BEFORE THE STATE OF FLORIDA
FLORIDA HOUSING FINANCE CORPORATION

RENAISSANCE PRESERVE IV, LLLP

Petitioner, FHFC No. 2012-028UC

vs. Application No.2011-174C

FLORIDA HOUSING FINANCE
CORPORATION,

Respondent.

_______________________________________/

PETITION FOR REVIEW

Pursuant to Section 120.569 and .57, Florida Statutes (F.S.) and Rule 67-48.005(5), Florida Administrative Code (F.A.C.), Petitioner, Renaissance Preserve IV, LLLP("Renaissance") requests an administrative hearing to challenge FLORIDA HOUSING FINANCE CORPORATION's ("Florida Housing") scoring actions concerning Universal Cycle Application No. 2011-174C. In support of this Petition, Renaissance provides as follows:

1. Renaissance is a Florida limited liability company with its address at 200 South Division Street, Buffalo, New York 14204. Renaissance is in the business of providing affordable rental housing units in the State of Florida.

2. Florida Housing is the state agency delegated the authority and responsibility for administering and awarding funds pursuant to Chapter 420, F.S., and Rules 67-21 and 67-48, F.A.C.

Nature of the Controversy

3. On December 6, 2011, Renaissance applied to Florida Housing for funding pursuant to the Low Income Housing Tax Credit Program (LIHTC) through the 2011 Universal Application Cycle or UAC. The purpose of the requested funds was to supplement the cost of constructing an affordable housing apartment complex in Ft. Myers, Florida, named Renaissance Preserve Phase III.

4. The United States Congress has created a program, governed by Section 42 of the Internal Revenue Code ("IRC"), by which federal income tax credits are allotted annually to each state on a per capita basis to encourage private developers to build and operate affordable low-income housing for families. These tax credits entitle the holder to a dollar-for-dollar reduction in the holder's federal tax liability, which can be taken for up to ten years if the project continues to satisfy all IRC requirements.

5. The tax credits allocated annually to each state are awarded by state "housing credit agencies" to single-purpose applicant entities created by real estate developers to develop specific multi-family housing projects. An applicant entity will then sell this ten-year stream of tax credits, typically to a "syndicator," with the sale proceeds generating much of the funding necessary for development and construction of the project. The equity produced by this sale of tax credits in turn reduces the amount of long-term debt required for the project, making it possible to

operate the project at rents that are affordable to low-income and very-low-income tenants.

6. Pursuant to section 420.5099, Florida Statutes, Florida Housing is the designated "housing credit agency" for the State of Florida and administers Florida's low-income housing tax credit program. Through this program, Florida Housing allocates Florida's annual fixed pool of federal tax credits to developers of affordable housing.

7. Because Florida Housing's available pool of federal tax credits each year is limited, qualified projects must compete for this funding. To assess the relative merits of proposed projects, Florida Housing has established a competitive application process pursuant to Chapter 67-48, F.A.C. Specifically, Florida Housing's application process for 2011, as set forth in Rules 67-48.002-.005, F.A.C., involves the following:

(a) The publication and adoption by rule of an application package;

(b) The completion and submission of applications by developers;

(c) Florida Housing's preliminary scoring of applications;

(d) An initial round of administrative challenges in which an applicant may take issue with Florida Housing's scoring of another application by filing a Notice of Possible Scoring Error ("NOPSE")'

(e) Florida Housing's consideration of the NOPSEs submitted, with notice to applicants of any resulting change in their preliminary scores;

(f) An opportunity for the applicant to submit additional materials to Florida Housing to "cure" any items for which the applicant received less than the maximum score;

(g) A second round of administrative challenges whereby an applicant may raise scoring issues arising from another applicant's cure materials by filing a Notice of Alleged Deficiency ("NOAD");

(h) Florida Housing's consideration of the NOADs submitted, with notice to applicants of any resulting change in their scores; and

(i) An opportunity for applicants to challenge, via informal or formal administrative proceedings, Florida Housing's evaluation of any item for which the applicant received less than the maximum score.

8. At the completion of this process a Final Score is assigned to each Application. Based on these Final Scores, and a series of Tie Breakers, Applications are then ranked. Funds are awarded to applicants starting with applicable goals, preferences and set asides, as defined by the Universal Application Instructions, and the highest scoring applicants, until the available funds are exhausted. Applicants compete for funds, in large part, against other applicants in the same county size group, and against other applicants seeking to provide housing to the same demographic group.

9. Based on a review of Florida Housing's Scoring Summary dated March 27, 2012, Renaissance received a final score of 76 out of a possible 79 points for its Application. Additionally, Renaissance received 6.00 out of 6.00 Ability To Proceed Points and 30.25 out of 37 Tie-Breaker Proximity Points. This score would allow Renaissance to receive a full award of its funding request in the Public Housing Revitalization Development goal (a set-aside that gives preference to Applicants that have received time sensitive HOPE VI grant funds for the revitalization of a specific neighborhood). In fact, in the 2011 UAC, Renaissance's Application was the only Application which qualified for this HOPE VI preference in the Public Housing Revitalization Development goal. However, Florida Housing concluded that Renaissance failed threshold.

10. Florida Housing's scoring action in the instant case concerns whether Renaissance provided a commitment letter which meets the requirements of the Universal Cycle Application, Instructions and Rule. As will be explained more fully below, Florida Housing's scoring action in the instant case is erroneous and inconsistent with actions taken by Florida Housing with respect to other Applications in the 2011 Universal Cycle as well as a prior phase of the same development in the 2009 Universal Cycle.

Substantial Interests Affected

11. As an applicant for funds allocated by Florida Housing, Renaissance's substantial interests are adversely affected by the scoring decisions here. The final scoring actions of Florida Housing resulted in Renaissance's application not achieving threshold. Since the purpose of the tax credit loan program in general is to provide funding to developers of apartment projects for low income residents, then Renaissance's interests are adversely and substantially affected by the loss of funding. Indeed, without the requested funding, Renaissance's ability to provide much needed affordable housing units will be severely jeopardized. But for the error on the part Florida Housing, Renaissance's application would have received funding as the only Application meeting the definition of a HOPE VI Development.

