
Housing Finance Authority of Leon County

Credit Underwriting Report

Magnolia Terrace Apartments

Multifamily Mortgage Revenue Bond Program

Section A	Report Summary
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Prepared by

Seltzer Management Group, Inc.

Final Report

February 5, 2020

MAGNOLIA TERRACE APARTMENTS

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Section A
Report Summary

Recommendation

Seltzer Management Group, Inc. ("SMG" or "Seltzer") recommends Leon County Housing Finance Authority ("LCHFA" or "Authority") fund Tax-Exempt Multifamily Mortgage Revenue Bonds ("MMRB") in the amount of \$11,880,000 to Magnolia Terrace Apartments ("Magnolia Terrace" or "Development") awarded for the acquisition, rehabilitation, and permanent financing (see Financing Structure below) of Magnolia Terrace.

DEVELOPMENT & SET-ASIDES

Development Name: Magnolia Terrace Apartments

RFA/Program Numbers: _____ / _____

Address: 509 East Magnolia Drive

City: Tallahassee Zip Code: 32301 County: Leon County Size: Medium

Development Category: Acquisition/Rehab Development Type: Garden Apts (1-3 Stories)

Construction Type: Concrete slab-on-grade foundation, concrete masonry unit walls, pitched asphalt shingles roof

Demographic Commitment:

Primary: Family for 100% of the Units

Unit Composition:

of ELI Units: 0 ELI Units Are Restricted to _____ AMI, or less. Total # of units with PBRA? 108

of Link Units: 0 Are the Link Units Demographically Restricted? No # of NHTF Units: 0

Bed Rooms	Bath Rooms	Units	Square Feet	AMI%	Low HOME Rents	High HOME Rents	Gross HC Rent	Utility Allow.	Net Restricted Rents	PBRA Contr Rents	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
1	1.0	25	600	60%			\$776	\$72	\$704	\$925	\$925	\$950	\$925	\$277,500
2	1.0	50	777	60%			\$931	\$87	\$844	\$1,050	\$1,050	\$1,050	\$1,050	\$630,000
3	1.5	25	903	60%			\$1,075	\$109	\$966	\$1,215	\$1,215	\$1,225	\$1,215	\$364,500
4	1.5	8	1,042	60%			\$1,200	\$131	\$1,069	\$1,325	\$1,325	\$1,350	\$1,325	\$127,200
		108	84,761											\$1,399,200

Buildings: Residential - 16 Non-Residential - 2

Parking: Parking Spaces - 195 Accessible Spaces - 13

Set Asides:

Program	% of Units	# of Units	% AMI	Term (Years)
MMRB	100.0%	108	60%	30
HC	100.0%	108	60%	30

MMRB CREDIT UNDERWRITING REPORT

SMG

Occupancy Rate at Stabilization: Physical Occupancy 97.00% Economic Occupancy 97.00%
 Occupancy Comments To remain occupied throughout rehabilitation

DDA: No QCT: Yes Multi-Phase Boost: No QAP Boost: N/A
 Site Acreage: 7.498 Density: 14.4038 Flood Zone Designation: X
 Zoning: Central Urban 45 (CU-45) Flood Insurance Required?: No

DEVELOPMENT TEAM

Applicant/Borrower:	LIH Magnolia Terrace, LP	% Ownership
General Partner	LIH Magnolia Terrace GP, LLC	0.0100%
Limited Partner	Hunt Capital Partners, LLC or an affiliate	99.9900%
Construction Completion Guarantor(s):		
CC Guarantor 1:	LIH Magnolia Terrace, LP	
CC Guarantor 2:	LIH Magnolia Terrace GP, LLC	
CC Guarantor 3:	Magnolia Terrace Developer, LLC	
CC Guarantor 4:	Jacob Levy	
Operating Deficit Guarantor(s):		
OD Guarantor 1:	LIH Magnolia Terrace, LP	
OD Guarantor 2:	LIH Magnolia Terrace GP, LLC	
OD Guarantor 3:	Magnolia Terrace Developer, LLC	
OD Guarantor 4:	Jacob Levy	
Bond Purchaser	Publicly Offered	
Developer:	Magnolia Terrace Developer, LLC	
Principal 1	Jacob Levy	

DEVELOPMENT TEAM (cont)

General Contractor 1:	Wilshire Pacific Builders, LLC
Management Company:	RAM Partners, LLC
Const. Credit Enhancer:	Fannie Mae
Perm. Credit Enhancer:	Fannie Mae
Syndicator:	Hunt Capital Partners, LLC
Bond Issuer:	Housing Finance Authority of Leon County, Florida
Architect:	Mark Anderson Architects, Inc. d/b/a Pacific Rim Architects
Market Study Provider:	Integra Realty Resources, Inc.
Appraiser:	Integra Realty Resources, Inc.

PERMANENT FINANCING INFORMATION						
	1st Source	2nd Source	3rd Source	4th Source	5th Source	Other
Lien Position	First	Second				
Lender/Grantor	CBRE - M.TEB / Fannie Mae / Leon County HFA	AHA-Magnolia				
Amount	\$11,880,000	\$1,000,000				
Underwritten Interest Rate	4.05%	1.86%				
Loan Term	15.0	15.0				
Amortization	35.0	N/A				
Market Rate/Market Financing LTV	83.1%	90.1%				
Restricted Market Financing LTV	86.7%	94.0%				
Loan to Cost - Cumulative	55.8%	60.5%				
Debt Service Coverage	1.175	1.111				
Operating Deficit & Debt Service Reserves	\$575,000					
# of Months covered by the Reserves	10.2					
Deferred Developer Fee			\$889,649			
As-Is Land Value			\$760,000			
As-Is Value (Land & Building)			\$9,200,000			
Market Rent/Market Financing Stabilized Value			\$14,300,000			
Rent Restricted Market Financing Stabilized Value			\$13,700,000			
Projected Net Operating Income (NOI) - Year 1			\$788,756			
Projected Net Operating Income (NOI) - 15 Year			\$952,128			
Year 15 Pro Forma Income Escalation Rate			2.00%			
Year 15 Pro Forma Expense Escalation Rate			3.00%			
Bond Structure			Publically Offered M.TEB			
Housing Credit (HC) Syndication Price			\$0.8955			
HC Annual Allocation - Qualified in CUR			\$720,105			
HC Annual Allocation - Equity Letter of Interest			\$683,431			

CONSTRUCTION/PERMANENT SOURCES:				
Source	Lender	Construction	Permanent	Perm Loan/Unit
First Mortgage	CBRE - M.TEB / Fannie Mae / Leon County HFA	\$11,880,000	\$11,880,000	\$110,000.00
Second Mtg. - Seller's Note	AHA-Magnolia, LLC	\$1,000,000	\$1,000,000	\$9,259.26
HC Equity	Hunt Capital Partners	\$4,038,878	\$6,119,513	\$56,662.16
Deferred Developer Fee	Magnolia Terrace Developer, LLC	\$2,772,703	\$889,649	\$8,237.49
Net Operating Income	Magnolia Terrace Apartments	\$1,393,904	\$1,393,904	\$12,906.52
Deferred Reserve Funding	LIH Magnolia Terrace, LP	\$197,581	\$0	\$0.00
TOTAL		\$21,283,066	\$21,283,066	\$197,065.42

Financing Structure:

The Applicant submitted to the LCHFA a MMRB Application. Magnolia Terrace will receive funding from the issuance of LCHFA Tax-Exempt Bonds in the amount of \$11,880,000. The Bonds, to be underwritten by RBC Capital Markets ("RBC"), will be publically-offered and enhanced by an Immediate Fannie Mae Mortgage-Backed Security ("MBS") loan. The loan will be provided by CBRE Multifamily Capital, Inc. ("CBRE") in a like amount, as Tax-Exempt Bond Collateral ("M.TEB") for tenant in-place unit rehabilitation. At closing the loan will immediately begin amortizing on a 35-year amortization schedule with a 17-year term.

Changes from the Application:

COMPARISON CRITERIA	YES	NO
Does the level of experience of the current team equal or exceed that of the team described in the application?	X	
Are all funding sources the same as shown in the Application?		1
Are all local government recommendations/contributions still in place at the level described in the Application?	X	
Is the Development feasible with all amenities/features listed in the Application?	X	
Do the site plans/architectural drawings account for all amenities/features listed in the Application?		2
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?		3
Have the Development costs remained equal to or less than those listed in the Application?		4
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?		5
Is the Development in all other material respects the same as presented in the Application?		6

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

1. Since submission of the Application, the Applicant has added deferred Developer Fees in the amount of \$889,649, deferred reserve funding in the amount of \$197,581, and Net Operating Income in the amount of \$1,393,904 as sources for permanent financing of the Development.
2. Amenities/Features Changed From Application:
 - a. In the application, the Applicant elected to provide marble window sills. On November 20, 2019, the Applicant received approval to substitute granite window sills in its place.

- b. In lieu of selecting specific energy features and amenities in the application, the Applicant proposed a holistic approach that will result in a reduction to energy usage of 10% or greater. Seltzer engaged Partner Energy, Inc. (“Partner Energy”) to perform an ASHRAE Level I Energy Assessment in which Partner Energy analyzed the proposed scope of rehabilitation and concluded the Development should achieve an improved energy efficiency of 14%.
3. The minimum set-aside period as stated in the Application is 50 years. The Applicant requested a set-aside period of 30 years instead. This request is included under Waiver Requests/Special Conditions below and will be approved simultaneously with the approval of the recommendation in this report.
4. Total Development Costs (“TDC”) as stated in the application were \$20,178,702. TDC have increased \$1,104,364 to \$21,283,066. This increase is primarily due to increases in construction costs, general development costs, and an increase in the overall purchase price.
5. Applicant initially provided a Hunt Capital Partners, Inc. (“HCP”) letter of intent for HC equity dated October 1, 2018, reflecting a rate of syndication of \$0.93 per housing credit. Subsequently, Seltzer was provided an updated LOI from dated November 1, 2019, reflecting a rate of syndication of \$0.8955 per housing credit.
6. Other Material Changes Since Application
 - a. The Application stated that four-bedroom units had two full bathrooms. It has since been confirmed that all four-bedroom units have 1.5 bathrooms.
 - b. The Developer entity has changed since the time of Application from Levy Affiliated Holdings, LLC to Magnolia Terrace Developer, LLC (“MTD”). Jacob Levy is the 100% owner of MTD.

These changes have no substantial material impact to the MMRB recommendations for this Development.

Does the Development Team have any Florida Housing Finance Corporation (“FHFC” or “Florida Housing”) Financed Developments on the Past Due/Noncompliance Report?

Florida Housing’s Past Due Report dated December 13, 2019, reflects no past due item(s).

The Asset Management Noncompliance Report dated August 12, 2019, reflects no noncompliance items.

This recommendation is subject to satisfactory resolution (as determined by FHFC) of any outstanding past due and/or noncompliance items prior to loan closing.

Strengths:

1. Per the Market Study, Integra Realty Resources, Inc. (“IRR”), states that there is adequate demand for affordable housing in the subject’s Primary Market Area (“PMA”), and the Development has historically maintained an occupancy rate in excess of 95%.
2. Per the Market Study, IRR advised that the average occupancy rate for like-kind properties is 92.6%.

3. Although the Applicant, General Partner, and Developer entities are newly formed, the underlying principal, Jacob Levy, has sufficient experience and financial resources to rehabilitate and operate the Development.

Other Considerations: None

Waiver Requests/Special Conditions:

1. The minimum set-aside period as stated in the Application is 50 years. The Applicant requested a waiver for a set-aside period of 30 years.

Additional Information:

1. Existing Restrictions on the Development
 - a. LURA with the LCHFA, effective October 1, 2002, and most recently amended March 12, 2014, associated with the issuance of Series 2002 Taxable Bonds in the amount of \$475,000. The restrictions imposed by the Bonds remain in force until October 1, 2022 and require that the Development be occupied partially (at least 60% of the units) by person(s) or family (i) who have reached the age of 65 or older, or (ii) whose total adjusted gross income adjusted for family size, does not exceed 80% of the then current Median Family Income for the County. Defeasance of these Bonds occurred March 12, 2014.
 - b. Land Use Restriction Agreement (“LURA”) with the Public Finance Authority of Wisconsin, effective March 12, 2014, associated with the issuance of \$4,945,000 Series 2014A Tax-Exempt Bonds and \$175,000 Series 2014A-T Taxable Bonds. The restrictions imposed by the Bonds requires that no less than 40% of the available units in the Development be occupied by tenants with household incomes that do not exceed 60% of the Area Median Income (“AMI”). The restrictions associated with these bonds will be assumed by the Borrower or will terminate upon full repayment of the Tax-Exempt Bonds. Defeasance of these Bonds is a Loan Closing Condition.
2. Jacob Levy, the principal of the Developer, possesses a 16.67% ownership interest in the General Contractor (“GC”), Wilshire Pacific Builders, LLC (“WPB”).
3. Per a February 5, 2020 email from the Applicant’s Account Executive, The United States Department of Housing and Urban Development (“HUD”) is in the process of issuing the Preliminary Housing Assistance Payment (“HAP”) approval letter and executing the closing documents. A Long-Term Section 8 Mark-Up-to Market HUD HAP contract in place at closing at the rent levels at or above those reflected in this report is listed as a special condition to close.

