is unlikely to be present in these structures.
5. According to the Federal Emergency Management Agency ("FEMA"), flood plain map, the property is located within an unmapped area (Unmapped Panel No. 120226) located on Community Panel Number 1201920025B. The unmapped area encompasses the City of South Bay. FEMA has not completed a study to determine flood hazard for the selected location; therefore, a flood map has not been published at this time. Per FEMA, Zone D applies to unmapped areas (i.e. an area where the flood hazard is undetermined and which usually is very sparsely populated). The area immediately surrounding the City of South Bay is identified as Zone B. The definition for FEMA Zone B is "Moderate risk areas within the 0.2-percent-annual-chance floodplain, areas of 1-percent-annual-chance flooding where average depths are less than 1 foot, areas of 1-percentannual- chance flooding where the contributing drainage area is less than 1 square mile, and areas protected from the 1-percent-annual-chance flood by a levee. No BFEs or base flood depths are shown within these zones. (Zone X (shaded) is used on new and revised maps in place of Zone B.)" Historic mapping shows the property in Zone A, "a Special Flood Hazard Area (SFHA). SFHA are defined as the area that will be inundated by the flood event having a 1-percent chance of being equaled or exceeded in any given year. The 1-percent annual chance flood is also referred to as the base

flood or 100-year flood. According to FEMA, flood insurance is not federally required by lenders for loans on properties in Zone D.

6. ATC's review of published propensity data revealed that the property is located in USEPA Radon Zone 3, which indicates that the average indoor level of radon is predicted to be less than 2.0. Certified radon results compiled for the property zip code 33493 revealed that 100% of the eight buildings tested were below the referenced action level of 4.0 pCi/L. Furthermore, approximately 99 percent of 104 recorded indoor readings for Palm Beach County were below the referenced action level of 4.0 pCi/L with an average of 0.650 pCi/L. Based on this information, additional evaluation of radon levels is not required at this time.

Construction requirements for Radon Zones 2 and 3 per HUD are as follows:

- Gas permeable layer. The gas permeable layer must meet all of the requirements of ASTM E1465-08a, Section 6.4.
- Ground cover. The concrete slabs and plastic membranes that seal the top of the gas permeable layer must meet all of the requirements of ASTM E 1465-08a, Section 6.2.
- Foundation walls. Foundation walls must meet all of the requirements of ASTM E1465- 08a, Section 6.3.
- Post construction testing is required, unless a Radon Professional concludes that neither testing nor mitigation is necessary based on a physical inspection of the property, the characteristics of the buildings, and other valid justifications.
- Radon testing must be performed after construction is complete, but prior to Final Closing.
- If testing results are above the threshold, retrofit based on the applicable standard is required, with installation of a passive system. If testing results remain above threshold, a fan-powered system is required.

Asbestos Survey: Cardno ATC ("Cardno") provided a pre-demolition asbestos survey, limited microbial evaluation, and hazardous building materials survey dated February 17, 2014. The survey was completed for the Marshall Heights portion of the property prior to undergoing demolition activities. The Marshall Heights community consisted of twenty-eight (28) buildings, one (1) maintenance/office building and twenty-seven (27) apartment buildings. The buildings were concrete block structures built on concrete slab foundations. Interior finishes for the units consisted of drywall walls, textured walls and ceilings, spray-applied ceiling texture (popcorn), vinyl floor tile, and ceramic floor and wall tile. The exterior of the units consisted of stucco walls. The roofs consisted of a pitched asphalt shingle roof system and a rolled asphalt membrane system.

The sampling protocol used in survey is listed in Title II of the Federal Toxic Substances Control Act found in 40 Code of Federal Regulations ("CFR") Part

763.86, 29 CFR 1926.1101, and American Society for Testing and Materials ("ASTM"), Designation: E2356–10, Standard Practice for Comprehensive Building Asbestos Surveys for a Baseline Survey. Results of the test were as follows:

- Spray-applied ceiling texture (popcorn) – This material is friable and in good condition.
- Mastic associated with brown with beige streaks 12"x12" vinyl floor tile – This material is non-friable and in good condition.
- Mastic associated with beige with gray streaks 12"x12" vinyl floor tile – This material is non-friable and in good condition.
- White sink undercoat - This material is non-friable and in good condition.
- Mastic associated with beige plain 12"x12" vinyl floor tile – This material is non-friable and in good condition.
- White 12"x12" vinyl floor tile and associated mastic located beneath beige with gray streaks 12" x 12"- These materials are non-friable and in good condition.
- Roof divider coping - This material is non-friable and in good condition.
- Penetration cement– This material is non-friable and in good condition.
- Based on the analytical results all of the black mastic associated with any flooring material appear to be asbestos-containing – This material is non-friable and in good condition.

One hundred sixty (160) bulk asbestos samples were collected from the Marshall Heights community and two-hundred four (204) laboratory analyses for asbestos were completed. Additional asbestos containing materials ("ACMs") may have be present on-site in inaccessible or concealed spaces. These spaces included, but were not limited to, pipe chases, spaces between walls/ceilings/door cavities, interiors of mechanical components such as boiler cavities, interior ducts, areas beneath the foundation, etc. If future maintenance/renovation/demolition activities make these areas accessible, Cardno ATC recommended that a thorough assessment of these spaces be conducted at that time to identify and confirm the presence or absence of additional ACMs. Until then, all such unidentified materials were to be treated as assumed ACMs in accordance with 40 CFR 763.

The detailed recommendations outlined in the aforementioned reports are to be incorporated into the construction Contract.

Soils Test Report: Specialty Engineering Consultants, Inc. ("SEC") completed a geotechnical exploration of the Development's site and compiled their findings in a report dated September 14, 2016. The report summarizes SEC's review of field exploration/test borings and presents their findings, conclusions, and geotechnical engineering recommendations.

Ten standard penetration tests were originally performed at locations chosen by SEC's representative. It should be noted that the purpose of the original investigation, and consequently the location of the original borings, was to supply subsurface information relative to the damage evaluation and repair of the original structures. It is SEC's opinion that the information obtained in their original investigation is sufficient to allow them to provide foundation recommendations for the proposed construction as well.