Scoring of Renaissance's Application

12. The Universal Application at Part V requests the applicant to provide information regarding the financing of the proposed project. Specifically, at Part V(D), the Application requires the Applicant to provide information identifying any non-corporation funding commitments.

13. In response to the Application requirements Renaissance initially provided a letter from RBC Tax Equity, LLC ("RBC"), which reflected an equity commitment in the Renaissance project as a source of funding in the amount of

$11,855,828 which was resubmitted at CURE for a funding amount of $11,855,826.

14. After conducting its preliminary review of the Application and all NOPSEs showing alleged scoring errors, Florida Housing found as follows as to the RBC commitment letter:

Item #	Description	Reason
6T	HC Equity	The Applicant provided an equity commitment letter from RBC Tax Credit Equity, LLC. The commitment does not contain the language "paid prior to or simultaneous with the closing of construction financing" as required by Part V.D.3.(a) of the 2011 Universal Application Instructions. Therefore, the HC equity cannot be counted as a source of financing.
7T	HC Equity	The Applicant provided an equity commitment letter from RBC Tax Credit Equity, LLC. Exhibit A of the commitment letter states the total capital contributions total $11,855,828. However, the installment amounts total $11,855,827. Due to this inconsistency, the HC equity cannot be considered a source of financing.

(See Attachment A.)

15. In response to Florida Housing's preliminary scoring decision, Renaissance provided CURE documents, including the revised commitment letter from RBC. (See Attachment B).

16. In response to the CURES, Florida Housing on March 27, 2012, found that Renaissance had addressed all of the specific scoring issues raised in preliminary scoring and by NOPSEs, resulting in those being rescinded. However, Florida Housing then concluded, based on a NOAD filed against the Application,

that the Renaissance revised RBC letter raised new issues that caused the Application to fail threshold for reasons other than those initially stated. Specifically, Florida Housing in its Final Scoring Summary concluded as follows:

Item #	Description	Reason
12T	HC Equity	As a cure to Items 6T, 7T and 8T, the Applicant provided a revised equity commitment from RBC Tax Credit Manager II, Inc. Per page 107 of the 2011 Universal Application Instructions, the percentage of credits being purchased must be equal to or less than the percentage of ownership interest held by the limited partner or member. The Applicant stated on the revised Exhibit 9 that the limited partner's interest in the applicant entity is 99.99%. However, the syndication agreement was revised to state a total of 99.991% of the HC allocation is being purchased. Because of this inconsistency, the HC equity cannot be considered a source of financing.

(See Attachment A)

17. In the instant case, Florida Housing has found an alleged "inconsistency" in the commitment letter not based on the amount of the equity commitment identified and agreed to by the Parties and listed in the corresponding Proforma entry. Rather, Florida Housing asserts that the percentage of credits being purchased does not equal the ownership interest held by the limited partner or member. Accordingly, Florida Housing, based on this alleged "inconsistency," has determined that Renaissance's Application fails threshold.

18. Florida Housing's scoring decision is erroneous for several reasons. Initially, as a policy matter Florida Housing has historically taken the position that commitments, proposals or letters of intent with conflicting information **may** be

determined not to meet threshold depending upon the nature of the inconsistency. Florida Housing has acknowledged that inconsistencies may occur in these letters but, unless the nature of the inconsistency is fatal, rejection is not warranted. This policy is certainly applicable here and the issue does not warrant rejection, especially given that the parties have specifically agreed to the stated commitment and the alleged inconsistency does not change that result.

19. Additionally, while the provision of documentation of an equity commitment or letter of intent is clearly a threshold item, not all aspects of the equity commitment letter used to demonstrate the commitment are threshold matters.

20. The specific requirements of an equity commitment or syndication agreement are found in Part V(D)(3)(a) of the Universal Application Instructions. This Section specifically provides that the items listed in the ten bullet points included at subparagraph (a) are required "in order for a Housing Credit Syndication/Equity commitment, proposal, or letter of intent to meet threshold." The requirement that "the percentage of Housing Credits proposed to be purchased" by the investor/syndicator "be equal to or less than the percentage of ownership interest held by the limited partner" is found in Part V(D)(3)(b), which unlike subparagraph (a) contains no similar statement regarding threshold.

21. Moreover subsection (b) fails to contain any indication that the entire letter will not be scored or counted as a source, as do items (c) and (f). In fact subsection (b) is the only item that does not contain this statement (see Attachment C). Accordingly, Florida Housing was not authorized to reach its threshold decision here; nor was it authorized to refuse to consider the syndication agreement as a source of financing. Thus, the letter meets the requirements of the Universal Cycle Application process. This result is not changed by the issue referenced above.

22. In its Scoring Summary Florida Housing has asserted that the sole reason for failing threshold is that the percentage of credits being "purchased" must be equal to or less than the percentage ownership interest held by the limited partner or member. Florida Housing's assertion ignores the difference between "acquiring" and "purchasing." Pursuant to the RBC letter, the syndicator proposes to "purchase" 99.99% of the Housing Credits, which is consistent with the percentage of ownership interest held by the limited partner, as reflected on Exhibit 9 and as evidenced in the amount of the capital contribution. The additional .001% interest is being ***acquired*** by a special limited partner affiliated with the syndicator, but it is not being ***purchased***. The product of the Housing Credits being purchased 99.99% and the price per credit being paid produces the amount of equity set forth in the syndication agreement. The credits proposed to be purchased does not include the .001% that FHFC and the NOAD alleges.

