



March 18, 2020

Ms. Marnie George  
Chairwomen  
Housing Finance Authority of Leon County, Florida  
1404 Alban Avenue  
Tallahassee, FL 32301

RE: Lakes at San Marcos - Housing Finance Authority of Leon County, Florida Multifamily Housing Revenue Bonds Series 2005,  
- Transfer of General Partner ("GP") Interests of the Borrower

Dear Ms. Marnie George:

The Housing Finance Authority of Leon County ("HFA") has requested that AmeriNat® ("AmeriNat" or "Servicer") review the request, dated February 5, 2020, as submitted by Louis E. Vogt on behalf of FL San Marcos GP, LLC (the "Replacement GP"), for the consent to transfer the general partner interest of MP CHP San Marcos Ltd, ("Partnership" or "Borrower") to the Replacement GP. FL San Marcos GP, LLC, a single-purpose entity, and whose members include Louis E. Vogt (0.01%), Scott Zimmerman (0.01%) and the AGPM Acquisitions, LLC (99.98%).

Lakes at San Marcos ("Development") is financed utilizing 4% housing tax credits, a first mortgage funded by the issuance of the Housing Finance Authority of Leon County, Florida Multifamily Housing Revenue Bonds (Lakes at San Marcos Apartments), Series 2005, deferred developer fee, owner equity, an unsecured loan assigned to the general partner, and unsecured loans issued by an affiliate of the Investor Limited Partner.

AmeriNat reviewed the request, performed certain due diligence, and formulated a recommendation. For purposes of this analysis, AmeriNat reviewed the following due diligence

- Correspondence from representatives of the Replacement GP regarding approval of the request detailed above
- Agreement for Purchase of General Partner Interest ("PA"), dated February 5, 2020;
- Credit Underwriting Report ("CUR") dated February 8, 2011;
- Development's 2017 and 2018 financial audits, and unaudited 2019 financial statements;
- Financial Statement Analysis Summary Report prepared by AmeriNat for fiscal years 2017, 2018 and 2019;
- Financial statements, dated December 31, 2019, for AGPM Acquisitions, LLC ("AGPM");
- Proposed organizational chart reflecting the new ownership entities;
- Florida Housing Finance Corporation ("FHFC") Past Due Report dated February 21, 2020;
- FHFC Noncompliance Report dated January 27, 2020;
- LURA dated February 1, 2005.

## **Background**

The Lakes at San Marcos is a 312-unit apartment property consisting of 260 affordable units and 52 market rate units located in Tallahassee, Leon County, Florida. CMP CHP San Marcos, Ltd, was formed in February 2005. Due to construction delays and cost overruns, the Development was not fully completed until 2011. During this period (2005-2011), the original General Partner was removed (2010). The current General Partner, Lakes at San Marcos GP, LLC, an affiliate of the Limited Partner, having purchased the Partnership's General Partner interest in June 2018. The Limited Partner is an affiliate of Hunt Capital Partners.

The property is financed utilizing 4% housing tax credits, a first mortgage funded by tax exempt bonds issued by the Housing Finance Authority of Leon County, a deferred development fee, owner equity, an unsecured loan assigned to the General Partner, and unsecured loans issued by an affiliate of the Investor Limited Partner.

Operation of the Development is restricted by terms and conditions detailed in the LURA, dated February 1, 2005 for a term of approximately 50 years. For the Development, no less than 75% of the units are restricted to households with annual income that no more than 60% Area Median Income ("AMI"). No income restrictions apply to the remaining units.

According to the Financial Statement Analysis Summary Reports prepared by AmeriNat for fiscal years 2017, 2018 and 2019, the Development operated with gross potential rental revenue ranging from approximately \$2.9MM to \$3.1MM. During those years, the economic vacancy ranged from 9.0% to 11.2% and net operating income ranged from approximately \$1.0MM to \$1.28MM. During the same period, the first mortgage debt service coverage ranged from 0.87x to 1.17x.

The 2018 financial audit notes that the financial statements were prepared on a going concern basis. The Partnership has historically incurred recurring losses from operations, and suffered from negative cash flows. The Partnership is in technical default on its note payable to the General Partner; however, no actions have been taken by the General Partner to call the debt. In addition, management discovered during 2018 that there were water infiltration issues requiring significant repairs. Ultimately, some of the repairs were covered by insurance, but there remains additional work to be completed that could result in further negative cash flows.

