

FHFC II, INC.

Action

I. FHFC II, INC.

A. Ratification of the Execution of the Purchase and Sale Agreement for Heritage Apartments

1. Background

- a) Worthwhile Development III, Ltd. d/b/a Heritage apartments is a 320-unit multifamily development located in Collier County, approximately 7 miles northeast of downtown Naples, in the Golden Gate community. The property was financed with FHFC bonds, 2001 Series E1 & E2, and an allocation of 4% housing credits. The Guarantee Program and HUD (through a Risk-Sharing agreement) guaranteed the first mortgage.
- b) On April 19, 2010, the Guarantee Program filed an Application for Initial Claim Payment with HUD on Heritage, and on May 19, 2010 filed for foreclosure in the 12th Circuit Court in Collier County, case number 2010-3232-CA.
- c) Final summary judgment was granted on July 21, 2010. A foreclosure sale date was set for August 23, 2010. FHFC was the winning bidder at the foreclosure sale and a certificate of title was issued to FHFC II, Inc. on September 3, 2010.
- d) Following established protocol, Heritage was listed for sale via competitive bid process with Marcus & Millichap. A total of 16 bids were received. On December 16, 2010, after Marcus & Millichap vetted the offerors, Marcus & Millichap submitted the best and final offers from the following offerors (listed alphabetically):
 - (1) Aspen Square Management
 - (2) Management Servicing Group
 - (3) Pacifica Companies
 - (4) Prime Group
 - (5) Saber Real Estate Advisors
- e) Staff met December 27, 2010 to select top bidders and formulate a Board recommendation for approval of the sale. The following two entities were selected (should negotiations fail with the primary, then negotiate with the secondary offeror):
 - (1) Primary:

Pacifica Companies - Based upon their \$12,500,000 offer, including a \$500,000 upfront earnest money deposit, fifteen (15) day deadline for due diligence and projected closing ten (10) days thereafter, with no extensions, cash on hand to close the transaction without financing, as well as Marcus & Millichap's and Florida Housing's financial advisor's favorable recommendation.

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(2) Secondary:

Aspen Square Management – Based on their \$12,000,000 offer, including \$300,000 upfront earnest money deposit, approximately 10 days due diligence and projected closing ten (10) days thereafter, with no extensions, and proof of cash on hand to close the transaction without financing, as well as Marcus & Millichap's and Florida Housing's financial advisor's favorable recommendation.

- f) Pursuant to Board Resolution 2010-002 dated January 22, 2010, the Board delegated authority to the Chair or Vice Chair, with the advice of Florida Housing's financial advisor, to select and approve an offeror for the sale of any property held by FHFC II.
- g) To that extent, on December 28, 2010, staff requested approval to negotiate a purchase and sale agreement for the sale of Heritage to Pacifica Companies, and should negotiations fail in that regard, initiate negotiations with Aspen Square Management as a secondary offeror.
- h) On December 29, 2010, the Board Chair authorized staff to proceed with the purchase and sale agreement for the sale of Heritage as requested.

2. **Present Situation**

The net claim incurred on Heritage is approximately \$18 million. Adding accrued HUD debenture interest projected through closing and final settlement (approximately \$771,152) as well as legal costs, collateral projection expenses, broker fees and disposition-related costs (together totaling approximately \$350,000), the aggregate monetary exposure will be approximately \$19.2 million.

3. **Recommendation**

Ratify the purchase and sale agreement for the sale of Heritage to Pacifica Companies, as primary, and Aspen Square Management as a secondary, and direct staff to proceed with the closing on the sale.