Issues and Concerns: None

Mitigating Factors: None

Recommendation:

SMG recommends the LCHFA fund MMRB in the amount of \$11,880,000 to Magnolia Terrace Apartments. This recommendation is based upon the assumptions detailed in the Report Summary (Section A) and Supporting Information and Schedules (Section C). In addition, this recommendation is subject to the MMRB Conditions and HC Allocation Recommendation and Contingencies (Section B). The reader is cautioned to refer to these sections or referenced documents for complete information.

This recommendation is only valid for six months from the date of the report.

Prepared by:



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Overview

Construction Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
First Mortgage	CBRE - M.TEB / Fannie Mae / Leon County HFA	\$13,000,000	\$11,880,000	\$11,880,000	4.05%	\$794,378
Second Mtg. - Seller's Note	AHA-Magnolia, LLC	\$1,000,000	\$1,000,000	\$1,000,000	1.86%	\$0
Deferred Reserve Funding	LIH Magnolia Terrace, LP	\$0	\$0	\$197,581	0.00%	\$0
HC Equity	Hunt Capital Partners	\$6,000,000	\$4,834,000	\$4,038,878		
Deferred Developer Fee	Magnolia Terrace Developer, LLC	\$178,702	\$2,735,878	\$2,772,703		
Net Operating Income	Magnolia Terrace	\$0	\$1,393,904	\$1,393,904		
Total		\$20,178,702	\$21,843,782	\$21,283,066		\$794,378

First Mortgage – M.TEB:

Per the CBRE application letter dated August 26, 2019, and updated term sheet dated October 30, 2019, CBRE will arrange for a Fannie Mae Delegated Underwriting and Servicing Program (“Fannie Mae DUS”) first mortgage lien in the amount of \$11,880,000 for construction and permanent period financing of the Development. The loan will have a term of 15 years (commencing and amortizing at closing), amortizing over a 35-year period.

CBRE commits to (a) make a loan to the Applicant at closing, the proceeds of which shall be issued and outstanding as of the closing date and (b) provide a Fannie Mae MBS which Fannie Mae Mortgage-Backed Security (“Fannie Mae MBS”) will serve as tax-exempt bond collateral (“M.TEB”).

Seltzer has utilized a fixed interest rate of 4.05%, as estimated by CBRE in their term sheet.

Additional fees included in the Debt Service calculation consist of a servicing fee equal to 0.023% (\$2,732.40) of the outstanding principal balance, an annual compliance fee of \$4,752 (escalating at 3% per annum), an Issuer fee of 20 bps, an annual Trustee fee of \$4,000 (\$2,000 paid semiannually), and an annual Dissemination Fee of \$250.

It is anticipated that the Development will maintain stabilized operations throughout the rehabilitation period, as the Subject Development is currently 97% occupied. Accordingly, net operating income from continued operations is included as a source.

Other Construction Sources of Funds:

Additional sources of funds for this Development during construction are a \$1,000,000 Seller’s Note, Net Operating Income from continued operations in the amount of \$1,393,904, Housing Credit equity of \$4,038,878, \$197,581 of deferred funding of reserves, and deferred Developer Fees in the amount of \$2,772,703. See the Permanent Financing section below for details.

Permanent Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt
First Mortgage	CBRE - M.TEB / Fannie Mae / Leon County HFA	\$10,760,000	\$11,880,000	\$11,880,000	4.05%	35	15	\$635,502
Second Mtg. - Seller's Note	AHA-Magnolia	\$1,000,000	\$1,000,000	\$1,000,000	1.86%	N/A	15	\$39,250
HC Equity	Hunt Capital Partners	\$6,121,254	\$6,119,513	\$6,119,513				
Deferred Developer Fee	Magnolia Terrace Develop	\$1,572,180	\$1,450,365	\$889,649				
Net Operating Income	Magnolia Terrace	\$725,268	\$1,393,904	\$1,393,904				
Total		\$20,178,702	\$21,843,782	\$21,283,066				\$674,752

First Mortgage – M.TEB:

See the construction financing section above for details.

Second Mortgage - Seller's Note:

Simultaneously with closing, AHA-Magnolia, LLC ("Seller") will provide a subordinate Seller's Note and mortgage in the amount of \$1,000,000. Based on the terms outlined in the Purchase and Sale Agreement that was executed by the Seller on June 6, 2018, the Seller's Note will bear an interest rate based on the long term Applicable Federal Rate ("AFR") per IRS code Section 1274(d) per annum on the unpaid principal balance until paid. Seltzer utilized the October 2019 long term AFR of 1.86%.

Seller's Note terms provided for in an LOI dated November 1, 2019, state that annual installments of interest and principal shall be due in arrears and shall be made only in accordance with the waterfall provisions in the First Amended and Restated Limited Partnership Agreement, in an amount up to thirty-three percent (33%) of the surplus cash available in the project after payment of Developer Fee. Unless due to an earlier time by virtue of acceleration of the balance, the principal amount shall be due in full on the date that is fifty-five (55) years from the date of closing.

Based on the Year-1 Cash Flow After Debt Service of \$117,759, as calculated by Seltzer, an annual payment of 33% of surplus cash was reflected in the amount of \$39,250. Despite an increasing Debt Service Coverage from Year-2 through Year-15, the estimated debt service payment remained constant in the 15 year pro forma. Based annual payments of \$39,250, the Seller's Note would be fully repaid in approximately 25.5 years.

Housing Credits Equity Investment:

The Borrower has applied to Florida Housing to receive 4% Housing Credits directly from the United States Treasury in conjunction with tax-exempt financing. An HC calculation is contained in Exhibit 4 of this credit underwriting report.

Based upon an equity LOI dated November 1, 2019, HCP-ILP, LLC, an affiliate of HCP, will purchase a 99.99% membership interest in the Applicant and provide HC equity as follows:

Capital Contributions	Amount	Percent of Total	When Due
1st Installment	\$917,927	15.00%	at closing
2nd Installment	\$917,927	15.00%	25% construction completion; not before May 1, 2020
3rd Installment	\$1,101,512	18.00%	50% construction completion; not before August 1, 2020
4th Installment	\$1,101,512	18.00%	75% construction completion; not before November 1, 2020
5th Installment	\$795,537	13.00%	100% lien free completion; not before January 1, 2021
6th Installment	\$1,185,350	19.37%	Stabilization / conversion to permanent period; not before February 1, 2022
7th Installment	\$99,748	1.63%	8609; not before May 1, 2022
Total	\$6,119,513	100.00%	

Annual Tax Credits per Syndication Agreement:	\$683,431
Total HC Available to Syndicator (10 years):	\$6,833,627
Syndication Percentage (limited partner interest):	99.990%
Calculated HC Exchange Rate (per dollar):	\$0.8955
Proceeds Available During Construction:	\$4,038,878

Sufficient equity proceeds will be disbursed at closing to meet regulatory requirements.

Other Permanent Sources of Funds:

In order to balance the sources and uses of funds after all loan proceeds, net operating income of \$1,393,904, and capital contributions have been received, the Developer will have to defer \$889,649 of Developer Fees.

Uses of Funds

CONSTRUCTION COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Accessory Buildings				\$0	
Demolition				\$0	\$0
Installation of Pre Fab Units				\$0	
New Rental Units				\$0	
Off-Site Work				\$0	\$0
Recreational Amenities				\$0	
Rehab of Existing Common Areas				\$0	
Rehab of Existing Rental Units	\$4,675,860	\$4,289,428	\$4,308,155	\$39,890	
Site Work				\$0	
Swimming Pool				\$0	
Furniture, Fixture, & Equipment		\$875,348	\$909,540	\$8,422	
Hard Cost Contingency - in Constr. Cont.				\$0	
Constr. Contr. Costs subject to GC Fee	\$4,675,860	\$5,164,776	\$5,217,695	\$48,312	\$0
General Conditions	\$280,552	\$309,887	\$313,061.70	\$2,899	
Overhead	\$99,128	\$103,296	\$104,353.90	\$966	
Profit	\$297,385	\$309,887	\$313,061.70	\$2,899	
Builder's Risk Insurance	\$80,294			\$0	
General Liability Insurance		\$88,318	\$89,222.58	\$826	
Payment and Performance Bonds	\$53,530	\$58,878	\$59,481.72	\$551	
Contract Costs not subject to GC Fee				\$0	
Total Construction Contract/Costs	\$5,486,749	\$6,035,042	\$6,096,876.60	\$56,453	\$0
Hard Cost Contingency	\$535,292	\$603,504	\$603,504	\$5,588	
PnP Bond paid outside Constr. Contr.				\$0	
Fees for LOC used as Constr. Surety				\$0	
Demolition paid outside Constr. Contr.				\$0	
FF&E paid outside Constr. Contr.				\$0	
Other:				\$0	
Total Construction Costs:	\$6,022,041	\$6,638,546	\$6,700,381	\$62,041	\$0

Notes to the Construction Costs:

- The Applicant has provided an unexecuted AIA Document A102-2017 Standard Form of Agreement between Owner and Contractor (WPB) where the basis of payment is the Cost of the Work plus a Fee with a Guaranteed Maximum Price ("GMP") dated November 21, 2019. The contract is in the amount of \$6,096,876.60 and calls for achievement of substantial completion no later than December 31, 2020, with a penalty of \$100 per day thereafter that substantial completion hasn't been reached. Ten (10%) percent retainage will be withheld on all work performed throughout construction. The GMP has allowance items totaling \$367,800, and itemized below.

Allowances in the GMP

- Perimeter Fence Repairs - \$25,000
- Sewer Repairs - \$7,000
- Monument Sign - \$10,800
- Landscape Upgrades - \$50,000
- Carports - \$275,000

Final payment will be made by the Applicant to the Contractor when (1) the Contractor has fully performed the GMP, except for the Contractor's responsibility to correct work as provided in Article 12 of the GMP, and to satisfy other requirements, if any, which extend beyond final payment, (2) the Contractor has submitted a final accounting for the cost of the work and a final Application for Payment, and (3) a final Certificate for Payment has been issued by the Architect. Within 30 days of the Owner's receipt of the Contractor's final accounting for the Cost of the Work, the Owner shall conduct an audit of the Cost of the Work or notify the Architect that it will not conduct an audit.

2. SMG received the General Contractors Certification of Requirements indicating an understanding of GC conditions per Rule 67-21 and 67-48, F.A.C.
3. General Contractor fees as stated are within the 14% maximum per the Rule.
4. General Liability Insurance and the cost to obtain a Payment and Performance Bond are within the GMP.
5. The hard cost contingency is 9.90% of the construction contract amount, which is within the 15% limit per the Rule. The hard cost contingency is outside of the GC Contract and is not reflected on the schedule of values.
6. SMG engaged and received a Plan and Cost Analysis ("PCA") from Partner Engineering and Science, Inc. ("Partner"). Complete results are set forth in Section C of this credit underwriting report.

GENERAL DEVELOPMENT COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Accounting Fees	\$47,000	\$40,000	\$40,000	\$370	\$20,000
Appraisal	\$7,500	\$4,000	\$4,000	\$37	
Architect's and Planning Fees				\$0	
Architect's Fee - Green Initiative				\$0	
Architect's Fee - Landscape				\$0	
Architect's Fee - Site/Building Design	\$75,000	\$75,000	\$75,000	\$694	
Architect's Fee - Supervision	\$20,000	\$25,000	\$25,000	\$231	
Building Permits	\$50,000	\$50,000	\$50,000	\$463	
Builder's Risk Insurance			\$37,500	\$347	
Capital Needs Assessment/Rehab	\$10,000		\$5,400	\$50	
Engineering Fees	\$75,000			\$0	
Environmental Report	\$15,000	\$10,000	\$10,000	\$93	
Federal Labor Standards Monitoring				\$0	
FHFC Administrative Fees			\$64,810	\$600	\$64,810
FHFC Application Fee	\$75,000		\$3,000	\$28	\$3,000
FHFC Credit Underwriting Fee		\$50,000	\$12,705	\$118	\$12,705
FHFC Compliance Fee			\$114,115	\$1,057	\$114,115
FHFC Other Processing Fee(s)				\$0	
Impact Fee				\$0	
Lender Inspection Fees / Const Admin				\$0	
Green Building Cert. (LEED, FGBC, NGBS)				\$0	
Home Energy Rating System (HERS)				\$0	
Insurance				\$0	
Legal Fees - Organizational Costs	\$75,500	\$150,000	\$150,000	\$1,389	\$75,000
Local Subsidy Underwriting Fee				\$0	\$0
Market Study	\$7,500	\$5,500	\$4,500	\$42	\$4,500
Marketing and Advertising				\$0	
Plan and Cost Review Analysis			\$5,500	\$51	
Property Taxes				\$0	
Soil Test				\$0	
Survey	\$15,000			\$0	
Tenant Relocation Costs		\$54,000	\$54,000	\$500	
Title Insurance and Recording Fees			\$37,500	\$347	\$3,750
Traffic Study				\$0	
Utility Connection Fees				\$0	
Soft Cost Contingency	\$80,305	\$86,863	\$35,126	\$325	
Other: Zoning Report	\$2,500			\$0	
Other: Energy Audit			\$9,500	\$88	
Total General Development Costs:	\$555,305	\$550,363	\$737,656	\$6,830	\$297,880

Notes to the General Development Costs:

1. Capital Needs Assessment/Rehab and Plan and Cost Review Analysis fees reflect the cost of the reports engaged by Seltzer.
2. The FHFC Administrative Fee is based on 9% of the recommended annual allocation of HC. The FHFC Application Fee is reflective of the application fee for 4% HC. FHFC Credit Underwriting Fees are based on current contract amounts. FHFC Compliance Fees are the HC compliance fees and are based on a final allocation date of December 31, 2020.