The upper surface soils were found to consist of a layer of black fibrous muck to a depth of five to seven feet. Underlying this layer of muck was a layer of pale brown to gray very dense limestone. This layer of limestone terminated our investigation at 10 feet with practical refusal conditions. The natural groundwater level was found to exist at approximately five to six feet below the existing surface at the time of their borings.

The location of the proposed construction as well as the thickness and depth of the soft compressible muck creates the necessity of a pile foundation system. SEC recommends that the proposed structures and all slabs on grade and any ancillary structures be supported on 14 inches in diameter auger-cast piles. These piling will provide an allowable compressive capacity of 30 tons per pile if installed to a depth of 15 to 20 feet below the existing ground. Included in this report are a set of pressure injected auger pile specifications for the piles. These specifications should be followed in the designs and installation of these piles.

The report provides recommendations based on the testing and analysis performed for site preparation and related construction. The detailed recommendations outlined by SEC should be incorporated into the construction Contract.

Capital Needs Assessment:

GLE completed a Capital Needs Assessment ("CNA") survey of the buildings and site for the Development on September 7, 2016; the report date is October 7, 2016. The purpose of the CNA was to determine the current condition and to identify major deficiencies and other problems currently present at the Development or anticipated to require repair or replacement in the future to operate as a competitive affordable family residential community.

GLE inspected the entire site and buildings, any common areas, and 10% of the occupied and unoccupied apartment units. The complex, constructed circa 1975, includes nine buildings consisting of eight two-story apartment buildings and one two-story laundry room building. There are 65 rental units, including 57 two-bedroom units and eight three-bedroom units. Two of the buildings were recently renovated and in satisfactory condition. The two recently renovated buildings include 16 total units; 12 two-bedroom and four three-bedroom units. At the time of GLE's inspection the site and buildings ranged from satisfactory to poor condition.

At the request of AmeriNat, GLE assessed the Development for the following: areas of "Immediate Needs," required features and amenities committed by the Applicant, certain feasible or infeasible optional features and amenities, as well as Green Building features. The CNA illustrates the following summary of cost estimations as follows:

Item	Cost
Immediate Needs	$ 2,082,330
Required Features & Amenities	$ 860,725
Total	$ 2,942,605

GLE performed a replacement reserve table based upon a 20-year schedule to identify and estimate the costs of capitalized expenses that will be necessary for the property to incur in order to maintain itself as a competitive development. The replacement reserve table illustrates a reserve amount of $503/unit/year. For underwriting purposes, a weighted average was applied based on the 66 proposed new construction units, which are required by Rule to be a minimum of $300/unit/year, and the 65 rehabilitated units to arrive at a total replacement reserve amount of $401/unit/year.

Plan & Cost Review: A draft plan and cost review was performed by GLE in a report dated December 22, 2016. The purpose of this PCR is to determine the coordination and building code compliance of the construction documents and submittals for the referenced project, as well as to evaluate the appropriateness of the General Contractor's estimated construction costs. This PCR was performed in accordance with industry standards.

The PCR indicates the estimated value of the projected hard construction costs for the site work is $3,719,130, or approximately $7.65 per square foot for the approximate 11.15 acres of developed area. It is GLE's opinion that this cost per square foot is appropriate for the scope of work indicated. The estimated value of the projected hard construction costs for the vertical construction is $14,916,205, or approximately $114.69 per square foot. This cost per square foot is within an acceptable range for the scope of work indicated and individual line item costs generally appear appropriate. The total cost per unit equates to $194,687 based on a total construction cost of $22,389,050, which is within the comparable range of $184,948 to $199,537 per unit. GLE stated the construction schedule of 644 days (approximately 21 months) is appropriate for the project.

GLE noted the following items:

- Article 5.1.2 indicates the Contractor's Fee at 2% overhead and 6% Profit on Cost of the Work for changes to scope of the work. However, Article 5.2.1 is in conflict with Article 5.1.2 which indicates the Contractor's Fee at 14%.
- Article 12.1.3 indicates if an Application for Payment is received by the 25th of the month, the Owner shall make payment to the Contractor not

later than the 10th day of the following month. GLE brings this to the attention of AmeriNat to confirm that this is in conformance with all funding documents.

- Article 12.1.4 indicates with each Application of Payment, the Contractor shall submit payrolls, petty cash accounts, receipted invoices or invoices with check vouchers attached, and any evidence required by Release of Liens from Subcontractors and Supplies to Owner. The portion that indicates payrolls, petty cash accounts, receipted invoices or invoices with check vouchers attached, and any evidence required by is crossed out. GLE recommends this not be crossed out.
- Article 12.1.7.2 indicates that the Contractor may request payment for materials stored off site with the approval of the Owner. GLE brings this to the attention of AmeriNat to confirm that this is in conformance with all funding documents.
- Article 12.1.7.3 indicates that once the project is 50% complete no further retainage will be held. GLE brings this to the attention of AmeriNat to confirm that this is in conformance with all funding documents.
- Article 12.1.8 States the Owner/Contractor shall agree upon mutually acceptable procedures for review and approval of payments and percentage of retainage held for Subcontractors. In doing so, there is no contractual obligation provided in the Owner/General Contractor Agreement for the subcontractors to withhold retainage.
- Article 15.6 indicates this Contract is assignable to the Palm Beach County Housing Authority in the event of termination of this agreement. GLE brings this to the attention of AmeriNat to confirm that this is in conformance with all funding documents.
- The Contract provided to GLE is a “draft”.
- The Contract provided to GLE is not signed by either party.

The Architect Contract appears satisfactory, except as follows:

- Article 11.1 indicates the fees to the Architect and Article 11.5 breaks these fees down into phases, assigning a percent of the fee to each phase. That said, Article 11.5 also shows “Construction Administration” fee of $150,000. It is unclear if part of the fees indicated in Article 11.1, or in addition to the fees in Article 11.1.

Receipt of a final report acceptable in form and function to HFAPBC and AmeriNat is a condition precedent to closing.

Features, Amenities & Resident Programs:

The Applicant committed to provide certain Features and Amenities in accordance with the Project Application Form. The draft plan and cost review confirms the features and amenities required by HFAPBC to be constructed at the proposed development once issued. As stated above, receipt of a final report acceptable in form and function to HFAPBC and AmeriNat is a condition precedent to closing.