23. While Exhibit 9 and the RBC letter may differ as to the percentage partnership interest to be held by the General Partners (the former does not account for the existence of the Special Limited Partner with a .001% interest while the latter does), this is not an inconsistency for scoring purposes. The difference is one of timing based on a standard industry practice for the actual equity funding process. As the Universal Application Instructions provide, the purpose of Exhibit 9 is to provide information regarding the Applicant, including the owners and their percentage interests. By definition, the Applicant is the entity as it exists at the time of Application Deadline or December 6, 2011. At the time of Application Deadline, the owners and percentage interests for this proposed project are exactly as shown on Exhibit 9 and will remain as such until closing.

24. The RBC letter is an intent, or soft commitment which, by definition, is a promise or proposal (as stated in the first sentence of the letter) to do something in the future. It is only when the purchase of the Housing Credits is consummated that the ownership names and percentage interests change. At that time, in exchange for its purchase price, the investor Limited Partner will purchase 99.99% of the Housing Credits at a proposed credit price of $0.875, and its designated Special Limited Partner may receive a proposed .001% non-monetary interest in the partnership for no additional consideration which in no way affects the amount of credits to be purchased. This purchase of 99.99% can be verified by the capital contribution and this type of transaction is evidenced by Florida

Housing's credit underwriting reports for a similar letter provided in the past (Attachment D).

25. The purpose of the .001% interest of the Special Limited Partner (if exercised as proposed) is to provide a legal entry point in the event the General Partners need to be removed in the future. It is not an economic factor in the amount of equity being paid for the Housing Credits. The .001% interest is not carved out of the limited partner interest, but rather out of the general partner interest. This is reflected on page one of the RBC letter, which shows the combined interest of the General Partners totaling .009%.

26. Florida Housing has accepted this exact same limited partner and general partner structure in the 2009 UAC for the third phase of this development ("RP III"), which was approved in total in the form of a Final Credit Underwriting Report ("CUR") by the FHFC Board at its July 16, 2010 meeting (see Attachment D for App# 2009-151C). In fact, that exact RBC letter and structure was used in the Preliminary Credit Determination Letter as the basis to issue the Carryover Allocation Agreement which is the State's instrument for the Housing Credit award as stipulated by IRC Section 42. This Letter confirms again that the purchase amount of the Housing Credits is 99.99% (See Attachment E)

27. Page 5 of the CUR provides a chart explaining the Development Team ownership between the General Partners (.009%) and the Limited Partner (99.991%) which is the same as the current phase proposal. Also, consistent with

how the economic value of the RBC equity commitment is calculated, page 44 provides the approved GAP calculation based on a 99.99% HC Syndication Percentage to the Investment Partnership. If indeed there was a threshold scoring issue in the CURE, it was incumbent on Florida Housing to modify the 2011 Universal Application and Rules to avoid this alleged "inconsistency."

28. As a factual matter, despite any perceived inconsistency, the commitment letter meets all the listed requirements of the Universal Application Instructions.

WHEREFORE, Renaissance requests that it be granted an administrative proceeding to contest Florida Housing's erroneous scoring decisions. To the extent there are disputed issues of fact, this matter should be forwarded to the Division of Administrative Hearings. Ultimately, Renaissance requests the entry of a Recommended and Final Order which finds that it has met threshold and awards Renaissance all applicable points.

Respectfully submitted,

0059886 for

Michael P. Donaldson
FL Bar No. 0802761
CARLTON FIELDS, P.A.
P.O. Drawer 190
215 S. Monroe St., Suite 500
Tallahassee, FL 32302
Telephone: (850) 224-1585
Facsimile: (850) 222-0398

Counsel for Applicant

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original of the foregoing has been filed by Hand Delivery with the Agency Clerk, Florida Housing Finance Corporation, 227 N. Bronough Street, Suite 5000, Tallahassee, FL 32301; and a copy furnished to Wellington H. Meffert, II, Esq., Florida Housing Finance Corporation, 227 N. Bronough St., Suite 5000, Tallahassee, FL 32301, this 19th day of April, 2012.

MICHAEL P. DONALDSON

Scoring Summary Report

File #: 2011-174C   Development Name: Renaissance Preserve Phase III

As of: ***03/28/2012***

	Maximum Points/Eligibility	Preliminary	NOPSE	Final	Final Ranking
Met Threshold	Y/N	N	N	N	
Total Points	79	76.00	76.00	76.00	
Ability to Proceed Tie-Breaker Points	6	6.00	6.00	6.00	
Proximity Tie-Breaker Points	37	30.25	30.25	30.25	
Eligible for 1/8th Mile Ranking Preference	Y/N	N	N	N	
Eligible for Age of Development Tie-Breaker Ranking Preference	Y/N	Y	Y	Y	
Eligible for Concrete Construction Tie-Breaker Ranking Preference	Y/N	Y	Y	Y	
Eligible for Florida General Contractor Tie-Breaker Ranking Preference	Y/N	Y	Y	Y	
RA Level Classification (preference given to the lowest RA Level Classification)	1 - 6	1	1	1	

ATTACHMENT A - NO. 2011-174C

Scores:

Item #	Part	Section	Subsection	Description	Maximum Available Points	Preliminary	NOPSE	Final	Final Ranking
				Developer					
1S	II.	B.	1.c.	Housing Credit Development Experience	3.00	3.00	3.00	3.00	
				Construction Features and Amenities					
2S	III.	B.	3.a.	Optional - NC & Rehab. Units	9.00	9.00	9.00	9.00	
3S	III.	B.	3.b.	Optional - All Developments Except SRO	12.00	12.00	12.00	12.00	
3S	III.	B.	3.c.	Optional - SRO Developments	12.00	0.00	0.00	0.00	
4S	III.	B.	3.d.	Optional - Universal Design &Visitability	10.00	10.00	10.00	10.00	
5S	III.	B.	5.a.(1)	Green Building Features (NC & Redev.)	7.00	7.00	7.00	7.00	
5S	III.	B.	5.a.(2)	Green Building Certification (NC & Redev.)	10.00	0.00	0.00	0.00	
5S	III.	B.	5.b.	Green Building Features (Rehab. & Preserv.)	10.00	0.00	0.00	0.00	
				Set-Aside Commitments					
6S	III.	E.	1.b.(2)	Special Needs Households	4.00	4.00	4.00	4.00	
7S	III.	E.	1.b.(3)	Total Set-Aside Commitment	3.00	3.00	3.00	3.00	
8S	III.	E.	3.	Affordability Period	5.00	5.00	5.00	5.00	
				Resident Programs					
9S	III.	F.	1.	Programs for Non-Elderly & Non-Homeless	6.00	6.00	6.00	6.00	
9S	III.	F.	2.	Programs for Homeless (SRO & Non-SRO)	6.00	0.00	0.00	0.00	
9S	III.	F.	3.	Programs for Elderly	6.00	0.00	0.00	0.00	
10S	III.	F.	4.	Programs for All Applicants	8.00	8.00	8.00	8.00	
				Local Government Contributions					
11S	IV.	A.		Contributions	5.00	5.00	5.00	5.00	
				Local Government Incentives					
12S	IV.	B.		Incentives	4.00	4.00	4.00	4.00	

Threshold(s) Failed:

Item #	Part	Section	Subsection	Description	Reason(s)	Created as Result of	Rescinded as Result of
1T	III.	C.	2.	Site Control	The February 1, 2010 Ground Lease provided to demonstrate site control was signed on behalf of the Applicant by Richard L. Higgins as President of Norstar Renaissance Preserve Family III, Inc. This is inconsistent with the information stated on Exhibit 9, where Mr. Higgins is listed as Vice-President.	Preliminary	Final
2T	III.	C.	2.	Site Control	The Applicant provided a Ground Lease to demonstrate site control that contains a contingency in Section 6.3 stating that the Landlord may terminate the Lease if FHFC funding is not received before September 30, 2011. This contingency was not met. Therefore, confirmation that the Ground Lease was not terminated by the Landlord is required.	Preliminary	Final
3T	II.	A.	3.	Principals	The Applicant failed to identify the manager(s) of Black Locust, LLC, the limited partner of the Lead Developer, Norstar Development USA, LP.	Preliminary	Final
4T	V.	B.		Construction/Rehab. Analysis	The Applicant has a construction financing shortfall of $1,193,972.	Preliminary	NOPSE
5T	V.	B.		Permanent Analysis	The Applicant has a permanent financing shortfall of $10,056,130.	Preliminary	NOPSE
6T	V.	D.	2.	HC Equity	The Applicant provided an equity commitment letter from RBC Tax Credit Equity, LLC. The commitment does not contain the language "paid prior to or simultaneous with the closing of construction financing" as required by Part V.D.3.(a) of the 2011 Universal Application Instructions. Therefore, the HC equity cannot be counted as a source of financing.	Preliminary	Final
7T	V.	D.	2.	HC Equity	The Applicant provided an equity commitment letter from RBC Tax Credit Equity, LLC. Exhibit A of the commitment letter states the total capital contributions total $11,855,828. However, the installment amounts total $11,855,827. Due to this inconsistency, the HC equity cannot be considered a source of financing.	Preliminary	Final

Item #	Part	Section	Subsection	Description	Reason(s)	Created as Result of	Rescinded as Result of
8T	V.	D.	2.	HC Equity	Per Part V.D.3.(a) of the 2011 Universal Application Instructions, at least 15% of the proposed equity to be provided must be paid prior to or simultaneous with the closing of construction financing. The Applicant provided an equity commitment from RBC Tax Credit Equity that does not meet the 15% requirement. Therefore, the HC equity cannot be considered a source of financing.	Preliminary	Final
9T	V.	B.		Construction/Rehab. Analysis	The Applicant has a Construction financing shortfall of $1,128,665.	NOPSE	Final
10T	V.	B.		Permanent Analysis	The Applicant has a Permanent financing shortfall of $9,990,823.	NOPSE	Final
11T	II.	A.	3.	Principals	Exhibit 9 provided in the Application is incomplete. The Applicant identified two (2) shareholders (Norstar Investment USA, Inc. and Black Locust, LLC) for the Applicant entity's managing general partner (Norstar Renaissance Preserve Family III, Inc.), but failed to identify the percentage of ownership of each of the shareholder entities.	NOPSE	Final
12T	V.	D.	2.	HC Equity	As a Cure to Items 6T, 7T and 8T, the Applicant provided a revised equity commitment from RBC Tax Credit Manager II, Inc. Per page 107 of the 2011 Universal Application Instructions, the percentage of credits being purchased must be equal to or less than the percentage of ownership interest held by the limited partner or member. The Applicant stated on the revised Exhibit 9 that the limited partner's interest in the applicant entity is 99.99%. However, the syndication agreement was revised to state a total of 99.991% of the HC allocation is being purchased. Because of this inconsistency, the HC equity cannot be considered a source of financing.	Final	
13T	V.	B.		Construction/Rehab. Analysis	The Applicant has a Construction financing shortfall of $1,128,663.	Final	
14T	V.	B.		Permanent Analysis	The Applicant has a Permanent financing shortfall of $9,990,821.	Final	

Ability To Proceed Tie-Breaker Points:

Item #	Part	Section	Subsection	Description	Maximum Available Points	Preliminary	NOPSE	Final	Final Ranking
1A	III.	C.	1.	Site Plan/Plat Approval	1.00	1.00	1.00	1.00	
2A	III.	C.	3.a.	Availability of Electricity	1.00	1.00	1.00	1.00	
3A	III.	C.	3.b.	Availability of Water	1.00	1.00	1.00	1.00	
4A	III.	C.	3.c.	Availability of Sewer	1.00	1.00	1.00	1.00	
5A	III.	C.	3.d.	Availability of Roads	1.00	1.00	1.00	1.00	
6A	III.	C.	4.	Appropriately Zoned	1.00	1.00	1.00	1.00	

Proximity Tie-Breaker Points:

Item #	Part	Section	Subsection	Description	Maximum Available Points	Preliminary	NOPSE	Final	Final Ranking
				Transit Services					
1P	III.	A.	10.a	Public Bus Stop	2.00	0.00	0.00	0.00	
1P	III.	A.	10.a	Public Bus Transfer Stop or Public Bus Transit Stop	6.00	5.00	5.00	5.00	
1P	III.	A.	10.a	Public Rail Station	7.00	0.00	0.00	0.00	
				Tier 1 Services					
2P	III.	A.	10.a	Grocery Store	4.00	1.50	1.50	1.50	
3P	III.	A.	10.a	Public School	4.00	3.00	3.00	3.00	
3P	III.	A.	10.a	Senior Center	4.00	0.00	0.00	0.00	
4P	III.	A.	10.a	Medical Facility	4.00	3.50	3.50	3.50	
				Eligible for Tier 1 Service Score Boost (Yes/No)		Y	Y	Y	
				Total Tier 1 Service Score	12.00	12.00	12.00	12.00	
				Tier 2 Services					
5P	III.	A.	10.a	Public Park	2.00	1.25	1.25	1.25	
6P	III.	A.	10.a	Community Center	2.00	0.50	0.50	0.50	
7P	III.	A.	10.a	Pharmacy	2.00	0.75	0.75	0.75	
8P	III.	A.	10.a	Public Library	2.00	0.75	0.75	0.75	
				FHFC Proximity List					
9P	III.	A.	10.b	Proximity to Developments on FHFC Development Proximity List	10.00	10.00	10.00	10.00	

Additional Application Comments:

Item #	Part	Section	Subsection	Description	Comment(s)	Created as Result of	Rescinded as Result of
1C	III.	A.	10.b.	Proximity to Developments on FHFC Development Proximity List	The Application qualifies for 10 automatic proximity points at Part III.A.10.b.(3) of the Application.	Preliminary	
2C	V.	B.		Developer Fee	On the Construction and Permanent Analysis, the Applicant listed a deferred Developer fee of $671,258 for construction financing and $0 for permanent financing. However, the Commitment to Defer Developer Fee form provided for each co-Developer behind Exhibit 45 listed a total deferred Developer fee of $2,061,856 during construction and $1,799,698 for permanent financing which is what was used as sources of financing to minimize construction and permanent financing shortfalls.	Preliminary	
3C	V.	B.		Pro Forma	The loan commitment provided states a loan commitment fee of .5% of the construction loan amount. However, the amount listed on the proforma for loan origination fee exceeds this amount. Therefore, the Total Development Cost was reduced by $65,307.	NOPSE	

RBC Capital Markets

Tax Credit Equity Group
1549 Ringling Blvd., 3rd Floor
Sarasota, FL 34236

February 23, 2012

Renaissance Preserve IV, LLLP
c/o Norstar Renaissance Preserve Family III, Inc.
200 South Division Street
Buffalo, NY 12207
Attn: Mr. Richard Higgins, Vice President

Re: Renaissance Preserve Phase III
Fort Myers, Florida

Dear Rick:

Thank you for providing us the opportunity to submit a proposal on Renaissance Preserve Phase III Apartments (the "Project"). This letter serves as our mutual understanding of the business terms regarding the acquisition of an ownership interests in Renaissance Preserve IV, LLLP, a Florida Limited Liability Limited Partnership (the "Partnership"). RBC Tax Credit Equity, LLC, its successors and assigns ("RBC") will acquire a 99.99% interest, and RBC Tax Credit Manager II, Inc. ("RBC Manager") will acquire a .001% interest (collectively, the "Interest") in the Partnership. The General Partner will acquire the remaining .009% interest in the Partnership.

1. **Project and Parties Involved.**

(a) The Project, located in Fort Myers, County of Lee, Florida will consist of eleven new buildings having 88 apartment units for rent to families. Within the Project, 88 units will be occupied in compliance with the low-income housing tax credit ("LIHTC") requirements of Section 42 of the Internal Revenue Code and 66 units will be covered under an ACC Contract for 40 years and 22 units covered under a project based voucher contract for 15 years. The project will have 18 units restricted to households earning 33% or less of AMI and 70 units to households earning 60% of AMI or less.

(b) The parties involved with the Project are as follows:

(i) **General Partners**. The Managing General Partner shall be Norstar Renaissance Preserve Family III, Inc., which is a single purpose entity affiliated with the Developer. The Co-General Partner shall be Renaissance Preserve IV, LLC which is a single purpose Florida LLC whose sole member is the Housing Authority of the City of Fort Myers ("HACFM"). Upon satisfaction of the conditions in Section 6(b)(ii) below, and subject to RBC's consent in its reasonable discretion, Norstar Renaissance Preserve Family III, Inc. shall withdraw from the Partnership, Renaissance Preserve IV, LLC shall become the Managing General Partner, and HACFM shall replace Norstar Accolade Property Manager as the property manager.

(ii) **Developer**. The Developer will be Norstar Development USA, L.P. The Co-Developer shall be HACFM's affiliate, Renaissance Preserve Developers, LLC.

(iii) **Guarantors**. Subject to RBC's review and approval of financial statements, the Guarantors are the Managing General Partner, Developer, and Co-Developer, jointly and severally, or other entities deemed necessary by RBC. The guaranty and net worth and liquidity covenants of Renaissance Preserve Developers, LLC will comply with any applicable provisions of IRS safe harbor guidelines.

2. **Purchase Price**. The Interest in the Partnership will be acquired for a total capital contribution of $11,855,826. This capital contribution is based on the Project receiving the tax credits described in Paragraph 3 and represents a price per tax credit dollar of $0.875. This pricing assumes both the Developer and the Managing General Partner uses cash basis accounting for tax purposes. Further, the pricing assumes depreciable basis of $14,486,191 consisting of 100% of residential depreciation being taken over 27.5 years, 100% of depreciation on site improvements being taken over 15 years, and 100% of depreciation on personal property being taken over 5 years with the Project being placed in service in December 2013. The capital contribution, subject to adjustments set forth in Paragraph 5 below, will be payable to the Partnership in installments as set forth on **Exhibit A**.