3. Market Study and Appraisal fees reflect the actual cost of the reports prepared by IRR.
4. Tenant Relocation Costs (\$500/unit) are an estimate based the Applicant's past experience from performing other multifamily rehabilitations with tenants in-place.
5. Soft cost contingency is within the 5% maximum as allowed per Rule.
6. Other General Development Costs are based on the Borrower's estimates, which appear reasonable.

FINANCIAL COSTS:	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Construction Loan Interest	\$725,268	\$1,460,000		\$0	
Permanent Loan Application Fee				\$0	\$0
Permanent Loan Underwriting Fee	\$50,000			\$0	\$0
Permanent Loan Subsidy Layering Rev.				\$0	\$0
Permanent Loan Commitment Fee				\$0	\$0
Permanent Loan Origination Fee	\$107,600		\$118,800	\$1,100	\$118,800
Permanent Loan Closing Costs				\$0	\$0
Permanent Loan Interest			\$596,799	\$5,526	\$118,557
Permanent Loan Servicing Fee				\$0	\$0
Local HFA Application Bond Fee	\$75,000	\$90,000	\$46,880	\$434	\$46,880
Local HFA Bond Underwriting Fee			\$15,117	\$140	\$15,117
Local HFA Bond Subsidy Layering Rev.				\$0	\$0
Local HFA Bond Origination Fee				\$0	\$0
Local HFA Bond Commitment Fee			\$25,000	\$231	\$25,000
Local HFA Bond Trustee Fee				\$0	\$0
Local HFA Bond Credit Enh. Fee				\$0	\$0
Local HFA Bond Rating Fee				\$0	\$0
Local HFA Bond Cost of Issuance	\$300,000	\$333,730	\$333,730	\$3,090	\$333,730
Local HFA Bond Closing Costs				\$0	\$0
Local HFA Bond Interest				\$0	\$0
Legal Fees - Financing Costs	\$25,000	\$118,800	\$118,000	\$1,093	
Negative Arbitrage				\$0	
Placement Agent/Underwriter Fee				\$0	
Initial TEFRA Fee				\$0	\$0
Other: Investor Due Diligence and Legal	\$75,000	\$65,000	\$65,000	\$602	\$65,000
Other: Syndication Fee	\$50,000	\$61,640		\$0	\$0
Other: Bond Fund Deposit		\$53,000	\$53,000	\$491	\$53,000
Total Financial Costs:	\$1,407,868	\$2,182,170	\$1,372,326	\$12,707	\$776,084
Dev. Costs before Acq., Dev. Fee & Reserves	\$7,985,214	\$9,371,079	\$8,810,363	\$81,577	\$1,073,964

Notes to the Financial Costs:

1. As noted in the Construction Financing Sources section, the first mortgage loan will be fully funded and amortizing at closing. Therefore, the costs associated with rehabilitation/permanent loan have been shown in the permanent line items.
2. Permanent Loan Origination Fee is based on 1.00% of the funding amount per the CBRE application letter.
3. Permanent Loan Interest reflects the amount of interest from the amortizing loan payments paid during the construction period (calculated over 15 months).

4. Local HFA Application Bond Fee reflects the sum of a 0.10% application fee (\$11,880), Feasibility fee of \$5,000, and an initial Administrative Fee of \$30,000.
5. Local HFA Bond Underwriting Fee reflects the fee for credit underwriting.
6. Local HFA Bond Costs of Issuance reflects the estimated as provided by the Bond Underwriter and is inclusive of all issuer fees, financial advisor fees, and bond counsel fees.
7. Investor Due Diligence fees include fees charged by Hunt and their attorney fees for closing.
8. Bond Fund Deposit reflects two months of bond interest required by Fannie Mae to cover the period of time it is estimated to take from the origination of the Fannie Mae loan for the loan to be integrated into a Fannie Mae MBS security to secure the bonds.
9. All other financial costs are based on the Applicant's estimate, which appears reasonable.

NON-LAND ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Brokerage Fees - Building				\$0	
Building Acquisition Cost	\$8,280,000	\$8,340,000	\$8,452,000	\$78,259	
Developer Fee on Non-Land Acq. Costs	\$1,490,400		\$1,521,360	\$14,087	
Other:				\$0	\$0
Total Non-Land Acquisition Costs:	\$9,770,400	\$8,340,000	\$9,973,360	\$92,346	\$0

Notes to the Non-Land Acquisition Costs:

1. The Applicant provided a Purchase and Sale Agreement ("PSA") between the Seller and Levy Affiliated Holdings, LLC. ("Levy Affiliated") effective June 7, 2018 for a purchase price of \$9,000,000. Per the Assignment and Assumption of PSA dated July 1, 2018, Levy Affiliated assigned their rights under the aforementioned PSA to the Applicant. In the First Amendment to Purchase and Sale Agreement dated May 31, 2019, the purchase price was increased to \$9,100,000, which will be paid via proceeds of \$8,100,000 at closing, with the balance of \$1,000,000 structured as a subordinated Seller's Note. Repayment terms under the Seller's Note are detailed in the *Permanent Financing Sources* section above.

Based on the land value determination process explained in *Notes to the Land Acquisition Costs* section below, for underwriting purposes and calculation of the HC eligible basis, the portion of the total purchase price attributed to the Building Acquisition Cost is \$8,452,000.

2. The Developer Fee on Acquisition of Buildings is calculated as 18% of Building Acquisition Costs.

DEVELOPER FEE ON NON-ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Developer Fee - Unapportioned	\$1,201,288	\$2,772,703	\$1,251,343	\$11,587	
DF to fund Operating Debt Reserve				\$0	
DF to Brokerage Fees - Land				\$0	
DF to Excess Land Costs				\$0	
DF to Excess Bldg Acquisition Costs				\$0	
DF to Consultant Fees		\$25,000	\$25,000	\$231	
DF to Guaranty Fees				\$0	
Other: Shipping/Mailing/Travel	\$1,800			\$0	
Total Other Development Costs:	\$1,203,088	\$2,797,703	\$1,276,343	\$11,818	\$0

Notes to the Other Development Costs:

1. Developer Fee is within 18% of the Development's construction cost, exclusive of land acquisition costs and reserves, as required per Rule.
2. Consultant Fees are classified as a subset of Developer Fee.

LAND ACQUISITION COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Brokerage Fees - Land				\$0	\$0
Land Acquisition Cost				\$0	\$0
Land	\$720,000	\$760,000	\$648,000	\$6,000	\$648,000
Land Carrying Costs				\$0	\$0
Total Acquisition Costs:	\$720,000	\$760,000	\$648,000	\$6,000	\$648,000

Notes to the Land Acquisition Costs:

1. As noted in Non-Land Acquisition Costs a purchase agreement was provided reflecting a total purchase price of \$9,100,000. Seltzer has utilized the lesser of the appraised land value, land value per the Leon County Property Appraiser for Magnolia Terrace, and the Florida Housing Finance Corporation ("FHFC" or "Florida Housing") land allocation calculation. The Property Appraiser's value was the lesser value of the three.

RESERVE ACCOUNTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
Operating Deficit Reserve (Lender)				\$0	\$0
Operating Deficit Reserve (Syndicator)	\$500,000	\$500,000	\$500,000	\$4,630	\$500,000
Debt Service Coverage Reserve (Lender)				\$0	\$0
Debt Service Coverage Reserve (Syndicator)				\$0	\$0
Replacement Reserves (Lender)				\$0	\$0
Replacement Reserves (Syndicator)				\$0	\$0
Other: Escrow		\$75,000	\$75,000	\$694	\$75,000
Total Reserve Accounts:	\$500,000	\$575,000	\$575,000	\$5,324	\$575,000

Notes to Reserve Accounts:

1. Per the HCP LOI, an Operating Reserve will be established and funded in an amount of \$500,000.

TOTAL DEVELOPMENT COSTS	Applicant Costs	Revised Applicant Costs	Underwriters Total Costs - CUR	Cost Per Unit	HC Ineligible Costs - CUR
TOTAL DEVELOPMENT COSTS:	\$20,178,702	\$21,843,782	\$21,283,066	\$197,065	\$2,296,964

Notes to the Total Development Costs:

1. Development Costs ("TDC") as stated in the application were \$20,178,702. TDC have increased \$1,104,364 to \$21,283,066. This increase is primarily due to increases in construction costs, general development costs, and an increase in the overall purchase price.

Operating Pro forma

OPERATING PRO FORMA		ANNUAL	PER UNIT
INCOME	Gross Potential Rental Income	\$1,399,200	\$12,956
	Rent Subsidy (ODR)	\$0	\$0
	Other Income:		
	Miscellaneous	\$20,000	\$185
	Gross Potential Income	\$1,419,200	\$13,141
	Less:		
	Economic Loss - Percentage: 0.0%	\$0	\$0
	Physical Vacancy Loss - Percentage: 3.0%	(\$42,576)	(\$394)
	Collection Loss - Percentage: 0.0%	\$0	\$0
	Total Effective Gross Revenue	\$1,376,624	\$12,747
EXPENSES	Fixed:		
	Real Estate Taxes	\$115,968	\$1,074
	Insurance	\$27,000	\$250
	Other	\$0	\$0
	Variable:		
	Management Fee - Percentage: 3.5%	\$48,000	\$444
	General and Administrative	\$24,300	\$225
	Payroll Expenses	\$145,800	\$1,350
	Utilities	\$102,600	\$950
	Marketing and Advertising	\$13,500	\$125
	Maintenance and Repairs	\$78,300	\$725
	Reserve for Replacements	\$32,400	\$300
	Total Expenses	\$587,868	\$5,443
Net Operating Income	\$788,756	\$7,303	
Debt Service Payments			
DEBT SERVICE	First Mortgage - CBRE - M.TEB / Fannie Mae / Leon County HFA	\$635,502	\$5,884
	Second Mortgage - AHA-Magnolia	\$39,250	\$363
	First Mortgage Fees - CBRE - M.TEB / Fannie Mae / Leon County HFA	\$35,494	\$329
	Second Mortgage Fees - AHA-Magnolia	\$0	\$0
Total Debt Service Payments	\$710,247	\$6,576	
Cash Flow After Debt Service	\$78,509	\$727	

Debt Service Coverage Ratios		
	DSC - First Mortgage plus Fees	1.175
	DSC - Second Mortgage plus Fees	1.111
	DSC - All Mortgages and Fees	1.111
Financial Ratios		
	Operating Expense Ratio	42.7%
	Break-Even Ratio	91.6%

Notes to the Operating Pro forma and Ratios:

1. The LCHF A Bond program will impose rent restrictions that set aside 40% of the units (44 units) for households with incomes up to 60% of the Area Median Income ("AMI"). This Development will also

utilize 4% Housing Credits (“HC”), which will also impose rent restrictions that set aside 100% of the units (108 units) for households with incomes up to 60% of the AMI. Magnolia Terrace is projected to achieve 2019 Maximum Allowable HC Rents published by Florida Housing on all units based upon the appraiser’s estimate of achievable rents per comparable properties surveyed. The Development will receive Section-8 HUD rents for all 108 units. These rents exceed the HC rents and have been utilized in the operating pro forma.

The Appraiser’s rents are based on the Applicant’s estimate at the time of the appraisal. Since that time Seltzer has received confirmation of the HUD rents to be provided at closing. The Appraiser considers the difference in gross potential income to be immaterial to the valuations provided within the appraisal.