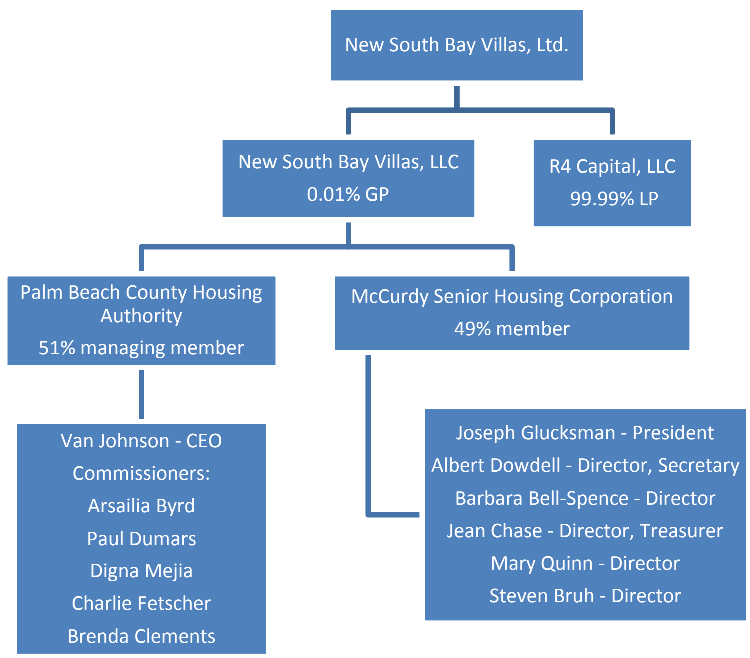
Borrower Information

Borrower Name: New South Bay Villas, Ltd.

Borrower Type: A Florida limited partnership

Ownership Structure: The Borrower is a Florida limited partnership formed April 23, 2015 to construct and operate the Development. New South Bay Villas, LLC, a Florida limited liability company, is the General Partner of the Borrower with a 0.01% ownership interest. R4 Capital LLC or an affiliate thereof will be the 99.99% limited partner. Palm Beach County Housing Authority ("PBCHA") is the managing member of the GP with a 0.0051% ownership interest and is governed by a five person Board of Commissioners. McCurdy Senior Housing Corporation holds a 0.0049% ownership interest in the GP and is governed by a six person Board of Trustees.

The organizational structure of the Borrower is as follows:



Copies of the Articles of Incorporation and/or Organization have been provided on each of the ownership structures entities listed above. Two members of the General Contractor in the transaction, D. Stephenson Construction, Inc., are signing as a Guarantors, as is one from Royal Building Group, LLC, a consultant in the transaction. AmeriNat has collected and analyzed the requisite background and financial information for these members, the results of which are summarized in the "Guarantor Information" section of this credit underwriting report. Certificates of Status for all involved parties have been received.

Contact Person(s):	Joseph S. Glucksman President of co-developer and 49% GP entity Telephone: (561) 722-6083 Facsimile: (561) 708-8297 Joe.glucksmanqw@gmail.com
Applicant Address:	306 SW 10th Street Belle Glade, FL 33430
Federal Employer ID:	32-0493839
Experience:	New South Bay Villas, Ltd. ("Applicant" or "Borrower"): A single-asset entity created for the sole purpose of acquiring, constructing, rehabilitating, owning, and operating the Development. New South Bay Villas, LLC ("General Partner" of "GP"): An entity created to serve as the General Partner of the Borrower. Palm Beach County Housing Authority ("PBCHA"): PBCHA is the 51% managing member of the GP and co-developer in the transaction. The entity was created under Chapter 421 of the Florida Statute, and first opened its doors in June 10th, 1969 to provide affordable housing stock to low-income families through rental assistance programs. PBCHA is and has been responsible for all of the accompanying responsibilities of administration, maintenance, and management of its Section 8 Program, Affordable Housing Apartment Units, and Public Housing. The entity's mission is to be a leading Palm Beach County housing agency assisting with afforda6ble housing (low-income and moderate-income) needs of families, the elderly, and individuals with disabilities, as these residents are striving for self-sufficiency and/or independent living. PBCHA has five volunteer commissioners appointed by the Governor of the State of Florida. McCurdy Senior Housing Corporation ("MSHC"): MSHC is the 49% member of the GP and co-developer in the transaction. The entity is a federally exempt 501(c)3 Non-Profit Organization formed in the State of Florida and organized pursuant to the provisions of the Florida Not for Profit Corporation Act as amended. The entity's mission is to provide safe & quality oriented affordable housing opportunities to economically disadvantaged households with an emphasis on the provision of supportive services designed to offer the tools needed to enhance the quality of life for those served.
Credit Evaluation:	The Applicant and its GP are single purpose entities with no credit history. PBCHA: A Dun & Bradstreet Business and Information Report ("DNBi") inquiry was made as of November 4, 2016. No material derogatory credit history was reported at this time.

MSHC: A DNBi inquiry was made as of November 4, 2016. No material derogatory credit history was reported at this time.

Banking References: AmeriNat has not verified deposits for the Applicant and GP as they do not represent any liquid assets.

PBCHA: AmeriNat received bank statements from TD Bank, PNC Bank, and Valley National Bank for the period ended September 30, 2016. The total liquidity presented is consistent with the financial statement provided for the same period.

MSHC: AmeriNat received bank statements from PNC Bank for the period ended June 30, 2016. The total liquidity presented is consistent with the financial statement provided for the same period.

Financial Statements: The Applicant and GP entities represent having no assets or liabilities based on the fact they are newly formed entities.

PBCHA

September 30, 2015		(Audited)
Cash and Cash Equivalents:	$	2,322,531
Total Assets:	$	17,745,631
Total Liabilities:	$	1,895,277
Total Net Position:	$	15,850,354

The financial information is based on an audit performed by Berman Hopkins Wright & Latham CPA's and Associates, LLC for the year ended September 30, 2015. Assets consist of largely of capital assets and cash. Liabilities consist of accounts payable, long term debt, and other current liabilities. An operating loss of $1.57MM was reported for the period ended September 30, 2015; however, the net position of the entity was $15.85MM for the same period.

PBCHA is a governmental agency and is exempt from federal and state income taxes. As such, no tax returns were available for the entity.