3. **LIHTC**. The Project expects to receive an allocation of 2011 LIHTC in the amount of $1,355,087 annually. The total LIHTC anticipated to be delivered to the Partnership is $13,550,870. The LIHTC will be available to the Partnership beginning in October 2013. It is expected that RBC will be allocated a total LIHTC amount of $13,549,515 (the "Projected LIHTC") during the credit period in the following amounts: $850,000 in 2013, $1,354,951 annually in each of the years 2014 through 2022, and $504,952 in 2023. Any decision to delay the commencement date of the LIHTC period beyond 2013 is subject to RBC's consent.

4. **Funding Sources**. The purchase price is based upon the assumption that the Project will receive funding on the terms and conditions listed on **Exhibit B**. Any change in those funding sources or their terms and conditions are subject to RBC's consent.

5. **Adjustments**.

(a) Downward Capital Adjustment. The amount of LIHTC to be allocated to RBC during the credit period ("Certified LIHTC") will be determined promptly following receipt of cost certification from the accountant and Form 8609. If the Certified LIHTC is less than Projected LIHTC, RBC's capital contributions will be reduced by an amount (the "Downward Capital Adjustment") equal to the product of (i) $0.875 multiplied by (ii) the difference between Projected LIHTC and Certified LIHTC.

(b) Late Delivery Adjustment. The amount of LIHTC allocated to RBC for 2013 will be determined at the time the Project is fully leased. If the amount of the LIHTC allocated to RBC for calendar year 2013 is less than the amounts shown in Paragraph 3, RBC's capital contribution shall be reduced by an amount (the "Late Delivery Adjustment") equal to the difference between the amount shown in Paragraph 3 (adjusted for any Downward Capital Adjustment) and amount of the LIHTC allocated to RBC for calendar year 2013 less the present value (using a discount rate of 10%) of the additional LIHTC projected to be received in 2023.

(c) Payment by Managing General Partner. If the Downward Capital Adjustment and the Late Delivery Adjustment exceed the total of all unfunded capital contributions, then the Managing General Partner will make a payment to the Partnership equal to the amount of such excess, and the Partnership will immediately distribute such amount to RBC as a return of its capital contribution. This payment will not give rise to any right as a loan or capital contribution or result in any increase in the Managing General Partner's capital account.

6. **Managing General Partner and Guarantor Obligations**. In addition to Paragraph 5(c) above, the Managing General Partner is responsible for items 6(a) through 6(f) below. Any amounts advanced by the Managing General Partner will not be considered as loans or capital contributions reimbursable or repayable by the Partnership unless otherwise stated herein.

(a) Construction Completion. The General Partner will guarantee construction completion in accordance with approved plans and specifications and will pay for any construction costs and costs to achieve funding of all permanent loans.

(b) Operating Deficits.

(i) The General Partner will guarantee funding of operating deficits until the date (the "Stabilization Date") which is the first day of the month following (i) substantial completion and (ii) in which the Project has maintained an average 1.05 income to expense ratio for 90 consecutive days; and

(ii) Post-Stabilization. Commencing with the Stabilization Date and continuing until the Release Date (defined below), the General Partner will guarantee funding of operating deficits of up to $275,000. Any funds paid by the Managing General Partner under this Paragraph 6(b)(ii) shall be treated as an unsecured loan to the Partnership with interest at the rate of 8% per annum, to be repaid out of cash flow, refinancing, sale and liquidation proceeds as provided in Paragraph 9 hereof. The Managing General Partner shall be allowed to use funds from the operating reserve in 7 (a) to fund operating deficits prior to payment hereunder, provided the operating reserve is at or above the minimum balance.

The "Release Date" is the later of:

(A) the fifth anniversary of the Stabilization Date,
(B) the date the Project has achieved an average income to expense ratio of 1.05 for the 12-month period immediately prior to the Release Date, and
(C) the ACC Subsidy is in place on 66 units and Sec. 8 on 22 units.

Notwithstanding the foregoing, if, as of the Release Date, (i) the balance of the Operating Reserve described in Section 7(a) is less than $51,750 (50% of original capitalized balance), or (ii) the balance of the ACC Reserve described in Section 7(c) is less than $39,750 (50% of original capitalized balance), then this guaranty shall continue until the balance in the Operating Reserve is equal to or greater than $51,750 and the balance in the ACC Reserve is equal to or greater than $39,750.

(c) LIHTC Shortfall or Recapture Event. To the extent not already addressed by the Downward Capital Adjustment or the Late Delivery Adjustment, if the actual amount of LIHTC for any year is less than Projected LIHTC, the Managing General Partner will guarantee payment to RBC of an amount equal to the shortfall or recapture amount, plus related costs and expenses incurred by RBC.

(d) Repurchase. The General Partner will repurchase RBC's interest upon the occurrence of certain events described in the Project Entity Agreement.

(e) Environmental Indemnity. The General Partner will indemnify RBC against any losses due to environmental condition at the Project.

(f) Developer Fee. The Managing General Partner will guarantee payment of any developer fee remaining unpaid at the end of the LIHTC compliance period.

(g) Guarantors. The Guarantors will guarantee only the Managing General Partner's obligations set forth in 5(c) and 6(a) – 6(f) above. The Guarantors (and Renaissance Preserve Developers, LLC to the extent allowed per IRS safe harbor guidelines) will maintain a combined net worth and liquidity level as determined by RBC after review of the Guarantors' financial statements but in no event a net worth of less than $2,000,000, of which $1,000,000 will be liquid (cash and cash equivalents). The Guarantors will provide RBC with annual financial statements evidencing compliance with the net worth and liquidity requirements. Upon satisfaction of the conditions in Section 6(b)(ii) above, the guaranty and net worth and liquidity covenants of Renaissance Preserve Developers, LLC will be $1 million net worth and $500,000 liquidity.