A rent roll for the Development is illustrated in the following table:

MSA/County: Tallahassee HMFA; Tallahassee MSA / Leon County

Bed Rooms	Bath Rooms	Units	Square Feet	AMI%	Low HOME Rents	High HOME Rents	Gross HC Rent	Utility Allow.	Net Restricted Rents	PBRA Contr Rents	Applicant Rents	Appraiser Rents	CU Rents	Annual Rental Income
1	1.0	25	600	60%			\$776	\$72	\$704	\$925	\$925	\$950	\$925	\$277,500
2	1.0	50	777	60%			\$931	\$87	\$844	\$1,050	\$1,050	\$1,050	\$1,050	\$630,000
3	1.5	25	903	60%			\$1,075	\$109	\$966	\$1,215	\$1,215	\$1,225	\$1,215	\$364,500
4	1.5	8	1,042	60%			\$1,200	\$131	\$1,069	\$1,325	\$1,325	\$1,350	\$1,325	\$127,200
		108	84,761											\$1,399,200

- Miscellaneous income as estimated by the Applicant includes application fees, late fees, forfeited security deposits, bad debt recoveries, pet fees, cancellation fees, damages recovered, and others.
- The Appraiser estimates a combined stabilized physical vacancy rate and collection loss rate of 3%, for an economic occupancy of 97%.
- Real estate tax and Insurance expenses are based on the Appraiser’s estimate.
- Per an unexecuted Management Agreement dated April 2019, between the Applicant and RAM Partners, LLC (“RAM”). RAM will receive \$4,000 per month for their services.
- Other operating expense estimates are based on comparable properties and are supported by the appraisal.
- The PCA completed by Partner estimated an annual inflated replacement reserve of \$206.83 per unit. Per Rule 67-21, the minimum replacement reserve amount shall be \$300 per unit per year. Seltzer has included a reserve amount of \$300 per unit per year.
- A 15-year income and expense projection reflects increasing debt service coverage (“DSC”) through year fifteen. This projection is attached to this report as Exhibit 1.

Section B

Loan Conditions

HC Allocation Recommendation and Contingencies

Special Conditions

These recommendations are contingent upon the review and approval of the following items by SMG and LCHFA at least 30 days prior to real estate loan closing. Failure to receive approval of these items within this time frame may result in postponement of the Loan closing.

1. Defeasance of the Bonds issued by the Public Finance Authority of Wisconsin.
2. Long-Term Section 8 Mark-Up-to Market HUD HAP contract in place at closing at the rent levels at or above those reflected in this report.
3. Seltzer's receipt and satisfactory review of an executed Property Management Agreement with terms not substantially different from those underwritten in this report.
4. Seltzer's receipt and satisfactory review of an executed GC Contract for the same contract amount, and terms not materially different from the GC Contract underwritten in this report.
5. Architectural drawings signed/sealed by a Florida licensed Architect.

General Conditions

This recommendation is contingent upon the review and approval of the following items by SMG and LCHFA at least 30 days prior to real estate loan closing. Failure to receive approval of these items within this time frame may result in postponement of the loan closing.

1. Borrower to comply with any and all recommendations noted in the Plan and Cost Review prepared by Partner.
2. Signed and sealed survey, dated within 90 days of closing, unless otherwise approved by LCHFA, and its Legal Counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to LCHFA and its Legal Counsel, as well as the title insurance company, and shall indicate the legal description, exact boundaries of the Development, easements, utilities, roads, and means of access to public streets, total acreage and flood hazard area, and any other requirements of LCHFA.
3. Building permits and any other necessary approvals and permits (e.g., final site plan approval, water management district, Department of Environmental Protection, Army Corps of Engineers, Department of Transportation, etc.). Acceptable alternatives to this requirement are receipt and satisfactory review of a letter from the local permitting and approval authority that the above referenced permits and approvals will be issued upon receipt of applicable fees (with no other conditions), or evidence of 100% lien-free completion, if applicable. If a letter is provided, copies of all permits will be required as a condition of the first post-closing draw.
4. The final "as permitted" (signed and sealed) site plans, building plans, and specifications showing all features and amenities committed to in the application. The Geotechnical Report (if available) must be bound within the final plans and specifications.
5. Final sources and uses of funds itemized by source and line item, in a format and in amounts approved by the Servicer. A detailed calculation of the construction interest based on the final draw schedule (see below), documentation of the closing costs, and draft loan closing statement must

also be provided. The sources and uses of funds schedule will be attached to the Funding Loan Agreement as the approved Development budget.

6. The Developer is only allowed to draw a maximum of 50% of the total developer fee during construction, but in no case more than the payable developer fee, which is determined to be "developer's overhead". No more than 35% of "developer's overhead" during construction will be allowed to be disbursed at closing. The remainder of the "developer's overhead" will be disbursed during construction on a pro rata basis, based on the percentage of completion of the Development, as approved and reviewed by LCHFA and Servicer. The remaining unpaid developer fee shall be considered attributable to "developer's profit" and may not be funded until the Development has achieved 100% lien free completion, and retainage has been released.
7. A final construction draw schedule showing itemized sources and uses of funds for each monthly draw. The closing draw shall include appropriate backup and ACH wiring instructions.
8. Evidence of general liability, flood (if applicable), builder's risk and replacement cost hazard insurance (as certificates of occupancy are received) reflecting LCHFA as Loss Payee / Mortgagee, with coverage's, deductibles and amounts satisfactory to LCHFA, and as applicable, the FHFC Insurance Guide.
9. 100% Payment and Performance ("P&P") Bonds or a Letter of Credit ("LOC") in an amount not less than 25% of the construction contract is required in order to secure the construction contract between the general contractor and the Borrower. In either case, Florida Housing must be listed as co-obligee. The P&P bonds must be from a company rated at least "A-" by A.M. Best & Co. with a financial size category of at least FSC VI. Florida Housing and/or Legal Counsel must approve the source, amount(s) and all terms of the P&P bonds or LOC. If the LOC option is utilized, the LOC must contain "evergreen" language and be in a form satisfactory to the Servicer, Florida Housing, and its Legal Counsel.
10. Architect, Construction Consultant, and Borrower certifications on forms provided by SMG will be required for both design and as-built with respect to Section 504 of the Rehabilitation Act, the Americans with Disabilities Act, and Federal Fair Housing Act requirements, as applicable.
11. A copy of an Amended and Restated Operating Agreement reflecting purchase of the HC under terms consistent with the assumptions contained within this Credit Underwriting Report. The Amended and Restated Operating Agreement shall be in a form and of financial substance satisfactory to Servicer and to LCHFA and its Legal Counsel.

This recommendation is contingent upon the review and approval of the following items by LCHFA and its Legal Counsel at least 30 days prior to real estate loan closing. Failure to receive approval of these items within this time frame may result in postponement of the loan closing.

1. Documentation of the legal formation and current authority to transact business in Florida for the Borrower, the general partner/member(s)/principal(s)/manager(s) of the Borrower, the guarantors, and any limited partners/members of the Borrower.
2. Signed and sealed survey, dated within 90 days of closing, unless otherwise approved by the LCHFA, and its Legal Counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to the LCHFA and its Legal Counsel, as well as the title insurance company, and shall

indicate the legal description, exact boundaries of the Development, easements, utilities, roads, and means of access to public streets, total acreage and flood hazard area, and any other requirements of the LCHFA.

3. An acceptable updated Environmental Audit Report, together with a reliance letter to the LCHFA, prepared within 90 days of Loan closing, unless otherwise approved by the LCHFA, and Legal Counsel, based upon the particular circumstances of the transaction. Borrower to comply with any and all recommendations noted in the Environmental Assessment(s) and Update and the Environmental Review, if applicable.
4. Title insurance pro forma or commitment for title insurance with copies of all Schedule B exceptions, in the amount of the First Mortgage loan naming the LCHFA as the insured. All endorsements required by the LCHFA shall be provided.
5. The LCFHA and its Legal Counsel shall review and approve all other lenders closing documents and the Operating Agreement or other applicable agreement. The LCHFA shall be satisfied in its sole discretion that all legal and program requirements for the Loans have been satisfied.
6. Evidence of insurance coverage pursuant to the Request for Application governing this proposed transaction and, if applicable, the FHFC Insurance Guide.
7. Receipt of a legal opinion from the Borrower's Legal Counsel acceptable to the LCHFA addressing the following matters:
 - a. The legal existence and good standing of the Borrower and of any partnership or limited liability company that is the general partner/member of the Borrower (the "GP") and of any corporation or partnership that is the managing general partner/member of the GP, of any corporate guarantor and any manager;
 - b. Authorization, execution, and delivery by the Borrower and the guarantors, of all Loan documents;
 - c. The Loan documents being in full force and effect and enforceable in accordance with their terms, subject to bankruptcy and equitable principles only;
 - d. The Borrower's and the guarantor's execution, delivery and performance of the loan documents shall not result in a violation of, or conflict with, any judgments, orders, contracts, mortgages, security agreements or leases to which the Borrower is a party or to which the Development is subject to the Borrower's Partnership/Operating Agreement and;
 - e. Such other matters as the LCHFA or its Legal Counsel may require.
8. Evidence of compliance with local concurrency laws, as applicable.
9. UCC Searches for the Borrower, its partnerships, as requested by Legal Counsel.
10. Such other assignments, affidavits, certificates, financial statements, closing statements, and other documents as may be reasonably requested by the LCHFA or its Legal Counsel in form and substance acceptable to the LCHFA and its Legal Counsel, in connection with the loan(s).
11. Any other reasonable conditions established by the LCHFA and its Legal Counsel.

Additional Conditions

This recommendation is also contingent upon the following additional conditions:

1. Compliance with all provisions of Sections 420.507 and 420.5087, Florida Statutes, Florida Statute, Rule Chapter 67-21 F.A.C., Section 42 I.R.C., and any other State and Federal requirements.
2. Acceptance by the Borrower and execution of all documents evidencing and securing the Loan in form and substance satisfactory to the LCHFA and its Legal Counsel, including, but not limited to, the Promissory Note(s), the Loan Agreement(s), the Mortgage and Security Agreement(s), the Land Use Restriction Agreement(s), and Extended Low Income Housing Agreement(s).
3. If applicable, receipt and satisfactory review of Financial Statements from all Guarantors dated within 90 days of Real Estate Closing.
4. Guarantors are to provide the standard LCHFA Construction Completion Guaranty, including the satisfactory installation of all committed features and amenities (Exhibit 2), to be released upon lien free completion as approved by the Servicer.
5. Guarantors for the MMRB are to provide the standard LCHFA Operating Deficit Guaranty. If requested in writing by the Applicant, Servicer will consider a recommendation to release the Operating Deficit Guaranty if all conditions are met, including achievement of a 1.15 Debt Service Coverage ("DSC") on the Permanent First Mortgage as determined by the LCHFA or the Servicer and 90% Occupancy and 90% of Gross Potential Rental Income net of Utility Allowances, if applicable, for a period 12 consecutive months, all certified by an independent Certified Public Accountant ("CPA") and verified by the Servicer. The calculation of the DSC Ratio shall be made by Florida Housing or the Servicer. Notwithstanding the above, the Operating Deficit Guaranty shall not terminate earlier than three (3) years following the final certificate of occupancy.
6. Guarantors are to provide the standard LCHFA Environmental Indemnity Guaranty.
7. Guarantors are to provide the standard LCHFA Guaranty of Recourse Obligations.
8. A mortgagee title insurance lender's policy naming the LCHFA as an insured mortgage holder in the amount of the MMRB is to be issued at closing. Any exceptions to the title insurance policy must be acceptable to the LCHFA or its Legal Counsel. All endorsements that are required by the LCHFA are to be issued and the form of the title policy must be approved prior to closing.
9. Property tax and hazard insurance escrows are to be established and maintained by the First Lender or the Servicer. In the event the reserve account is held by the LCHFA's loan servicing agent, the release of funds shall be at the LCHFA's sole discretion.
10. Replacement Reserves in the minimum amount of \$300 per unit per year are required to be deposited on a monthly basis into a designated escrow account, to be maintained by the First Mortgagee/Credit Enhancer, the Trustee, or the LCHFA's loan servicing agent.
11. The amount established as a Replacement Reserve shall be adjusted based on a Capital Needs Assessment ("CNA") to be received by the LCHFA or its servicers, prepared by an independent third party and acceptable to the LCHFA and its servicers at the time the CNA is required, beginning no later than the 10th year after the first residential building in the Development receives a certificate of occupancy, a temporary certificate of occupancy, or is placed in service, whichever is earlier ("Initial Replacement Reserve Date"). A subsequent CNA is required no later than the 15th year after the Initial Replacement Reserve Date and subsequently every five (5) years thereafter.

12. Partner Engineering and Science, Inc. or other construction inspector acceptable for the LCHFA is to act as the LCHFA's inspector during the construction period.
13. Under the Magnolia Terrace construction contract, retainage shall be limited to 10% of the contract until the work is 50% complete, and no retainage shall be withheld thereafter. Retainage will not be released until successful lien free completion of construction and issuance of all certificates of occupancy, which satisfies the LCHFA's minimum requirement.
14. Satisfactory completion of a pre-loan closing compliance audit conducted by the LCHFA or its Servicer, if applicable.
15. Closing of all funding sources prior to or simultaneous with the closing of the MMRB.
16. Any other reasonable requirements of the Servicer, the LCHFA, or its Legal Counsel.