A schedule of Real Estate Owned dated as of October 21, 2016 identifies 13 assets; 11 multifamily properties and two parcels of yet-to-be developed land located in the greater West Palm Beach area.

MSHC

June 30, 2016		(Compiled)
Cash and Cash Equivalents:	$	57,802
Total Assets:	$	175,179
Total Liabilities:	$	338,109
Total Net Position:	$	(162,930)

The financial information is based upon a financial statement compiled by the CPA Office of Carlos R. Castaneda, PA, for the period ended June 30, 2016. Based on the information presented, the entity has minimal assets/net worth. AmeriNat has received and reviewed the 2014 and 2015 tax returns filed for MSHC and found them to be acceptable.

A schedule of Real Estate Owned as of September 2016 indicates the entity has a fractional GP ownership position in one asset, Quiet Waters, a 93 unit multifamily senior apartment complex located in Belle Glade, FL.

Please note: Mr. Dwight Stephenson, Mr. Harry Darling (principals of the General Contractor in the transaction), and Mr. Wallace Sanger (president of Royal Building Group, LLC, a consultant in the transaction) are also being relied upon for financial strength and will act as Guarantors in the transaction. An analysis of their credit and finances is outlined in the "Guarantor Information" section of this report.

Contingent Liabilities: The Applicant and its GP report that they do not have any contingent liabilities.

Applicant: AmeriNat reviewed a Statement of Financial and Credit Affairs for the entity that states there are no pending legal actions, bankruptcies, foreclosures, or unsatisfied judgments.

GP: AmeriNat reviewed a Statement of Financial and Credit Affairs for the entity that states there are no pending legal actions, bankruptcies, foreclosures, or unsatisfied judgments.

PBCHA: AmeriNat reviewed a Statement of Financial and Credit Affairs for the entity that states there are no pending legal actions, bankruptcies, foreclosures, or unsatisfied judgments. PBHCA represents no contingent liabilities based on the YE 2015 audited financial statements reviewed.

MSHC: AmeriNat reviewed a Statement of Financial and Credit Affairs for the entity that states there are no pending legal actions, bankruptcies, foreclosures, or unsatisfied judgments. A Schedule of Contingent Liabilities dated August 2016 indicates approximately $2.35MM in contingent liabilities associated with previously mentioned Quiet Waters property.

Summary: The information provided indicates the participants have relevant experience to successfully complete the Development. As stated above, the Guarantors identified in the transaction are being relied upon for additional financial strength.

Guarantor Information

Guarantor Names:	New South Bay Villas, Ltd.; New South Bay Villas, LLC; Wallace Sanger; Dwight Stephenson; and Harry Darling, individually. As previously mentioned, Mr. Stephenson and Mr. Darling are principals of the general contractor and Mr. Sanger is a principal of a consultant in the transaction. The three aforementioned individuals do not appear in the ownership structure of the Applicant. They will act as Guarantors in the transaction.
Contact Person(s):	Joseph S. Glucksman President of co-developer and GP entity Telephone: (561) 722-6083 Facsimile: (561) 708-8297 Joe.glucksmanqw@gmail.com
Applicant Address:	306 SW 10th Street Belle Glade, FL 33430
Nature of Guarantees:	Guarantees of Construction Completion; Operating Deficit; Environmental Indemnity; Recourse Obligations; and Issuer and Compliance Fees will be signed by the above-mentioned persons and entities.
Experience:	Mr. Wallace Sanger: Mr. Sanger is the president of Royal Building Group, LLC, a consultant in the transaction. He has over 50 years of construction experience as a builder and developer who founded Royal Professional Builders, Inc. in 1982, a general contracting company; and Royal Concrete Concepts, Inc. in 1997, a patented technology precast modular construction company. During his years as president and owner of both companies, Mr. Wallace completed more than $1.2 billion in building projects covering residential, commercial and educational markets Mr. Dwight Stephenson: Mr. Stephenson has over 25 years of construction experience and is the President/Chief Executive Officer of D. Stephenson Construction Inc. ("DSC") which he helped establish in 1992. Mr. Stephenson provides leadership, control for all field operations, and supervision for all DSC projects, which have included various multifamily/student housing, government, and commercial properties. Mr. Harry Darling: Mr. Darling has 30 years of experience in construction and is the Chief Operating Officer of DSC. He has managed projects of various sizes and complexities, oversees the entire preconstruction phase for projects. He provides input on detailed cost control, value engineering and estimate analysis. He has a thorough knowledge of the subcontractor market.
Credit Evaluation:	The credit evaluations for the Applicant, GP, and Developer entities were summarized in the "Borrower Information" section of this report.

Wallace Sanger: An Experian Credit Profile Report was obtained as of December 14, 2016 and illustrated no material derogatory credit history. AmeriNat's review of the report indicates a satisfactory credit history.

Dwight Stephenson: An Experian Credit Profile Report was obtained as of December 14, 2016 and illustrated no material derogatory credit history. AmeriNat's review of the report indicates a satisfactory credit history.

Harry Darling: An Experian Credit Profile Report was obtained as of January 19, 2017 and illustrated no material derogatory credit history. AmeriNat's review of the report indicates a satisfactory credit history.

Banking References: The banking references for the Applicant, GP, and Developer entities were summarized in the "Borrower Information" section of this report.

Wallace Sanger: AmeriNat received bank statements from Bank of America, Merrill Lynch, and Palm Beach Community Bank through August and September 2016 confirming total deposits consistent with the financial statement provided.

Dwight Stephenson: AmeriNat received investment statements from Moloney Securities and Northwestern Mutual through September 2016 confirming total liquidity in the low six figures consistent with the financial statement provided.

Harry Darling: AmeriNat received investment statements for accounts held with Bank of America, PNC Bank, and Wells Fargo as of December 2016 confirming deposits in the low seven figures consistent with the financial statement provided.

Financial Statements: The financial statements for the Applicant, GP, and Developer entities were summarized in the "Borrower Information" section of this report.

Wallace Sanger

September 30, 2016		(Unaudited)
Cash and Cash Equivalents:	$	3,201,796
Total Assets:	$	5,953,618
Total Liabilities:	$	11,355
Total Member's Equity:	$	5,942,263

The financial information is based upon an unaudited financial statement for the period ending September 30, 2016. Mr. Sanger's assets consist of cash, marketable securities, retirement and investment accounts, receivables, corporate partnerships, and personal real estate. Mr. Sanger indicates minimal liabilities.