7. **Reserves.**

(a) Operating Reserves. An operating reserve in the amount of $103,500 will be established and maintained for the life of the Partnership by the Managing General Partner concurrent with RBC's Final capital contribution. Withdrawals from the operating reserve will be subject to RBC's consent. Prior to the Release Date, the balance of the Operating Reserve shall not be reduced to less than $51,750, the "minimum balance". Expenditures from operating reserves will be replenished from available cash flow as described in Paragraph 9(b) below.

(b) Replacement Reserves. Commencing at Final C/O the Partnership will maintain a replacement reserve, and make contributions on an annual basis equal to the greater of (i) $300 per unit and (ii) the amount required by the permanent lender. The amount of the contribution will increase annually by 3%.

(c) ACC Affordability Reserve. The Partnership shall establish an ACC reserve in the amount of $79,500, concurrent with RBC's Final Capital Contribution. Withdrawals from the ACC reserve shall be as set forth in the R & O Agreement. This Affordability Reserve will be funded from paid developer fee and/or RBC's Final Capital Contribution. Prior to the Release Date, the balance of the ACC Affordability Reserve shall not be reduced to less than $79,500, the "minimum balance."

8. **Fees and Compensation.** The following fees will be paid by the Partnership for services rendered in organizing, developing and managing the Partnership and the Project.

(a) Developer Fee. The Developer will earn a developer fee of $2,066,638 payable as follows:

(i) $433,994 (21.0%) concurrent with RBC's first capital contribution;

(ii) $433,994 (21.0%) concurrent with RBC's 2nd capital contribution;

(iii) $433,994 (21%) concurrent with RBC's 3rd capital contribution:

(iv) $206,664 (10%) concurrent with RBC's 4th capital contribution;

(v) $557,992 (27 %) concurrent with RBC's final capital contribution; and

(vi) $0 (0%) is deferred and paid from net cash flow.

The deferred portion of the developer fee, if any, shall accrue interest at 5% per annum commencing as of the date of RBC's final capital contribution. Payment of the deferred fee will be subordinate to all other Partnership debt as well as operating expenses and reserve requirements. The Managing General Partner and the Guarantors will guarantee payment of any developer fee remaining unpaid after 15 years from the date of the Partnership Agreement. Notwithstanding, if the non-deferred portion of the developer fee projected at closing is lower than currently projected, the scheduled payments of developer fee at RBC's third and final capital contributions will in no event be less than $700,000, a portion of which may be used to fund to the capitalized portion of the Re-tenanting Reserve if insufficient funds.

(b) Incentive Management Fee. An incentive management fee will be payable to the Managing General Partner on an annual basis in an amount equal to 90% of net cash flow as set forth on Paragraph 9(b) below.

(c) Property Management Fee. The property management fee will not exceed 6% of gross rental revenues. The management agent and the terms of the property management agreement are subject to the prior approval of RBC. If the management agent is an affiliate of any Guarantor, 50% of its fee will be subordinated to payment of operating costs and required debt service and reserve payments. Subject to a due diligence review, it is anticipated that Norstar Accolade Property Management will serve as the initial management agent.

(d) Asset Management Fee. The Partnership will pay RBC Manager an annual asset management fee of $5,000 which will increase by 3% annually. The asset management fee will be paid quarterly in advance commencing with the first anniversary of the closing date.

9. Tax Benefits and Distributions.

(a) Tax Benefits. Tax profits, tax losses, and tax credits will be allocated 99.99% to RBC, .001% to RBC Manager and .009% to the Managing General Partner and Co- General Partner.

(b) Net Cash Flow Distributions. Distributions of net cash flow (cash receipts less cash expenditures, payment of debt service, property management fee and asset management fee), will be made as follows:

(i) to RBC in satisfaction of any unpaid amounts due under Paragraphs 5 and 6 above and for any other amounts due and owing to RBC;

(ii) to RBC Manager for any unpaid asset management fees;

(iii) to maintain / replenish the operating reserves up to $51,750 per paragraph 7(a);

(iv) to the payment of any unpaid developer fee;

(v) to the payment of any unpaid property manager fees;

(vi) to the payment of any debts owed to the Managing General Partner, RBC and RBC Manager and/or their affiliates;

(vii) 45% to interest-only payments on the HUD Loan;

(viii) 90% of the remaining cash flow to the Managing General Partner as an incentive management fee; and

(ix) the balance to the Managing General Partner and Co-General Partner, RBC and RBC Manager in accordance with their percentage interests described in Paragraph 9(a).

(c) Distributions upon Sale, Liquidation or Refinance. Net proceeds resulting from any sale, liquidation or refinance will be distributed as follows:

(i) to payment in full of any Partnership debts except those due to RBC, RBC Manager or the Managing General Partner and/or their affiliates;

(ii) to the setting up of any required reserves for contingent liabilities or obligations of the Partnership;

(iii) to RBC, in satisfaction of any unpaid amounts due under Paragraph 6 above and any unpaid asset management fees;

(iv) to RBC for any excess or additional capital contributions made by it;

(v) to the payment of any debts owed to the Managing General Partner or its affiliates including any unpaid developer fee;

(vi) to RBC Manager, 1% of such proceeds as a capital transaction administrative fee;

(vii) to RBC in an amount equal to any projected federal income tax incurred as a result of the transaction giving rise to such proceeds; and

(viii) the balance, 80.00% to the Managing General Partner and Co- General Partner, 19.99% to RBC and 0.010% to RBC Manager.

10. **Construction**. The Managing General Partner will arrange for a fixed or guaranteed maximum price construction contract in the anticipated amount of $10,368,000 contractor's obligations will be secured by a letter of credit in an amount not less than 15% of the amount of the construction contract or payment and performance bonds in an amount not less than the amount of the construction contract. The Project will establish a construction contingency in an amount not less than 5% of hard construction costs. RBC, may, in its sole discretion, engage a construction consultant to review plans and specifications and evaluate the construction progress by providing monthly reports to the Partnership. The cost of the construction consultant will be paid by the Partnership.