Section C

Supporting Information and Schedules

Additional Development and Third Party Information

Appraised Value:	<p>The appraised “as-is” value is \$9,200,000, based on market rents and market financing and stabilized, as reported in the full narrative appraisal dated July 17, 2019, with an effective date of April 23, 2019, performed by Integra Realty Resources, Inc. (“IRR”). John Thigpen, MAI, State Certified General Real Estate Appraiser holds Florida License No. RZ2287.</p> <p>The renovated and stabilized value based on market rents and market financing is estimated at \$14,300,000. Based on the market value of the property, the loan-to-value ratio (“LTV”) for the first mortgage debt is 83.1%. The LTV for the first mortgage and second mortgage debt is 90.1%</p> <p>The appraised value based on restricted rents, with HAP contract rents, and market financing terms is estimated at \$13,700,000. The LTV ratio for the first mortgage debt based on this value is 86.7%. The LTV for the first mortgage and second mortgage debt is 94.0%.</p> <p>The appraiser estimated the “as-is” market value of the subject development is \$9,200,000, which is greater than the reported purchase price of \$9,100,000.</p>
Market Study:	<p>Seltzer also received a separate Market Study on the subject property completed by IRR dated July 18, 2019, with an effective date of July 6, 2019.</p> <p>The subject is an existing Project Based Section 8 multifamily property containing 108 units. The site area is 7.50 acres or 326,631 square feet. The improvements were constructed in approximately 1971 and are 97% leased as of the effective appraisal date. The property was reportedly renovated in 2002 and a \$5.31 million renovation is proposed for 2020. The proposed renovation includes extensive upgrades to the unit interiors, building exteriors and common areas. All planned renovations are schedule to be completed with tenants in-place and minimal turnover is expected.</p> <p>Overall, IRR determined that the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. Uses permitted by zoning include multifamily residential. IRR is not aware of any other particular restrictions on development.</p> <p>The property will be restricted by the Housing Credit program. As restricted, the property will set aside 100% of its units (108 units) for households earning 60% or less of the AMI. The demographic commitment is family.</p>

The site has good access and is near the commercial services, employment centers and schools that are desirable for affordable multifamily developments.

The subject property is located in Leon County, which has an estimated 2019 population of 295,522. Average annual growth is approximately 0.8%, which equates to 2,226 residents per year. Leon County's growth rate is expected to exceed that of the United States, which is projected to be 0.7%.

A comparison of unemployment rates is another way of gauging an area's economic health. Over the past decade, the Leon County unemployment rate has been consistently lower than that of the United States, with an average unemployment rate of 5.7% in comparison to a 6.7% rate for the United States. A lower unemployment rate is a positive indicator. Recent data shows that Leon County unemployment rate is 3.1% in comparison to a 3.7% rate for the United States, a positive sign for Leon County.

The purpose of defining the Primary Market Area ("PMA") is to focus the demand forecast on the competitive market area and the specific users, or submarket, of the subject property. The PMA is the foundation of the market study because it is the area for which the population forecast will be made.

The PMA was considered to be the area within five miles of the subject. IRR believes that the subject will receive the majority of its tenants from within five miles. The area within five miles of the subject is generally similar to the subject's surrounding area and there are few affordable housing options, relative to the total population, within five miles.

The Competitive Market Area ("CMA") analysis calls for an inventory of available and anticipated like-kind competitive supply within the PMA. Only properties with rent and income restrictions were included. Properties with a majority of their units with Section-8 rental assistance, Public Housing properties and properties not operating under the Housing Credit, SAIL, SHIP, HOME or similar program were not considered.

IRR utilized data from CoStar and REIS to identify the existing, under construction and proposed properties. IRR cross-checked the identified properties using the Florida Housing Data Clearinghouse website and the Florida Housing Finance Corporation in-service list.

Within the PMA, there are seven like-kind properties totaling 1,094 units. There are no like-kind units under construction and no units are proposed. The average occupancy rate for like-kind properties is 92.6%. There are no Guarantee Fund projects within 10 miles of the subject.

A substantial Residual Demand exists in the PMA. The Penetration Rates and Capture Rates indicate a need for additional rent and income restricted rental housings in the PMA. The subject is existing and will not impact the demand created by the future growth of income qualified renter households.

The subject's capture rates are relatively low and indicate that there is sufficient demand for the subject units. A high Capture Rate suggests that a property will offer too many units for the depth of the market area. When the capture rate is 5% or lower, the project has a very good chance to succeed based on achieving stabilized occupancy and rental rates. Between 5% and 10% percent, there is still a reasonably good chance for success. When the capture rate exceeds 10%, the chances for failure increase. Based on the number of income qualified households in the target income band (17,567), IRR calculates the penetration rate and capture rate to be 9.1% and 0.8%, respectively.

Tenants will remain in place through the rehabilitation, thereby eliminating any lease-up/absorption period.

The Market Study confirms that the property is located within a Qualified Census Tract ("QCT"), 10.01.

IRR notes that the subject will obtain maximum allowable 2019 HC rents. Per FHFC requirements, market rents are to exceed restricted rents by a minimum of 10%. IRR estimates the overall weighted average market rent is 27% greater than estimated average restricted rent. The Development will receive Section-8 HUD rents for all 108 units. These rents exceed the HC rents and will be in effect at closing.

Environmental Report:

Partner performed a Phase I Environmental Site Assessment ("ESA") in accordance with ASTM Standard E-1527-13 and 40 CFR Part 312. The ESA indicates an inspection date of April 23, 2019, and a report issue date of April 30, 2019. Partner's assessment revealed no evidence of any Recognized Environmental Conditions ("RECs"), Controlled RECs, Historical RECs, or Vapor Encroachment Conditions ("VEC") in connection with the subject property.

Due to the age of the buildings, the potential exists that lead-based paint ("LBP") and asbestos-containing materials ("ACM") are present on-site. Overall, suspect ACMs and painted surfaces were observed in good condition and do not pose a health or safety concern to the occupants of the subject property at this time. An LBP Operations and Maintenance ("O&M") Plan was prepared by Partner in August 2018 and an ACM O&M Plan was prepared by Partner in August 2019.

Radon is a colorless, odorless, naturally occurring, radioactive, inert, gaseous element formed by radioactive decay of radium atoms. Review

of the Environmental Protection Agency (“EPA”) Map of Radon Zones places the subject property in Zone 2, where average predicted radon levels are between 2.0 and 4.0 picoCuries per Liter (pCi/L), which is below the EPA’s action level of 4.0 pCi/L. Partner conducted limited sampling at the subject property in August 2018, consisting of placing 17 canisters for 48 hours. According to the August 2018 laboratory results, radon was detected in 12 of the 17 samples collected at the subject property above the EPA action level of 4.0 pCi/L, ranging between 1.0 and 28.3 pCi/L.

Partner recommends continued adherence to the ACM and LBP O&M Plans. Partner also recommends that a long-term radon study be conducted at the subject property to confirm the elevated radon levels identified during August 2018 short-term testing. The Applicant has stated the scope of the proposed rehabilitation will include installation of a radon gas mitigation system, and then they will contract with Partner to retest all units.

Soil Test Report:

Existing properties undergoing rehabilitation with no new construction do not typically require soils tests.

Capital Needs Assessment:

SMG is in receipt of a Capital Needs Assessment (“CNA”) (aka Property Condition Report) from Partner, dated May 29, 2019.

The CNA was prepared in general conformance with ASTM E2018-15 Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process and as specified in the engagement agreement that initiated this work. In addition, this report is in compliance with LCHFA under the MMRB and HC programs.

The purpose of the CNA is to describe the primary systems and components of the subject property, to identify conspicuous defects or material deferred maintenance, and to present an opinion of costs to remedy any observed conditions.

Based on the systems and components observed during Partner’s site visit, the subject property appeared to be in good to fair condition. The overall level of preventative maintenance appeared to be good.

Partner noted that a planned renovation is scheduled to occur over the next 30 months. The scope of work associated with the planned improvement was not known at the time of Partner’s report. The report also excludes costs for systems or components that are reported to be tenant responsibility to maintain and replace, that are generally associated with the normal operation of the subject property within the marketplace, for work that is cosmetic or decorative, for work that is being conducted for warranty transfer purposes, and routine

maintenance activities. Partner stated that there are no issues observed or reported that indicate the need for additional investigations.

Immediate and short-term repair items consist of material existing or potentially unsafe conditions, material code violations, or any other physical deficiencies that if left uncorrected would be expected to result in or contribute to the failure of critical elements or systems within one year or may result in a significant increase in remedial costs.

Immediate and Short-term Repairs (totaling \$3,050)

- The City of Tallahassee Building Department indicates there is an open permit, TCB 180733, Building O, Unit 247. The permit was issued for repair of damaged trusses, roofing and drywall due to tree damage. Management responded the repairs have been completed and the unit is occupied. Management stated three building inspections by the City of Tallahassee were completed for the permit and the permit status may have not been updated. Partner recommends management confirm the permit has been closed and the receipt of a Certificate of Occupancy. Cost estimate \$500.
- The earth around building C was noted above the stucco, generating a berm kind of condition. The area needs to be re-graded to maintain at least 4" of clearance at the base of the building. Cost estimate \$1,050.
- The ground cover at the "tot-lot" is not acceptable. An appropriate ground cover at the tot-lot is required. Cost estimate \$1,500.

Other Noted Deficiencies/Recommendations (totaling \$119,034)

- The metal handrails and site fencing located throughout the complex were noted as weathered and deteriorated. Repair the fencing as necessary along with wire brush, prime and repaint all site metal at this time. Cost estimate \$19,200.
- The asphalt pavement was noted with areas of linear cracking and alligating. Repair the pavement as necessary. Cost estimate \$8,250.
- The pavement was noted bleached with faded striping. Slurry and stripe at this time. Cost estimate \$6,084.
- An accessible route is not present from the municipal sidewalks onto the subject property/leasing office entrance. Partner recommends installing a concrete walkway at the eastern driveway that connects to the municipal sidewalk. The new concrete walkway will connect to the sidewalk west of Building D. This sidewalk will

require an extension to the sidewalk to the west of the leasing office. Cost estimate \$6,750.

- Partner noted that two ADA designated accessible parking spaces are provided in close proximity to the leasing office; however, there is not a space designated as “Van Accessible”. The existing designated accessible parking spaces appear to meet the dimensional requirements for a van accessible space. One space should be designated as “Van Accessible” with signage in conformance with the ADA. Cost estimate \$250.
- ADA improvements at the property include a ramp at the leasing office entrance; however, the ramp does not conform to the Florida Building Code (“FBC”) 2017 Accessibility or ADA requirements for maneuverability. Partner recommends removal of the existing ramp and the construction of an access ramp in conformance with the FBC 2017 and ADA. Cost estimate \$3,000.
- Leasing office entry door, community room door and common restroom doors with knob hardware. Partner recommends replacing with lever hardware. Cost estimate \$500.
- The common restrooms in the community room do not have the required space for maneuverability in the current configurations. Partner recommends modifying the current layouts to accommodate a wheelchair by converting the restrooms into single user restrooms. This will require removing the plumbing fixtures in each restroom, removing the toilet partitions and removing the lavatories with vanities. Install accessible toilets, grab bars, wall-hung lavatories, new accessories at conforming heights and signage indicating the restrooms are accessible. Cost estimate \$6,000.
- Per UFAS Section 504, 5% of the units are required to be ADA accessible. Modify six of the ground floor units to be ADA compliant including access to units, thresholds, lever hardware, fixture heights, and full interior configuration. Cost estimate \$60,000.
- Per UFAS Section 504, 2% of the units are required to be considered sensory units including access for hearing impaired and visual impaired. Modifications to be in compliance are warranted. Cost estimate \$9,000.

Partner also provided a 20-year replacement reserve analysis in the CNA. Replacement reserve costs are typically defined as predictable and in some instances to be recurring within a specified future period. Based on the 20-year replacement reserve projection prepared by Partner, the property will need to fund reserves in an amount equal to \$982,428 or \$455 per unit per year in inflated dollars (2.5% per year inflation factor).

Partner completed a PCA with an updated replacement reserve schedule with the scope of the proposed rehabilitation factored into their analysis. Partner updated schedule estimates the need for an inflated annual reserve amount of \$206.83 per unit. Seltzer has utilized \$300/unit/year in the operating pro forma in this report, in accordance with the minimum requirement per the Rule.

Pre-Construction Analysis:

SMG has received a PCA from Partner dated January 8, 2020. The purpose of the PCA was to review the major aspects of the Development ascertained from available construction drawings, specifications, budgets, and correspondence pursuant to the construction of Magnolia Terrace Apartments. Partner notes that the trade cost breakdown appears to provide sufficient detail for accurate evaluation of work completed. Partner states that a certification from the Architect was provided that certifies that the plans and specs will comply with and conform to requirements of Fair Housing and Section 504.

A schedule of values dated October 8, 2019 was provided to Partner for the Magnolia Terrace project totaling \$6,096,877 or \$60.38 per square foot of gross building area (100,978 total gross square feet) and \$56,453 per unit (108 total apartments). Partner's estimated costs are \$6,043,280 or \$59.85 per square foot of gross building area and \$55,956 per apartment, a variance of roughly 0.9%, which is within an acceptable range when performing conceptual cost analysis reports such as this.

A Gantt-style "Magnolia Terrace Preliminary Schedule" was provided that was dated September 11, 2019. Authorship is not indicated but assumed to be from the General Contractor. The schedule indicates the start of construction (Exterior Renovations) as December 30, 2019 with the project completion date of September 11, 2020 for a total of 257 calendar days (179 working days) or 8½ months.

Per the Owner-Contractor Agreement, the date of commencement shall be a date set forth in a notice to proceed issued by the Owner that is indicated to be January 1, 2020. The Contract Time shall be measured from the date of commencement of the Work. Substantial Completion is to occur by December 31, 2020. The construction schedule meets the requirements of the contract time.