AmeriNat has received and reviewed 2014 and 2015 tax returns for Mr. Sanger and found them to be acceptable.

Mr. Stephenson indicated two real estate assets as part of his financial statement; his personal residence and a rental property. No other assets were identified.

Dwight Stephenson

September 30, 2016		(Unaudited)
Cash and Cash Equivalents:	$	143,787
Total Assets:	$	2,430,259
Total Liabilities:	$	466,000
Total Member's Equity:	$	1,964,459

The financial information is based upon internally prepared financial statements for the period ending September 30, 2016. Mr. Stephenson's assets consist of personal real estate, various investments (a pension plan, an annuity, and mutual funds) other assets, and an estimate of the value of his partial ownership in three entities; the general contractor in this transaction, an office building, and an apartment building. Liabilities largely consist of mortgages payable and a line of credit with Bank of America.

AmeriNat has received and reviewed 2014 and 2015 tax returns for Mr. Stephenson and found them to be acceptable.

Mr. Stephenson indicated two real estate assets as part of his financial statement; his personal residence and a rental property. No other assets were identified.

Harry Darling

December 31, 2016		(Unaudited)
Cash and Cash Equivalents:	$	2,562,485
Total Assets:	$	5,399,167
Total Liabilities:	$	0
Total Member's Equity:	$	5,399,167

The financial information is based upon internally prepared financial statements for the period ending December 31, 2016. Assets consist of cash, investments, fractional ownership in business entities, real estate and personal property. No liabilities were identified.

AmeriNat has received and reviewed 2014 and 2015 tax returns for Mr. Darling and found them to be acceptable.

Per the financial statement provided, a personal residence is the only real estate owned by a trust (Darling Family Trust) for which Mr. Darling is the trustee. No debt is associated with the real estate.

Contingent Liabilities: The contingent liabilities for the Applicant, GP, and Developer entities were summarized in the "Borrower Information" section of this report.

Wallace Sanger: AmeriNat reviewed a Statement of Financial and Credit Affairs executed by Mr. Sanger that indicates he has one bankruptcy/reorganization filing and one pending or threatened proceeding before any court of law that could materially or adversely affect his financial condition or assets. The bankruptcy was ordered in the Southern District Bankruptcy Court (case #11-16491-EPK) on September 6, 2011 as part of Mr. Sanger's association with Royal Professional Builders, Inc. Mr. Sanger explained that following the 2008 economic recession, it became necessary to file for bankruptcy and that it was amicably resolved with creditors. The pending or threatened legal proceeding was filed in the Circuit Court of the Fifteenth Judicial Circuit of Palm Beach County on September 16, 2016 as a petition for dissolution of marriage (case #502016DR007762XXXXNB). No other issues were noted.

Mr. Sanger indicated no specific contingent liabilities.

Dwight Stephenson: AmeriNat reviewed a Statement of Financial and Credit Affairs that states the Mr. Stephenson has no associated pending legal actions, bankruptcies, foreclosures, or unsatisfied judgments that would detrimentally affect its ability to provide an acceptable guaranty.

Mr. Stephenson indicated no specific contingent liabilities.

Harry Darling: AmeriNat reviewed a Statement of Financial and Credit Affairs that states Mr. Darling has no associated pending legal actions, bankruptcies, foreclosures, or unsatisfied judgments that would detrimentally affect its ability to provide an acceptable guaranty.

Mr. Darling indicated no specific contingent liabilities.

Summary: Collectively, the person identified provide a financial position and liquidity sufficient to serve as Guarantors to the proposed development.

Syndicator Information

Syndicator Name:	R4 Capital LLC (“R4C”)
Type:	R4C or an affiliated entity will have a controlling interest in the 99.99% investor limited partner
Contact Person:	Jay R. Segel Executive Vice President jsegel@R4Cap.com Telephone (617) 502-5946
Address:	155 Federal Street Suite 1004 Boston, MA 02110
Experience:	R4C is a national affordable housing investment firm founded by its President, Marc Schnitzer and Regis Group of London, a 60-year-old UK-based residential property investment firm. Since May 2012, R4C has raised more than $1.1 billion of LIHTC equity from approximately 50 institutional investors in eight multi-investor funds and five proprietary funds. R4C’s portfolio includes approximately 110 properties located in 29 states, the District of Columbia, Puerto Rico, and the Northern Mariana Islands. In January 2016, R4C launched R4 Capital Funding, a tax exempt lending business that provides mortgage capital for affordable multifamily housing properties throughout the U.S. R4C Capital has offices in New York, NY, Boston, MA, Newport Beach, CA, and Austin, TX. R4C is a subsidiary of Regis Group (Holdings) Limited.
Financial Statements:	The most recent financial statement for R4C and their related subsidiaries and is summarized as follows:

R4 Capital LLC

December 31, 2015		(Audited)
Cash and Cash Equivalents:	$	6,401,147
Total Assets:	$	27,930,823
Total Liabilities:	$	31,514,454
Total Equity	$	(3,583,631)

The financial information presented is inclusive of all affiliated entities of R4C and is based an audit conducted by CohnReznick LLP for the period ending December 31, 2015. Liabilities includes $15.1MM in deferred income. Total income for the entity was $18.2MM, which yielded net income of $4.77MM over the same period.

Summary:	R4C has the prerequisite financial capacity and experience to successfully serve as the HC syndicator and limited partner of the Applicant.

Construction Bond Credit Enhancer Information

Credit Enhancer Name:	JPMorgan Chase Bank, N.A. ("JPMCB")
Type:	Letter of Credit and Construction Bond Enhancer
Contact Person:	Tammy Haylock-Moore Telephone (407) 236-7082 Facsimile (407) 279-3401 tammy.haylock-moore@chase.com
Address:	450 South Orange Avenue 10th Floor Orlando, FL 32801
Experience:	JPMorgan Chase & Co. ("JPMC"), the parent company of JPMCB, is a leading global financial services firm with its corporate headquarters in New York City. JPMC has operations in more than 50 countries and. With assets of $2.4 trillion, JPMC offers investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management.
Financial Statements:	The most recent financial statement for JPMC and their related subsidiaries and is summarized as follows:

JPMorgan Chase & Co.