On October 10, 2018, the property sustained damages from hurricane Michael. The hurricane caused varying degrees of wind and water damages. Damages estimates according to the 2018 financial audit were ranged from \$3.5MM to \$5.8MM with some of the damage expected to be covered by insurance. AGPM, in conjunction with its affiliate construction company, is confident that the Development's water intrusion issues can be appropriately mitigated at a cost of \$3,000,000 or less. As part of the negotiated agreement, the Replacement GP will make a Capital Contribution which will be utilized by the Partnership to satisfy immediate capital needs at the property.

The most recent Management Review and Physical Inspection completed August 6, 2019, reflected several noncompliance issues. The noncompliance issues were resolved and a closeout letter, dated September 20, 2019, was issued.

### **Ownership Transfer**

The PA is for the purchase of the general partner interest, and is between Lakes at San Marcos GP, LLC (“Seller”) and FL San Marcos GP, LLC (“Buyer”) for the Seller’s entire interests in CMP CHP San Marcos, LTD. The purchase price is \$16,100,000 less the sum of the outstanding principal, plus accrued but unpaid interest, at the closing date, with the closing date to be no later than May 1, 2020. The Buyer shall have three separate options to extend the closing date for 30 days per option for the cost of \$50,000 for each extension. The payment of the option extension will be credited towards the purchase price. The PA provides for the right to terminate the PA for a material breach of any representation, warranty or covenant of Buyer not cured within 10 business days for both the Buyer and Seller. The Buyer may terminate the agreement any time prior to the end of its inspection period (April 1, 2020).

Along with standard and typical buyer and seller obligations, the Buyer, Seller and Limited Partner will execute a Second Amendment to the Partnership Agreement (“2<sup>nd</sup> Amendment”). Along with requirements related to Section 42 Low Income Housing Credit, the 2<sup>nd</sup> Amendment obligates the Buyer to make \$3,000,000 in capital contributions to the Partnership, which may be made over a 24-month period, the proceeds of which shall be used to fund capital improvements to the Development and costs associated with the PA that include but not limited to \$500,000 towards the purchase price, capital repairs, operating deficits, if any, and closing the transaction. Additionally, the Buyer’s development team will post a declining Letter of Credit in the amount of \$1.8M to the syndicator for potential tax credit recapture through end of compliance. For one year after the end of the Compliance Period, the Buyer will have an option to purchase the limited partner interests in the Partnership.

FL San Marcos GP, LLC is a newly formed entity that does not possess any financial information. It is owned by AGPM Acquisitions, LLC, Mr. Vogt and Mr. Zimmerman. AGPM Acquisitions, LLC is owned by Mr. Vogt and Mr. Zimmerman. Combined, Mr. Vogt and Mr. Zimmerman have over 65 years of varied real estate experience, and are experienced affordable housing real estate developers. The development team has experience in a vast array of federal, state and local affordable housing financing programs, including 4% and 9% Low Income Housing Credits, tax exempt bonds, SAIL funds, SHIP funds, as well as HOME loans. They are being relied upon for their experience and financial capacity. Financial Statements for Mr. Vogt and Mr. Zimmerman reflect significant liquidity and net worth.

AmeriNat completed a review of Schedules of Real Estate Owned, and Contingent Liabilities for Mr. Vogt and Mr. Zimmerman, and found the information contained therein to be satisfactory. AmeriNat reviewed financial statements for AGPM Acquisitions, LLC that were also found to be satisfactory.

### **Proposed Property Management Company**

In addition, a request is being made to FHFC to consent to change from the current property management company, Services – TaylorMade, a Florida-based corporation not affiliated with the current general partner, to AGPM, LLC, a Florida-based affiliate of the Replacement GP. AGPM, LLC currently manages a portfolio of over 13,000 units located throughout the southeastern United States, including a multifamily property in Tallahassee.

AGPM, LLC was established in October 2008 as an owner/manager of affordable housing and Housing Tax Credit properties in Florida and the southeastern United States. Based in Orlando, Florida, AGPM, LLC is actively involved in the acquisition and renovation of value-added residential rental communities, with experience in handling loan restructures, purchasing notes, acquiring general/limited partner interests, joint ventures and fee simple purchases. The executive staff is led by member/managers Scott Zimmerman and Louis Vogt. Currently, AGPM owns/manages in excess of 50 properties and 9,000 units throughout the southeastern United States (Florida, Georgia, South Carolina, North Carolina Texas, Virginia, and Tennessee). AGPM, LLC demonstrates sufficient experience in the management of affordable multifamily housing to serve as the Development's property manager.