Based on Partner's review of the scope of work, the proposed construction schedule appears to be aggressive, but achievable with appropriate contractor oversight and coordination. Building permits were not provided for review; depending on the actual date of receipt of permits, the hard dates for commencement and completion of the work may need to be revised. Updated construction schedules should

be furnished to Seltzer and Partner throughout the course of the project to assist in evaluating construction progress and identifying potential conflicts or delays.

Included in the PCA, Partner provided comments and issues of concern. Partner believes that the provided information was sufficient for evaluation from a feasibility-and-cost standpoint. Drawings provided include notes with pertinent information regarding accessibility upgrades, replacement equipment and appliances as well as the new flooring, finishes, cabinets, countertops, plumbing fixtures, and lighting. According to Partner, the specification information appears adequate.

Based on the scope of rehabilitation and the drawings with notes available for Partner's review, not all committed features and amenities were able to be confirmed in the plans and specifications provided. The Applicant is aware of all committed features and amenities and has agreed to include a comprehensive list in the Construction Completion Guaranty. Partner will monitor construction progress and confirm during construction that all committed features and amenities are installed/provided.

Scope of Rehabilitation:

As the subject is a rehabilitation of existing buildings, limited architectural building plans and specifications were provided reflecting a scope of work. A schedule of values assigning costs to the scope of work was attached to the construction contract. Recommendations made in the PCA should be included in the scope of work or satisfied prior to closing on the Bonds and subordinate loans.

Energy Assessment

In lieu of selecting specific energy features and amenities in the application, the Applicant proposed a holistic approach that will result in a reduction to energy usage of 10% or greater. Seltzer engaged Partner Energy, Inc. ("Partner Energy") to perform an ASHRAE Level I Energy Assessment. In the Energy Assessment report dated December 2, 2019, Partner Energy analyzed the proposed scope of rehabilitation and concluded the Development (combination of owner and tenant) should achieve an improved energy efficiency of 14%.

Site inspection:

Levone Locklear of Seltzer Management Group, Inc. conducted a site visit on April 23, 2019, for Magnolia Terrace. This site is an existing multifamily apartment community, containing 108 one-, two-, three- and four-bedroom units, in sixteen two-story apartment buildings located in Leon County. The property contains a small "tot lot" and community garden through a partnership with Florida A&M University.

The sole entrance to the property is off of Magnolia Drive, Capital City Country Club is to the north of the property entrance. South Monroe Street is four blocks west of the property and single family houses

surround the site. Tallahassee Memorial Hospital is 3.5 miles north of the property. There are elementary, middle and high schools with in a three-mile radius. There is a Piggly Wiggly and Save-a-Lot less than a mile southwest of the property. There is a bus stop .2 miles away, just off of Magnolia Drive. There are several churches of varying denominations with one mile in any direction. Governor's Square Mall is 2.9 miles Northeast and Florida State University is 3.1 miles Northwest of the property. There are several affordable housing communities within ten miles (Griffin Heights, Sunrise Place, Leon Arms, Casa Calderon, Goodbread Hills Ltd., Glen Oaks, Gibb Oakridge Village, Orange Avenue, Jamestown Woods, Palmetto Apartments and Sienna Square).

There do not appear to be any apparent adverse conditions that would negatively affect this development nor impair the property's ability to attract tenants.

Borrower Information

Applicant/Borrower Name: LIH Magnolia Terrace, LP (“Applicant”)

Applicant/Borrower Type: Florida Limited Partnership

Ownership Structure: The Applicant is a Florida Limited Partnership registered with the State of Florida on August 22, 2018. A copy of the Limited Partnership Agreement (“LPA”) dated August 21, 2018, was provided to SMG.

As confirmed in the LPA, the General Partner of the Applicant with a 0.01% ownership interest is LIH Magnolia Terrace GP, LLC (“LIH GP” or “General Partner”), a Florida Limited Liability Company registered with the State of Florida to transact business on August 22, 2018. The General Partner’s Operating Agreement dated August 21, 2018, lists the sole member to be Jacob Levy.

The current Limited Partner of the Applicant, with 99.99% ownership, is Jacob Levy. Per an October 1, 2018 letter of intent (“LOI”), Hunt Capital Partners, LLC or its affiliate will purchase a 99.99% ownership interest in the Subject Development concurrent with or prior to closing of the rehabilitation/permanent loan.

The Developer of Magnolia Terrace Apartments is Magnolia Terrace Developer, LLC (“MTD”), a Florida Limited Liability Company formed and registered with the State of Florida on June 18, 2019.

Contact Information: Jacob Levy
Telephone: (404) 822-3561
E-mail: jacob@levyaffiliated.com

Address: 201 Wilshire Boulevard, 2nd Floor
Santa Monica, CA 90401

Federal Employer ID: 83-1769361

Experience: The Applicant and LIH GP are single-purpose entities, created for the purpose of acquiring, developing, and operating Magnolia Terrace Apartments. The developer experience is derived from Levy Holdings, Levy Affiliated Holdings, LLC (“LAH”), and Jacob Levy. Mr. Levy is a partner of LAH. Mr. Levy joined LAH, the parent company of Levy Holdings, in 2014. Since that time the company’s multifamily portfolio has grown from 225 to 1,565 units. Mr. Levy’s has developed 20 low-income multifamily developments consisting of nearly 2,500 units. These developments are located primarily in California, with other developments located in Hawaii, Louisiana, Texas and Florida.

Credit Evaluation: Applicant, LIH GP, and MTD are single-purpose entities, created for the purpose of acquiring, developing, and operating Magnolia Terrace

Apartments and do not have financial records, credit history or development experience.

An ACRA net tri-merge credit report on Jacob Levy dated November 14, 2019, reflects 10 trade lines (active and closed) with a total outstanding balance in the high 4 figures. There is minimal slow-pay history and no record of collections, tax liens, or judgments.

References:

Bank and business references for Jacob Levy and Levy Affiliated Holdings, LLC, the experienced developer entity affiliate of MTD, reflected satisfactory business relationships.

Seltzer has received savings and checking account statements for Jacob Levy evidencing cash in the low seven figures.

Financial Statements:

Jacob Levy:

Cash and Equivalents:	\$ 1,072,446
Total Assets:	\$14,264,837
Total Liabilities:	\$ 13,297
Equity:	\$14,251,541

Financial data is from an unaudited financial statement dated August 30, 2019, and certified as true and correct by Jacob Levy. Assets other than cash consist of a minority interest in real estate Limited Liability Companies and Developer Fees Receivable. Liabilities consist of various credit cards. SMG has reviewed Jacob Levy's Form 1040s for 2017 and 2018.

Contingent Liabilities:

Applicant, LIH GP, and MTD are single-purpose entities, created for the purpose of acquiring, developing, and operating Magnolia Terrace Apartments and do not have financial records, credit history or development experience.

SMG received a Statement of Financial and Credit Affairs for Jacob Levy dated July 24, 2019, in which it was disclosed that Jacob Levy has contingent liabilities in the approximate amount of \$96.8 million.

Summary:

Based upon the information provided, with the support of MTD's parent company, Levy Affiliated Holdings, Jacob Levy appears to have the experience and financial resources to develop, rehabilitate and operate the Subject Development.

Guarantor Information

Guarantor Name: LIH Magnolia Terrace, LP, LIH Magnolia Terrace GP, LLC, Magnolia Terrace Developer, LLC, Jacob Levy, an individual

Contact Information: Jacob Levy
Telephone: (310) 883-7900
E-Mail: jacob@levyaffiliated.com

Address: 201 Wilshire Blvd, 2nd Floor
Santa Monica, CA 90401

Nature of the Guarantee: The Guarantors will sign standard LCHFA Construction Completion, Environmental Indemnity, Recourse Obligation and Operating Deficit Guaranties. The Construction Completion Guaranty will be released upon 100% lien-free completion as approved by the Loan Servicer.

For the MMRB Loan, Guarantors are to provide the standard LCHFA Operating Deficit Guaranty. If requested in writing by Applicant, the Loan Servicer will consider a recommendation to release the Operating Deficit Guaranty if all conditions are met, including achievement of a 1.15x Debt Service Coverage (“DSC”) Ratio on the MMRB Loan, as determined by the LCHFA or its agent and 90% occupancy and 90% of the Gross Potential Rental Income, net of Utility Allowances, if applicable, for a period of 12 consecutive months, all certified by an independent Certified Public Accountant (“CPA”). The calculation of the DSC Ratio shall be made by LCHFA or the Loan Servicer. Notwithstanding the above, the Operating deficit Guaranty shall not terminate earlier than three (3) years following the final Certificate of Occupancy (“C/O”).

Financial Statements: Please refer to the Borrower Information section of this Credit Underwriting Report.

Contingent Liabilities: Please refer to the Borrower Information section of this Credit Underwriting Report.

Summary: Collectively the principals of the Applicant appear to have the financial resources necessary to support the Applicant by acting as Guarantors for the Subject Development.

Syndicator Information

Syndicator Name: Hunt Capital Partners, LLC (“HCP”)

Contact Information: Dana Mayo, Executive Managing Director
 (818) 380-6130 Telephone
Dana.mayo@huntcompanies.com E-mail

Address: 15910 Ventura Boulevard, Suite 1100
 Los Angeles, CA 91436

Experience: HCP is the syndication division of Hunt Companies, Inc. (“Hunt”) and specializes in the syndication of Federal and State Low-Income Housing, Historic, and Solar Tax Credits. Founded in 1947, Hunt is a privately held company that invests in businesses focused in the real estate and infrastructure markets. Hunt’s affiliates and investees are involved in investment management, mortgage banking, direct lending, loan servicing, asset management, property management, development, construction, consulting and advisory services. Hunt bought back its syndication arm from Alden Capital Partners (“Alden”) in October 2017. Hunt will operate this arm under HCP. Hunt is working as the development partner with housing authorities across the country to deliver more than 6,600 units. The firm is one of the most active developers working to rehabilitate public housing properties using the federal Rental Assistance Demonstration (“RAD”) program. The executive leadership at Alden remained as it transitioned to Hunt. Since the launch of its first LIHTC fund in 2011, HCP has raised more than 1.4 billion in housing tax credit equity. The platform has 35 institutional investors and investments in 41 states, Puerto Rico, and the U.S. Virgin Islands. Alden partnered with Hunt on seven RAD developments involving over \$150 million in federal and state LIHTCs.

Financial Statements: *Hunt Capital Partners, LLC:*

Cash and Equivalents	\$6,117,882
Total Assets:	\$64,588,885
Total Liabilities:	\$14,083,064
Shareholders Equity:	\$50,505,821

Financial information for HCP is based on a Consolidated Financial Statement and Independent Auditor’s Report dated March 7, 2019 for the year ending December 31, 2018, prepared by KPMG, LLP. Assets other than cash and equivalents include investment in rental property, accounts receivable, notes receivable, goodwill, and intangible assets. Liabilities include accounts payable, accrued personnel costs, accrued expenses, notes payable, and mortgages payable.

Summary: HCP has the demonstrated experience and financial resources to successfully act as Syndicator of the HC for the Subject Development.

General Contractor Information

General Contractor Name: Wilshire Pacific Builders, LLC (“WPB”)

Type: A California Limited Liability Company

Contact Persons: James “Jim” Brundage

Telephone: (480) 298-0743

E-mail: jbrundage@wilshirepacific.com

Principal Address: 2350 Germann Road, Suite 31
Chandler, AZ 85286

Experience: WPB was formed as a California limited liability company on August 25, 2016, and registered as a foreign limited liability company with the State of Florida on May 15, 2018. WPB specializes in the rehabilitation of multifamily residential housing developments.

Jim Brundage is the President of WPB. Since the company’s inception, Jim Brundage has overseen the construction and renovation of all multifamily units. He has been involved in affordable housing and the multifamily housing industries for over 30 years, with an aggregate contract value exceeding \$400 million.

WPB provided a completed list of construction projects that reflects the construction of four multifamily developments in 2017 and 2018, ranging from 80 units to 186 units. This experience, along with the experience of WPB’s principals through other firms, is adequate for the proposed rehabilitation of Magnolia Terrace.

Florida Certified General Contractor’s license No. CGC1526545 is in the name of James Brundage and WPB. The license expires August 31, 2020.

Credit Evaluation: A business credit report, compiled with data from Equifax, Experian, and Dun & Bradstreet, for WPB dated November 14, 2019 reflected an acceptable credit history. There is a minimal amount of slow pay history, and no UCC filings, collections, bankruptcies, judgments, or tax liens.

Business References: Business references for WPB are satisfactory.

Financial Statements: Not applicable since WPB will provide a Payment and Performance Bond equal to 100% of the GC Contract.

Contingent Liabilities: Not applicable since WPB will provide a Payment and Performance Bond equal to 100% of the GC Contract.