December 31, 2015 (in millions)		(Audited)
Cash and Cash Equivalents:	$	20,490
Total Assets:	$	2,351,698
Total Liabilities:	$	2,104125
Total Equity	$	247,573

The financial information presented is inclusive of all affiliated entities of JPMC and is based on their 2015 Annual Report for the period ending December 31, 2015.

Summary: Based on the above information, AmeriNat recommends JPMCB be accepted as letter of credit provider and construction bond enhancer for the transaction.

Permanent Bond Purchaser Information

Bond Purchaser Name:	R4 Capital Funding, LLC (“R4CF”)
Type:	Direct Purchase
Contact Person:	Jim Spound, President R4 Capital Funding, LLC Telephone (646) 844-0935 jspound@r4C.com
Address:	780 Third Avenue, 10th Floor New York, NY 10017
Experience:	R4CF was launched in January 2016 as a tax exempt lending business that provides mortgage capital for affordable multifamily housing properties throughout the U.S. It is a subsidiary of the previously aforementioned R4C. Western Alliance Business Trust, a Delaware statutory trust, or its designee or nominee, will acquire the bonds at closing
Financial Statements:	Please see the “Syndicator Information” page for the most recent financial statement for R4C, its parent company, and their related subsidiaries.
Summary:	R4CF, through its parent company, R4C, has a satisfactory amount of experience lending and investing in affordable housing. AmeriNat recommends R4CF be accepted as the permanent bond purchaser.

General Contractor Information

General Contractor:	D. Stephenson Construction, Inc. ("DSC")
Type:	A Florida corporation
Contact Person:	Joseph Sanches President Telephone (954) 315-7080
Address:	6241 North Dixie Highway Ft. Lauderdale, FL 33334
Experience:	DSC was established in 1992 by Dwight and Dinah Stephenson and provides construction management, general contracting and design/build services to various clients throughout Broward, Miami-Dade and Palm Beach Counties. Clients/projects have included Broward College, University of Miami, Florida Memorial University, the School Board of Broward County, the School District of Palm Beach County, and the City of Lauderhill City Hall. DCS submitted the license of Joseph Sanches, President, who is a Florida Certified General Contractor with license number CGC1521515. The license is valid through August 31, 2018.
Credit Evaluation:	A DNBi Report dated October 10, 2016 was obtained on the General Contractor which was satisfactory. No open lawsuits, judgments, bankruptcy proceedings, or liens exist within the DNBi database.
Banking References:	AmeriNat received a bank statement from Bank of America, N.A. confirming total deposits in the upper six figures through September 30, 2016.
Financial Statements:	AmeriNat received and reviewed financial statements, which are summarized as follows:

D. Stephenson Construction, Inc.

December 31, 2015		(Audited)
Cash and Cash Equivalents:	$	1,291,272
Total Assets:	$	10,123,100
Total Liabilities:	$	8,443,109
Total Stockholder's Equity:	$	1,679,991

The audited financial statements presented were prepared as of December 31, 2015 by WithumSmith + Brown, PC. DSC's source of revenue is derived from construction contract and joint ventures amounting to $31.4MM, which provided for a net income of $951K over the same period. The statements received a positive review and present a financial position acceptable to serve as General Contractor for a development of this size.

Summary:

DSC has the requisite experience, credit, and financial capacity to construct the proposed development. A 100% payment and performance bond between the Applicant and DSC shall secure the general construction contract.

AmeriNat recommends that DCS be accepted as the general contractor and the construction contract be approved subject to the recommendations of the Plan and Cost Review performed by GLE and evidence of a 100% payment and performance bond. Receipt of final executed general construction contract acceptable in form and substance and without material changes consistent to the analysis presented herein is a condition precedent to loan closing.

Property Manager Information

Management Company:	Royal American Management, Inc. ("RAM") and Spectra Companies, Inc. ("Spectra")
Type:	Florida Corporations
Contact Person:	Kerri Toth, President RAM Telephone (850) 769-8981 Facsimile (850) 769-4860 Van Johnson, President Spectra Companies, Inc. Telephone (561) 684-2160 x100
Address:	RAM 1002 West 23rd Street, Suite 400 Panama City, FL 32405 Spectra Companies, Inc. 3432 West 45th Street West Palm Beach, FL 33407
Experience:	RAM is a Licensed Real Estate Brokerage Corporation based in Panama City, Florida, created in 1971, with regional offices in Charlotte, North Carolina and Orlando, Florida. Presently, RAM manages a large portfolio (in excess of 10,000 units) located in Florida, Georgia, Alabama, South Carolina and North Carolina. RAM has extensive experience in all types of multifamily property management utilizing the following programs: RD, HUD, LIHTC, Bond, HOME, SAIL and Hope VI. In the past, the company has been selected by the United States Department of Housing and Urban Development as the Managing Agent for properties controlled by that Agency in the states of Florida, Kentucky, Missouri, North Carolina, and St. Croix of the U.S. Virgin Islands. Spectra, a for-profit affiliate of PBCHA, was created as of December 9, 2016 to act as a supervisory management agent for the Development. Spectra has three officers/directors: Van Johnson, Estelle L. Varner, and Tad Fuller. Spectra is to provide consultative services to the Partnership, the Management Agent and the Development as well as assisting the Partnership and the Management Agent in planning, supervising and developing a marketing program for the Development. Such services are intended to enable the Partnership better to be able to distribute Cash Flow to its Partners and shall include, without limitation, the preparation of (i) an annual pro forma operating budget for each Fiscal Year, (ii) an estimate of the profits and losses and tax credits of the Partnership for federal income tax purposes for each Fiscal Year and (iii) a

balance sheet as of the end of each Fiscal Year of the Partnership and a statement of income, retained earnings and changes in financial position for such year, each in accordance with the requirements of the Partnership Agreement. Further, Spectra will monitor the activities of the Management Agent and the Partnership and report to the General Partner and Limited Partners so as to enable the Partnership to comply with all Code requirements for the low income housing credit to establish eligibility for such credit with respect to the low-income portion of the Development and avoid recapture thereof during the compliance period established under the IRS Code.