### **Additional Information**

According to Mr. Vogt, the transfer of the GP interest will be subject to the current bonds outstanding whose servicer (Hunt Mortgage Capital) and bond investor (Bank of America) have both approved. Florida Housing Finance Corporation has delivered its Assignment and Assumption Agreement related to the Extended Use Agreement.

Unlimited operating deficit guarantees through the end of the Low-Income Housing Tax Credit ("LIHTC") compliance period will be provided to the LIHTC syndicator by AGPM Acquisitions, LLC, a closely-held entity owned by Mr. Vogt and Mr. Zimmerman. While the syndicator does not require additional guarantees to be provided by Mr. Vogt and Mr. Zimmerman, the HFA does. The guarantees provided to the HFA shall be provided by Mr. Vogt and Mr. Zimmerman, and not solely AGPM Acquisitions, LLC.

According to the FHFC Noncompliance Report dated January 27, 2020, no noncompliance items exist for the proposed Development Team.

According to the FHFC Past Due Report dated February 21, 2020, no noncompliance issues exist for the proposed Development Team:

### **Recommendations**

AmeriNat's review indicates AGPM Acquisitions, LLC, Mr. Vogt and Mr. Zimmerman, including the property management company, have the pre-requisite combined financial strength and experience to successfully own and operate the general partner of the Borrower. Accordingly, AmeriNat recommends the HFA consent to, and approve, the transfer of the general partnership interest to FL San Marcos GP, LLC and modification of any other documents required to effectuate the transfer of general partner interests, subject to the following:

1. Replacement GP and principals (if applicable), as well as the withdrawing entities, to execute any assignment and assumption documents the HFA deems necessary to effectuate the transfer of general partner interests;
2. Any guarantees required by the HFA are to be provided by Mr. Vogt and Mr. Zimmerman, and not solely AGPM;

3. Payment of all costs and fees to the HFA, its Legal Counsel and Servicer, if any, as applicable;
4. Consent of any lenders and syndicator, as applicable;

Please do not hesitate to contact me if you need further assistance.

Sincerely,



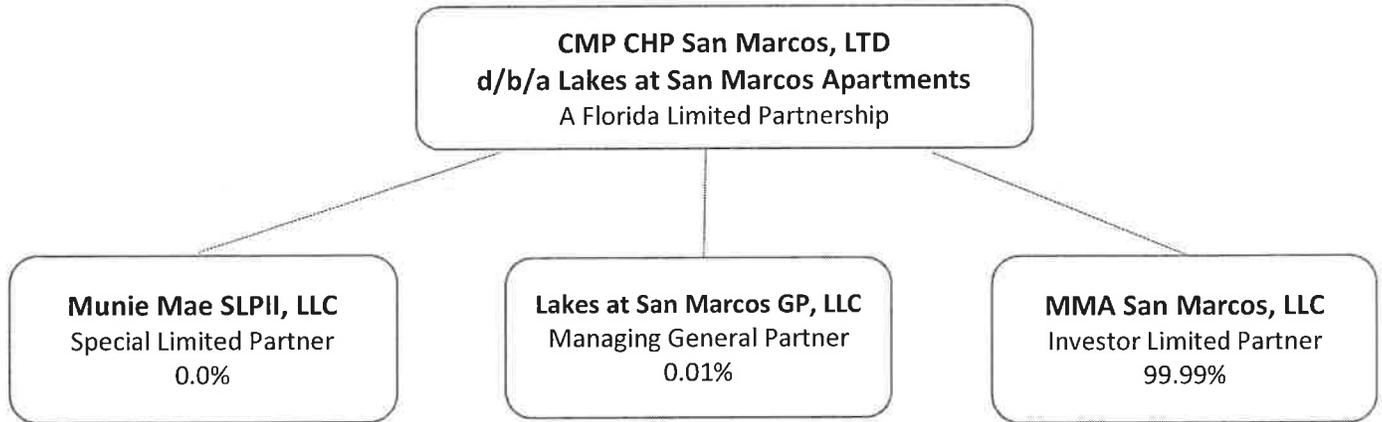
Tom Loulodes  
Multifamily Credit Underwriter Manager

Attachments (organizational charts – current and proposed)

Current

### LAKES AT SAN MARCOS APARTMENTS

Tallahassee, Florida



Proposed