Surety: WPB provided a signed Bonding Capacity Letter from Alliant Insurance Services, Inc. (“Alliant”) dated October 31, 2019. In the letter Alliant states that Argonaut Insurance Company is prepared to provide surety support to WPB up to \$10,000,000 per project, and \$75,000,000 on

aggregate. Argonaut Insurance Company is rated A (Excellent), with a Financial Size Category rating of XIV (\$1.5 Billion to \$2 Billion) by A.M. Best Company, meeting FHFC Rule.

Summary:

The Applicant provided Seltzer a copy of an unexecuted construction contract dated November 21, 2019, between the Owner and WPB, where the basis for payment is the Cost of the Work Plus a Fee with a Guaranteed Maximum Price in the amount of \$6,096,876.60. Receipt of an executed construction contract is a condition to close. WPB also provided an executed General Contractor Certification of Requirements, whereby the General Contractor acknowledges and commits to adhere to all requirements related to a General Contractor as published within Florida Administrative Code 67-21.

SMG recommends that WPB be accepted as the general contractor subject to the conditions, if any, listed in the Recommendations section of this report.

Property Manager Information

Property Manager Name: RAM Partners, LLC ("RAM")

Type: A Florida Limited Liability Company

Contact Information: Marlene Adeli

Telephone: (770) 437-5200

Address: 1100 Circle 75 Parkway SE, Suite 1200
Atlanta, GA 30339

Experience: RAM is a full-service real estate management company that manages approximately 44,000 apartment units throughout the United States. RAM was formed in 1989, as a subsidiary of Post Properties, Inc. a former publically-traded real estate investment trust headquartered in Atlanta. In 2002, members of RAM purchased the company from Post Properties, Inc. and formed RAM.

RAM is a Georgia Limited Liability Company that registered to do business in the State of Florida January 16, 2002. Seltzer obtained a copy of RAM's Certificate of Existence that was filed with the Georgia Secretary of State on October 4, 2001. Seltzer also received a copy of RAM's 2019 Florida Annual Report, confirming RAM is active and in good standing with the State of Florida.

Bill Leseman, RAM-President, joined RAM in 1995 and has more than 30 years of property management experience. RAM is an approved HUD, FDIC, Freddie Mac, Fannie Mae, and DCA property management company.

Management Agreement: Applicant provided SMG with an undated and unexecuted Management Agreement between the Applicant and RAM. The agreement is for an initial one-year period automatically renewed annually thereafter until terminated by either party. The Managers Compensation will be \$4,000 per month (\$48,000/annually).

Management Plan: Applicant provided a Management Plan for the Development that appears satisfactory.

Summary: The FHFC Asset Management Department will need to approve the selection of RAM as the management company for Magnolia Terrace Apartments prior to loan closing. Continued approval is subject to ongoing satisfactory performance.

Exhibit 1
Magnolia Terrace Apartments
15 Year Income and Expense Projection

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															
Gross Potential Rental Income	\$1,399,200	\$1,427,184	\$1,455,728	\$1,484,842	\$1,514,539	\$1,544,830	\$1,575,726	\$1,607,241	\$1,639,386	\$1,672,174	\$1,705,617	\$1,739,729	\$1,774,524	\$1,810,014	\$1,846,215
Rent Subsidy (ODR)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Income:															
Ancillary Income-Parking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$20,000	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523	\$22,974	\$23,433	\$23,902	\$24,380	\$24,867	\$25,365	\$25,872	\$26,390
Washer/Dryer Rentals	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cable/Satellite Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rent Concessions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Alarm Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Potential Income	\$1,419,200	\$1,447,584	\$1,476,536	\$1,506,066	\$1,536,188	\$1,566,911	\$1,598,250	\$1,630,215	\$1,662,819	\$1,696,075	\$1,729,997	\$1,764,597	\$1,799,889	\$1,835,887	\$1,872,604
Less:															
Economic Loss - Percentage:															
Physical Vacancy Loss - Percentage: 3.0%	(\$42,576)	(\$43,428)	(\$44,296)	(\$45,182)	(\$46,086)	(\$47,007)	(\$47,947)	(\$48,906)	(\$49,885)	(\$50,882)	(\$51,900)	(\$52,938)	(\$53,997)	(\$55,077)	(\$56,178)
Collection Loss - Percentage: 0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Effective Gross Revenue	\$1,376,624	\$1,404,156	\$1,432,240	\$1,460,884	\$1,490,102	\$1,519,904	\$1,550,302	\$1,581,308	\$1,612,934	\$1,645,193	\$1,678,097	\$1,711,659	\$1,745,892	\$1,780,810	\$1,816,426
Fixed:															
Ground Lease	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sub-Ground Lease	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Estate Taxes	\$115,968	\$119,447	\$123,030	\$126,721	\$130,523	\$134,439	\$138,472	\$142,626	\$146,905	\$151,312	\$155,851	\$160,527	\$165,343	\$170,303	\$175,417
Insurance	\$27,000	\$27,810	\$28,644	\$29,504	\$30,389	\$31,300	\$32,239	\$33,207	\$34,203	\$35,229	\$36,286	\$37,374	\$38,496	\$39,650	\$40,840
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Variable:															
Management Fee - Percentage: 3.5%	\$48,000	\$48,960	\$49,939	\$50,938	\$51,957	\$52,996	\$54,056	\$55,137	\$56,240	\$57,364	\$58,512	\$59,682	\$60,876	\$62,093	\$63,335
General and Administrative	\$24,300	\$25,029	\$25,780	\$26,553	\$27,350	\$28,170	\$29,015	\$29,886	\$30,783	\$31,706	\$32,657	\$33,637	\$34,646	\$35,685	\$36,756
Payroll Expenses	\$145,800	\$150,174	\$154,679	\$159,320	\$164,099	\$169,022	\$174,093	\$179,316	\$184,695	\$190,236	\$195,943	\$201,821	\$207,876	\$214,112	\$220,536
Utilities	\$102,600	\$105,678	\$108,848	\$112,114	\$115,477	\$118,942	\$122,510	\$126,185	\$129,971	\$133,870	\$137,886	\$142,022	\$146,283	\$150,672	\$155,192
Marketing and Advertising	\$13,500	\$13,905	\$14,322	\$14,752	\$15,194	\$15,650	\$16,120	\$16,603	\$17,101	\$17,614	\$18,143	\$18,687	\$19,248	\$19,825	\$20,420
Maintenance and Repairs	\$78,300	\$80,649	\$83,068	\$85,561	\$88,127	\$90,771	\$93,494	\$96,299	\$99,188	\$102,164	\$105,229	\$108,386	\$111,637	\$114,986	\$118,436
Grounds Maintenance and Landscaping	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Resident Programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contract Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Security	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other-Pest Control	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reserve for Replacements	\$32,400	\$32,400	\$32,400	\$32,400	\$32,400	\$32,400	\$32,400	\$32,400	\$32,400	\$32,400	\$33,372	\$33,372	\$33,372	\$33,372	\$33,372
Total Expenses	\$587,868	\$604,052	\$620,712	\$637,862	\$655,516	\$673,690	\$692,399	\$711,659	\$731,485	\$751,895	\$773,878	\$795,508	\$817,776	\$840,699	\$864,298
Net Operating Income	\$788,756	\$800,104	\$811,528	\$823,022	\$834,586	\$846,214	\$857,903	\$869,650	\$881,449	\$893,298	\$904,219	\$915,151	\$926,116	\$937,111	\$948,128
Debt Service Payments															
DEBT SERVICE															
First Mortgage - CBRE - M.TEB / Fannie Mae / Leon County HFA	\$635,502	\$635,502	\$635,502	\$635,502	\$635,502	\$635,502	\$635,502	\$635,502	\$635,502	\$635,502	\$635,502	\$635,502	\$635,502	\$635,502	\$635,502
Second Mortgage - AHA-Magnolia	\$39,250	\$39,250	\$39,250	\$39,250	\$39,250	\$39,250	\$39,250	\$39,250	\$39,250	\$39,250	\$39,250	\$39,250	\$39,250	\$39,250	\$39,250
First Mortgage Fees - CBRE - M.TEB / Fannie Mae / Leon County HFA	\$35,494	\$35,081	\$34,650	\$34,202	\$33,748	\$33,305	\$32,843	\$32,362	\$31,861	\$31,339	\$30,796	\$30,231	\$29,642	\$29,029	\$28,390
Second Mortgage Fees - AHA-Magnolia	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service Payments	\$710,247	\$709,833	\$709,402	\$708,954	\$708,501	\$708,057	\$707,595	\$707,114	\$706,613	\$706,091	\$705,548	\$704,983	\$704,394	\$703,781	\$703,142
Cash Flow After Debt Service	\$78,509	\$90,271	\$102,125	\$114,068	\$126,085	\$138,157	\$150,308	\$162,536	\$174,837	\$187,207	\$199,670	\$212,168	\$224,722	\$237,330	\$250,000
Debt Service Coverage Ratios															
DSC - First Mortgage plus Fees	1.175	1.193	1.211	1.229	1.247	1.265	1.284	1.302	1.321	1.340	1.357	1.376	1.395	1.415	1.434
DSC - Second Mortgage plus Fees	1.111	1.127	1.144	1.161	1.178	1.195	1.212	1.230	1.247	1.265	1.282	1.300	1.318	1.336	1.354
DSC - Third Mortgage plus Fees	1.111	1.127	1.144	1.161	1.178	1.195	1.212	1.230	1.247	1.265	1.282	1.300	1.318	1.336	1.354
DSC - Fourth Mortgage plus Fees	1.111	1.127	1.144	1.161	1.178	1.195	1.212	1.230	1.247	1.265	1.282	1.300	1.318	1.336	1.354
DSC - Fifth Mortgage plus Fees	1.111	1.127	1.144	1.161	1.178	1.195	1.212	1.230	1.247	1.265	1.282	1.300	1.318	1.336	1.354
DSC - All Mortgages and Fees	1.111	1.127	1.144	1.161	1.178	1.195	1.212	1.230	1.247	1.265	1.282	1.300	1.318	1.336	1.354
Financial Ratios															
Operating Expense Ratio	42.7%	43.0%	43.3%	43.7%	44.0%	44.3%	44.7%	45.0%	45.4%	45.7%	46.1%	46.5%	46.8%	47.2%	47.6%
Break-Even Ratio	91.6%	90.9%	90.2%	89.5%	88.9%	88.3%	87.7%	87.1%	86.6%	86.1%	85.6%	85.1%	84.7%	84.2%	83.8%

Magnolia Terrace

Features and Amenities and Resident Programs

Exhibit 2

Community Amenities:

- Wi-Fi installed site-wide for resident use
- Outdoor recreational area to include basketball court, landscaping of garden area, BBQ areas with picnic tables and benches, and playground
- Childcare facilities located within three miles of property
- Public transportation located within one-half mile of the property
- Community center or clubhouse
- Library/study room consisting of a minimum of 100 books and 5 magazine subscriptions
- Exterior lights on all buildings including breezeways and community center
- Exercise room with appropriate equipment

Unit Amenities:

In addition to meeting all building code, Fair Housing Act, and Americans with Disabilities Act Requirements, the following items are required:

- Air conditioning (window units are not allowed), in all units;
- Cable TV Hook-Up, in all units;
- At least two full bathrooms in all 3 bedroom or larger new construction units;
- At least 1 and 1/2 bathrooms (one full bath and one with at least a toilet and sink) in all new construction 2 bedroom units;
- Minimum square footage requirements for all new construction units of 700 square feet (one bedroom), 900 square feet (two bedroom), 1150 square feet (three bedroom), and 1300 square feet (four bedroom or greater);
- Full sized appliances in all units;
- Bathtub in at least one bathroom in new construction non-elderly units;
- Window Treatments (mini-blinds, curtains, or vertical blinds) inside each unit
- 30-Year expected life roofing on all buildings
- Microwave oven
- Granite window sills
- Garbage disposals inside each unit
- Steel entry door frames
- Termite Prevention/detection system
- Exterior lighting

- New Hardwood Cabinetry and solid surface countertops
- Carports (one per unit)

Resident Programs:

Onsite Voter Registration

The Applicant or its Management Agent shall work with the County Supervisor of Elections to arrange on-site voter registration. The registration shall be at least annually, more frequently in an election year, and shall be during weekend and other traditional non-work times.

Financial Counseling

The Applicant or its Management Agent shall provide financial counseling, which includes the following components; must be regularly scheduled, not less often than once each quarter; must be free of charge to the residents; must include tax preparation assistance by qualified professionals; must include educational workshops on such topics as "Learning to Budget", "Handling Personal Finances", or "Comparison Shopping for the Consumer".

Computer Training

This training is made in conjunction with the requirement that the Applicant commit one computer for every 50 units, with software and internet access. The Applicant must provide quarterly, on-site training classes, on basic computer skills such as word processing and spreadsheets to the residents.

Life Safety Training

The Applicant or its Management Agent shall provide on-site courses such as fire safety, first aid (including CPR), etc. at least twice each year, at no cost to the resident.

Welfare to Work or Self-Sufficiency Programs

Applicant must participate in welfare to work or self-sufficiency programs by implementing marketing strategies that actively seek residents who are participating in or who have successfully completed the training provided by these types of programs.

After School Program for Children

Applicant or its Management Agent must provide daily, supervised, structured, age-appropriate activities for children during the after-school hours. Activities must be on-site and at no charge to the residents.