Management Agreement: The Applicant has submitted a draft Management Agreement (the "Agreement") between RAM and the Applicant as of December 7, 2016. The agreement states an initial term of one year and shall be automatically extended for one year periods thereafter. The agreed compensation to RAM is 5% of the sum of collected gross rents and subsidies or such higher amount as HUD may permit and Owner approves. Such fee will be payable on the 10th day of the months following the month in which the services were rendered. According to the Agreement, RAM will conduct its operations regarding according to the applicable laws and regulations as associated with various financing/funding streams including Tax Credit, Neighborhood Stabilization Program 3 ("NSP3"), Project Based Voucher ("PBV"), and HUD, as well as any other program rules and regulations applicable to the Development.

The Applicant submitted a draft Supervisory Management Agreement (the "Supervisory Agreement") between Spectra and the Applicant as of December 14, 2016. The term of the Supervisory Agreement commences as of execution of the document and will continue in full force and effect until termination of the Partnership. In consideration of its services, the Partnership shall pay to the Company a monthly Supervisory Management Fee. The Supervisory Management Fee shall be an amount equal to two percent (2.00%) of the Gross Collected Income received at the Development during the prior calendar month. Notwithstanding the foregoing, however, the Supervisory Management Fee shall not be cumulative and no portion of the Supervisory Management Fee shall be earned or payable unless and until any outstanding Annual Local Administrative Fees and all other amounts due and payable to the Investor Limited Partner and its Affiliates have been made to the Investor Limited Partner under the Partnership Agreement. In no event will more than forty-nine percent (49%) of the Supervisory Management Fee paid to the Company be paid to the PBCHA or any Related Person to the PBCHA in any Fiscal Year.

Management Plan: The Applicant has submitted a Management Plan (the "Plan") for the Development. The Plan outlines operations at the Development with regard to staffing, renting procedures, tenant eligibility, leasing policies, rent collection policies, accounting, maintenance, energy conservation, tenant/management relations, termination of leases, resident services, and marketing.

Summary: RAM, as the day-to-day property manager, demonstrates sufficient experience in the management of affordable multifamily housing to serve as the Property

Manager for the Development. Spectra, as a related entity of PBCHA, also has sufficient experience to perform its stated duties. The selection of RAM and Spectra to manage the Development must be approved by the FHFC's Asset Management Department pursuant to Rule Chapter 67-53, F.A.C.

Exhibit 1
New South Bay Villas
15 Year Operating Pro forma

	FINANCIAL COSTS:	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
	OPERATING PRO FORMA															
INCOME:	Gross Potential Rental Income	**$2,456,376**	**$2,505,504**	**$2,555,614**	**$2,606,726**	**$2,658,860**	**$2,712,038**	**$2,766,278**	**$2,821,604**	**$2,878,036**	**$2,935,597**	**$2,994,309**	**$3,054,195**	**$3,115,279**	**$3,177,584**	**$3,241,136**
	Other Income															
	Ancillary Income	$23,580	$24,052	$24,533	$25,023	$25,524	$26,034	$26,555	$27,086	$27,628	$28,180	$28,744	$29,319	$29,905	$30,503	$31,113
	Miscellaneous	$7,074	$7,215	$7,360	$7,507	$7,657	$7,810	$7,966	$8,126	$8,288	$8,454	$8,623	$8,796	$8,972	$9,151	$9,334
	Gross Potential Income	**$2,487,030**	**$2,536,771**	**$2,587,506**	**$2,639,256**	**$2,692,041**	**$2,745,882**	**$2,800,800**	**$2,856,816**	**$2,913,952**	**$2,972,231**	**$3,031,676**	**$3,092,309**	**$3,154,155**	**$3,217,238**	**$3,281,583**
	Less:															
	Economic Loss Percentage: 6.00%	$149,222	$152,206	$155,250	$158,355	$161,522	$164,753	$168,048	$171,409	$174,837	$178,334	$181,901	$185,539	$189,249	$193,034	$196,895
	Total Effective Gross Income	**$2,337,808**	**$2,384,564**	**$2,432,256**	**$2,480,901**	**$2,530,519**	**$2,581,129**	**$2,632,752**	**$2,685,407**	**$2,739,115**	**$2,793,897**	**$2,849,775**	**$2,906,771**	**$2,964,906**	**$3,024,204**	**$3,084,688**
EXPENSES:	Fixed:															
	Ground Lease	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1
	Real Estate Taxes	$20,022	$20,623	$21,241	$21,879	$22,535	$23,211	$23,907	$24,625	$25,363	$26,124	$26,908	$27,715	$28,547	$29,403	$30,285
	Insurance	$72,050	$74,212	$76,438	$78,731	$81,093	$83,526	$86,031	$88,612	$91,271	$94,009	$96,829	$99,734	$102,726	$105,808	$108,982
	Variable:															
	Management Fee Percentage: 7.00%	$163,647	$166,920	$170,258	$173,663	$177,136	$180,679	$184,293	$187,978	$191,738	$195,573	$199,484	$203,474	$207,543	$211,694	$215,928
	General and Administrative	$52,400	$53,972	$55,591	$57,259	$58,977	$60,746	$62,568	$64,445	$66,379	$68,370	$70,421	$72,534	$74,710	$76,951	$79,260
	Payroll Expenses	$286,104	$294,687	$303,528	$312,634	$322,013	$331,673	$341,623	$351,872	$362,428	$373,301	$384,500	$396,035	$407,916	$420,153	$432,758
	Utilities	$104,800	$107,944	$111,182	$114,518	$117,953	$121,492	$125,137	$128,891	$132,758	$136,740	$140,842	$145,068	$149,420	$153,902	$158,519
	Marketing and Advertising	$6,550	$6,747	$6,949	$7,157	$7,372	$7,593	$7,821	$8,056	$8,297	$8,546	$8,803	$9,067	$9,339	$9,619	$9,907
	Maintenance and Repairs/Pest Control	$104,800	$107,944	$111,182	$114,518	$117,953	$121,492	$125,137	$128,891	$132,758	$136,740	$140,842	$145,068	$149,420	$153,902	$158,519
	Grounds Maintenance and Landscaping	$52,400	$53,972	$55,591	$57,259	$58,977	$60,746	$62,568	$64,445	$66,379	$68,370	$70,421	$72,534	$74,710	$76,951	$79,260
	Security	$54,365	$55,996	$57,676	$59,406	$61,188	$63,024	$64,915	$66,862	$68,868	$70,934	$73,062	$75,254	$77,511	$79,837	$82,232
	Reserve for Replacements	$52,495	$52,495	$52,495	$52,495	$52,495	$52,495	$52,495	$52,495	$52,495	$52,495	$52,495	$52,495	$52,495	$52,495	$52,495
	Total Expenses	**$969,634**	**$995,511**	**$1,022,132**	**$1,049,519**	**$1,077,693**	**$1,106,678**	**$1,136,496**	**$1,167,173**	**$1,198,734**	**$1,231,204**	**$1,264,609**	**$1,298,978**	**$1,334,337**	**$1,370,717**	**$1,408,147**
	Net Operating Income	**$1,368,175**	**$1,389,053**	**$1,410,123**	**$1,431,382**	**$1,452,826**	**$1,474,452**	**$1,496,255**	**$1,518,233**	**$1,540,381**	**$1,562,694**	**$1,585,166**	**$1,607,793**	**$1,630,569**	**$1,653,487**	**$1,676,541**
	Debt Service Payments															
	First Mortgage - R4CF	$1,144,707	$1,144,707	$1,144,707	$1,144,707	$1,144,707	$1,144,707	$1,144,707	$1,144,707	$1,144,707	$1,144,707	$1,144,707	$1,144,707	$1,144,707	$1,144,707	$1,144,707
	Second Mortgage - PBCHA	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Other Fees - FHFC HC Compliance Monitoring	$3,024	$3,115	$3,208	$3,304	$3,404	$3,506	$3,611	$3,719	$3,831	$3,946	$4,064	$4,186	$4,312	$4,441	$4,574
	Other Fees - Trustee	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500
	Total Debt Service Payments	**$1,152,231**	**$1,152,322**	**$1,152,416**	**$1,152,512**	**$1,152,611**	**$1,152,713**	**$1,152,818**	**$1,152,927**	**$1,153,038**	**$1,153,153**	**$1,153,271**	**$1,153,393**	**$1,153,519**	**$1,153,648**	**$1,153,782**
	Cash Flow after Debt Service	**$215,943**	**$236,731**	**$257,708**	**$278,870**	**$300,215**	**$321,738**	**$343,437**	**$365,307**	**$387,343**	**$409,540**	**$431,895**	**$454,400**	**$477,050**	**$499,839**	**$522,760**
	Debt Service Coverage Ratios															
	DSC - First Mortgage	**1.20**	**1.21**	**1.23**	**1.25**	**1.27**	**1.29**	**1.31**	**1.33**	**1.35**	**1.37**	**1.38**	**1.40**	**1.42**	**1.44**	**1.46**
	DSC - Second Mortgage	**1.20**	**1.21**	**1.23**	**1.25**	**1.27**	**1.29**	**1.31**	**1.33**	**1.35**	**1.37**	**1.38**	**1.40**	**1.42**	**1.44**	**1.46**
	DSC - All Mortgages and Fees	**1.19**	**1.21**	**1.22**	**1.24**	**1.26**	**1.28**	**1.30**	**1.32**	**1.34**	**1.36**	**1.37**	**1.39**	**1.41**	**1.43**	**1.45**
	Financial Ratios															
	Operating Expense Ratio	**41.5%**	**41.7%**	**42.0%**	**42.3%**	**42.6%**	**42.9%**	**43.2%**	**43.5%**	**43.8%**	**44.1%**	**44.4%**	**44.7%**	**45.0%**	**45.3%**	**45.6%**
	Break-even Economic Occupancy Ratio (all debt)	**85.3%**	**84.7%**	**84.0%**	**83.4%**	**82.8%**	**82.3%**	**81.7%**	**81.2%**	**80.7%**	**80.2%**	**79.8%**	**79.3%**	**78.9%**	**78.5%**	**78.1%**

COMPLETENESS AND ISSUES CHECKLIST

DEVELOPMENT NAME: New South Bay Villas
DATE: February 2, 2017

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 HFAPBC. 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 timeframe. 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.**	
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.	Unsatis.	1
Final site plan and/or status of site plan approval.	Satis.	
Permit Status.	Unsatis.	2
Pre-construction analysis ("PCA").	Unsatis.	3
Survey.	Satis.	
Complete, thorough soil test reports.	Satis.	
Full or self-contained appraisal as defined by the Uniform Standards of Professional Appraisal Practice.	Satis.	
Market Study separate from the Appraisal.	Satis.	
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.	
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.	
Resumes and experience of applicant, general contractor, and management agent.	Satis.	
Credit authorizations; verifications of deposits and mortgage loans.	Satis.	
Management Agreement and Management Plan.	Satis.	
Firm commitment from the credit enhancer or private placement purchaser, if any.	N/A	
Firm commitment letter from the syndicator, if any.	Satis.	
Firm commitment letter(s) for any other financing sources.	Satis.	
Updated sources and uses of funds.	Satis.	
Draft construction draw schedule showing sources of funds during each month of the construction and lease-up period.	Satis.	
Fifteen-year income, expense, and occupancy projection.	Satis.	

COMPLETENESS AND ISSUES CHECKLIST

FINAL REVIEW REQUIRED ITEMS:	STATUS Satis. / Unsatis.	NOTE
Executed general construction contract with “not to exceed” costs.	Unsatis.	4
HC ONLY: 15% of the total equity to be provided prior to or simultaneously with the closing of the construction financing.	Satis	
Any additional items required by the credit underwriter.	Satis.	5, 6, 7

NOTES AND DEVELOPER RESPONSES:

1. Receipt of Final “signed, sealed, and approved for construction” plans and specifications is a condition precedent to closing.
2. Permits will be submitted as they are received by the Developer.
3. Receipt of a final executed general construction contract acceptable in form and substance and without material changes consistent to the analysis presented herein.
4. Receipt of a final PCR acceptable to HFAPBC and AmeriNat is a condition precedent to loan closing.
5. Confirmation that the Development will be exempt from paying real estate property taxes.
6. Confirmation that parking to be provided on site meets the local zoning ordinance(s) is a condition precedent to loan closing.
7. Confirmation of the flood zone designation for the Development and the appropriate insurance(s) applicable thereto are in place and acceptable to HFAPBC is a condition precedent to loan closing.