Job Training

The Applicant must provide, at no cost to the resident, regularly scheduled (not less often than once each quarter) classes in typing, computer literacy, secretarial skills or other useful job skills.

COMPLETENESS AND ISSUES CHECKLIST

DEVELOPMENT NAME: Magnolia Terrace Apartments

DATE: February 5, 2020

In accordance with applicable Program Rule(s), the Borrower is required to submit the information required to evaluate, complete, and determine its sufficiency in satisfying the requirements for Credit Underwriting to the Credit Underwriter in accordance with the schedule established by the Florida Housing Finance Corporation ("Florida Housing" or "FHFC"). The following items must be satisfactorily addressed. "Satisfied" means that the Credit Underwriter has received assurances from third parties unrelated to the Borrower that the transaction can close within the allotted time frame. "Unsatisfied" items, if any, are noted below and in the "Issues and Concerns" section of the Executive Summary.

CREDIT UNDERWRITING REQUIRED ITEMS:	STATUS	NOTE
	Satisfied /Unsatisfied	
1. The Development's final "as submitted for permitting" plans and specifications. Note: Final "signed, sealed, and approved for construction" plans and specifications will be required thirty days before closing.	Satisfied	1
2. Final site plan and/or status of site plan approval.	Satisfied	2
3. Permit Status.	Satisfied	3
4. Pre-construction analysis ("PCA").	Satisfied	4
5. Survey.	Satisfied	5
6. Complete, thorough soil test reports.	Satisfied	
7. Full or self-contained appraisal as defined by the Uniform Standards of Professional Appraisal Practice.	Satisfied	
8. Market Study separate from the Appraisal.	Satisfied	
9. Environmental Site Assessment – Phase I and/or 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.	Satisfied	
10. Audited financial statements for the most recent fiscal year ended or acceptable alternative as stated in the Rule for credit enhancers, Borrower, general partner/member, principals, guarantors and general contractor.	Satisfied	
11. Resumes and experience of Borrower, general contractor and management agent.	Satisfied	

12. Credit authorizations; verifications of deposits and mortgage loans.	Satisfied	
13. Management Agreement and Management Plan.	Satisfied	6
14. Firm commitment from the credit enhancer or private placement purchaser, if any.	N/A	
15. Firm commitment letter from the syndicator, if any.	Satisfied	
16. Firm commitment letter(s) for any other financing sources.	Satisfied	
17. Updated sources and uses of funds.	Satisfied	
18. Draft construction draw schedule showing sources of funds during each month of the construction and lease-up period.	Satisfied	
19. Fifteen-year income, expense, and occupancy projection.	Satisfied	
20. Executed general construction contract with "not to exceed" costs.	Satisfied	7
21. HC ONLY: 15% of the total equity to be provided prior to or simultaneously with the closing of the construction financing.	Satisfied	
22. Any additional items required by the credit underwriter.	Satisfied	

NOTES AND APPLICANT'S RESPONSES:

1. As of the date of this report, Seltzer has not yet received the Development's final "as submitted for permitting" plans and specifications. This is a condition to close.
2. As of the date of this report, Seltzer has not yet received the Final site plan and/or status of site plan approval. Seltzer believes that this document will be included with the final "as submitted for permitting" plans and specifications, therefore this and the above items should be resolved at the same time. This is a condition to close.
3. The Borrower is working towards obtaining a Permit Ready letter. This is a condition to close.
4. Partner is preparing an updated PCA based on updated construction drawings/plans. The updated PCA is a condition to close.
5. A Signed and Sealed Survey certified to the LCHFA will not be available until after credit underwriting. This is a condition to close.
6. The Management Agreement was not executed during underwriting. A fully executed Management Agreement with terms not substantially different from those utilized in this Credit Underwriting Report is a condition to close.
7. An executed GC Contract was not available during underwriting. Receipt and satisfactory review of an executed GC Contract with the same contract sum, terms, and conditions, as provided for completion of the PCA and relied upon in this Credit Underwriting Report is a condition to close.

HC Allocation Calculation

Section I: Qualified Basis Calculation	
Development Cost	\$21,283,066
Less Land Cost	(\$648,000)
Less Federal Funds	\$0
Less Other Ineligible Cost	(\$1,648,964)
Less Disproportionate Standard	\$0
Acquisition Eligible Basis	\$9,973,360
Rehabilitation Eligible Basis	\$9,012,742
Total Eligible Basis	\$18,986,102
Applicable Fraction	100.00%
DDA/QCT Basis Credit	130.00%
Acquisition HC Percentage	3.32%
Rehabilitation HC Percentage	3.32%
Annual HC on Acquisition	\$331,116
Annual HC on Rehabilitation	\$388,990
Annual Housing Credit Allocation	\$720,105

Notes to the Qualified Basis Calculation:

1. Other Ineligible Costs primarily include a portion of accounting fees, FHFC administrative, application, underwriting and HC compliance fees, a portion of legal fees, Market Study, a portion of title and recording, the permanent loan origination fee, the portion of interest paid during lease-up (3 months), the LCHFA application, feasibility and initial administrative fees, LCHFA commitment fee, LCHFA cost of issuance, investor due diligence and legal fees, syndication fees, escrow deposit, bond fund deposit, and reserves.
2. The Borrower committed to a set aside of 100%. Therefore, SMG has utilized an Applicable Fraction of 100.00%.
3. The Development is located in a Qualified Census Tract, 10.01. Therefore, the 130% basis credit has been applied to the Eligible Basis.
4. A Housing Credit Percentage of 3.32% is used based on a rate of 3.17% as of October 2019, for 4% credits plus 15 basis points.

Section II: Gap Calculation	
Total Development Cost (Including Land and Ineligible Costs)	\$21,283,066
Less Mortgages	(\$12,880,000)
Less Grants	\$0
Equity Gap	\$8,403,066
Percentage to Investment Partnership	99.99%
HC Syndication Pricing	\$0.8955
HC Required to Meet Gap	\$9,384,597
Annual HC Required	\$938,460

Notes to the Gap Calculation:

1. Mortgages include the First Mortgage M.TEB, and the Seller's Note.
2. HC Syndication Pricing and Percentage to Investment Partnership are based on an equity LOI prepared by HCP dated November 1, 2019.

Section III: Tax-Exempt Bond 50% Test	
Total Depreciable Cost	\$18,986,102
Plus Land Cost	\$648,000
Aggregate Basis	\$19,634,102
Tax-Exempt Bond Amount	\$11,880,000
Less Debt Service Reserve	\$0
Less Proceeds Used for Costs of Issuance	\$0
Plus Tax-exempt GIC earnings	\$0
Tax-Exempt Proceeds Used for Building and Land	\$11,880,000
Proceeds Divided by Aggregate Basis	60.51%

Notes to 50% Test:

1. SMG estimates the Tax-Exempt MMRB amount to be 60.51% of Depreciable Development Costs plus Land Acquisition Costs. If, at the time of Final Cost Certification, the Tax-Exempt Loan Amount is less than 50%, developer fees will have to be reduced by an amount to ensure compliance with the 50% Test. That may, in turn, result in a reduction to HC Equity.

Section IV: Summary	
HC per Qualified Basis	\$720,105
HC per Gap Calculation	\$938,460
Annual HC Recommended	\$720,105

Notes to the Summary:

1. The Annual HC Recommended is limited by the Qualified Basis calculation.

Exhibit 5

Scope of Rehabilitation

Magnolia Terrace
509 E. Magnolia Dr.
Tallahassee, FL 32301

SUBSTANTIAL REHABILITATION PROJECT

November 20, 2019

WORK WRITE-UP

This Work Write-Up identifies the repairs that are required to place the property in conformance with applicable local standards, sound operating condition, and program and project objectives.

The quantities for required repairs reflect approximate quantities of materials based on visual observations by the inspecting team and are based also on drawings and other information provided by the Sponsor and Property Manager.

This Work Write-Up has been prepared by Wilshire Pacific Builders.

A. APARTMENT UNITS INTERIORS

1. Replace all unit entry door hardware: Deadbolt with non-keyed lever. (108)
2. Install granite window sills at all residential units.
3. Kitchen Cabinets, Countertops, Sinks, and Faucets: Demo all kitchen tops and install new wood faced kitchen cabinets, solid surface countertops with integral sinks, low flow faucets. All cabinet and countertop materials to be constructed of low VOC materials. (108 units total)
4. Bathroom Cabinets, Countertops, Lavatories, and Lavatory Fixtures: Demo all bath tops and associated components. Install new bathroom wood faced cabinets, and countertops in all apartments with an integral solid surface top and low flow bath lavatory faucets. All cabinet and countertop materials to be constructed of low VOC materials. (141 total baths). Reglaze tubs only. (108)
5. Install new angle stops, ¼ turn type and stainless-steel braided supply lines. (639)
6. Install new Low Flush toilet with new wax rings. (141)
7. Install new Sterling type four-piece fiberglass tub/shower surround. Include valves and heads (9)
8. Install new 100-gallon gas water heaters. (8)
9. Upgrade units to be accessible type units. To include framing, drywall, doors and hardware, plumbing, HVAC, electrical, cabinetry, countertops, grab bars, paint, finish carpentry, appliances and vinyl plank and vinyl base throughout. (6 units)
10. Remove existing flooring and prep the surface for a level installation of flooring in standard units. Install vinyl flooring and rubber base throughout all units in Kitchens, Living Area, and Bathrooms. Install vinyl plank flooring throughout units except bedrooms. (102)
11. Install new Standard Bathroom Exhaust Fan, connect to existing wiring and ducting at all bathroom. (141)
12. Install new standard kitchen Exhaust Fan, connect to existing wiring and ducting. (108)
13. Install new curved shower rod and curtain at unit bathrooms. (108)

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Tallahassee, FL**

14. Install new 30" electric ranges at unit kitchens. Black finish. (102 units total)
15. Install new 30" range non-vented hood/microwave at unit kitchens. Connect to existing ducting. Black finish. (102 units total)
16. Install new Energy Star refrigerators at unit kitchens. Black finish. (102 units total)
17. Paint all interior bath and kitchen walls, ceilings, doors and trim in all units using no VOC paints. Prep drywall for paint included. (102)
18. Remove and replace AC units. Ducting, line sets and condensates to remain. (108)
19. Install Radon gas mitigation system at all first-floor units. Includes piping and fan.
20. Install 10-year sealed battery type smoke detectors at Bedrooms. (224)
21. Install smoke/CO detectors at hallway. (108)
22. Install horn strobe smoke detector in each accessible unit bedroom, and a horn strobe smoke/CO detector, and audio /visual doorbells in each accessible unit hallway. (11)
23. Install new GFCI receptacles at existing kitchens locations. (324)
24. Install GFCI receptacles at bathroom existing locations. 1 per bathroom. (261)
25. Install new LED kitchen light fixtures. (108 units total.)
26. Install new LED light fixture at dining area. (108 units total.)
27. Install new LED vanity light fixtures. (141)
28. Install new LED light fixture in all unit hallways. (108)
29. Install new LED light fixture in bedroom. (224)
30. Bathroom accessories: Install new towel bar, toilet paper holder, mirrored med/ cab over sink replacing mirror. (141)
31. Abate asbestos containing material necessary to perform renovation work only. Provide 3rd party clearances required by administrative authority.

B. APARTMENT BUILDINGS EXTERIOR AND SITE

1. Reconfigure existing community building, laundry, existing office, and maintenance building. Install new finishes, include floor, paint light fixtures and all necessary cosmetic repairs.
2. Replace all existing windows with vinyl, retrofit windows installed on existing metal frames with Low-E Glass. (108 units)
3. Prep, caulk, and paint all exterior residential buildings, community building, and maintenance building.
4. Scope, Inspect, repair and make adjustments to existing sewer mains, following sewer inspections.
5. Re-roof existing roof system with asphalt shingle roof on all residential buildings and Office building. Include new metal trim and flashing.
6. Replace rain gutters, downspouts and downspout at existing buildings.
7. Repair, prep and paint existing wood perimeter fencing.
8. Install new 6' high wrought iron fence along Magnolia, SW and SE corners of site
9. Make concrete repairs to walks, and curbs to achieve path of travel upgrades between the parking lot, community room, gym, laundry, and office, playground and basketball court to accessible units. Include reseal and restripe at all drives and parking areas.
10. Make upgrades to handrails on sidewalk stairs throughout stairs. Upgrades do not include building stair systems.
11. Install site WiFi service throughout site.
12. Remove and replace existing building mounted sight light fixtures. Install new LED Wall Pack light fixtures at existing locations. (64)
13. Install new Web Based security cameras at Entry, Parking, and Mis. site locations.

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14. Install landscape upgrades including smart controller water valves per preliminary plan. Tree trimming on trees directly adjacent to buildings only.
15. Install carports at parking lot. Provide one covered stall per residential unit.
16. Install new sign throughout site including office, community building. Install unit signage at front door location.
17. Make upgrades at BBQ area to include new accessible BBQ pedestals. Install accessible picnic tables and benches. Install 2 metal bike racks.
18. Install new monument sign at property entrance.