11. **Due Diligence, Opinions and Projections.**

(a) Due Diligence: The Managing General Partner will provide RBC with all due diligence items set forth on its due diligence checklist, including but not limited to, financial statements for the Guarantors, schedule of real estate owned and contingent liabilities, plans and specifications, a current appraisal, a current (less than 6 months old) market study, a current (less than 6 months old) Phase I environmental report, rent and expense data from comparable properties and title and survey.

(b) Legal Opinions. The Managing General Partner's counsel will deliver to RBC a local law opinion satisfactory to RBC. RBC's counsel will prepare a tax opinion and the Managing General Partner agrees to cooperate to provide all necessary documentation requested by RBC's counsel.

(c) Diligence Reimbursement. The Partnership will pay RBC $20,000 toward the costs to be incurred by RBC in conducting its due diligence review and for the costs and expenses of RBC's counsel in connection with the preparation of the tax opinion.. RBC may deduct the amount due at closing from the first capital contribution.

(d) Projections. The projections to be attached to the Project Entity Agreement and that support the Tax Opinion will be prepared by RBC based on projections provided by the Managing General Partner. RBC's projections will include development sources and uses, calculation of eligible basis, operating and construction period cash flow analysis, 15-year operating projection, 50-year debt analysis and 15-year capital account analysis.

12. Closing Contingencies. Final closing will be contingent upon RBC's receipt, review and approval of all due diligence including the items set forth on its due diligence checklist as well as the following:

(a) Project Entity Documents. Preparation and execution of RBC's standard Project Entity Agreement and other fee agreements containing representations and warranties, covenants, consent rights, and indemnities, each on terms and conditions satisfactory to RBC and the Managing General Partner.

(b) Background Reports. RBC's satisfactory review of background reports on the Developer, Guarantors and other Project entities as determined by RBC. The Managing General Partner agrees to reasonably cooperate with RBC (including signing such consents as may be necessary) in obtaining such reports.

(c) Information, Market Conditions and Laws. No change in the information you have provided to us, no change in current market conditions and no change in existing law.

(d) Anticipated Closing Date. The closing occurring on or before October 1, 2012 (the "Anticipated Closing Date"). In the event the closing does not occur by the Anticipated Closing Date, RBC reserves the right to modify this letter to be consistent with the prevailing market conditions, subject to the Managing General Partner's approval.

13. **Termination and Confidentiality.**

(a) Termination Date. Once executed by both the Managing General Partner and the Guarantors this equity proposal will not expire prior to October 15, 2012 (the "Termination Date"). In recognition of the time which will be expended and the expenses which will be incurred by RBC in connection with the transaction contemplated hereby, the Managing General Partner agrees that, until the Termination Date, neither it nor any of its officers, employees, agents, or affiliates will solicit, entertain or negotiate with respect to any inquiries or proposals relating to the acquisition of an interest in the Partnership or the equity syndication of the Partnership or the Project without the prior written approval of RBC. In the event the Managing General Partner enters into an arrangement with a party other than RBC prior to the Termination Date, RBC will be entitled to pursue all remedies available to it. If RBC elects not to acquire the Interest based on the failure of any of the closing contingencies or materially changes the terms hereof, the Managing General Partner and RBC will be mutually released from the terms and conditions contained in this letter.

(b) Confidentiality. The Managing General Partner agrees to keep the terms and conditions contained in this letter confidential and not to disclose the terms to any third party (other than attorneys, debt lenders, governmental agencies, and accountants of the Partnership) without the express prior written approval of RBC.

14. **Withdrawal of Letter of Intent.** Unless executed by the Managing General Partner prior to February 29, 2012 ("Withdrawal Date"), this Letter of Intent shall be considered withdrawn by RBC and void. Each party shall be responsible for their own costs and expenses incurred to that date. RBC may extend the Withdrawal Date in writing delivered to the Managing General Partner.

15. **Additional Items.**

(a) Reporting Obligations. The Managing General Partner will cause to be furnished to RBC on a prompt basis customary monthly, quarterly and annual financial statements and rent rolls for the Partnership, together with audited financial statements and tax returns and monthly construction reports.

(b) Non-Profit Right of First Refusal. Upon the expiration of the tax credit compliance period for the Project, the Partnership, pursuant to 42 (i) (7) (A), shall grant the Co- General Partner or designee (provided it is a qualified non-profit organization) a right of first refusal to purchase the project for an amount sufficient to (i) pay all debts and liabilities of the Partnership, and (ii) pay the amount of the federal , state and local tax liability the Co-General Partner or designee, RBC and RBC Manager would incur as a result of such sale.

(c) Purchase Option. Upon the expiration of the 15th year of tax credit compliance period for the Project, the Partnership shall grant the Co- General Partner or designee an option to purchase the Project for the greater of an amount sufficient to (i) pay all debts and liabilities of the Partnership, and pay the amount of the federal, state and local tax liability the Co-General Partner or designee, RBC and RBC Manager would incur as a result of such sale, or (ii) fair market value as reduced by customary costs of sale, including customary sales commissions.

If the foregoing is in accordance with your understanding of the terms and conditions, please indicate your acceptance on the enclosed copy and return it to the undersigned.

Very truly yours,

By: ______________________
Name: David J. Urban
Title: Director

The undersigned approves and accepts the terms of this proposal.

Renaissance Preserve IV, LLLP

Managing General Partner
By: Norstar Renaissance Preserve Family III, Inc.

By: ______________________
Richard L. Higgins

Its: Vice President

Date: February 23, 2012

EXHIBIT A
CAPITAL CONTRIBUTIONS

Conditions	Amount	Anticipated Funding Date
i) 15.00% paid prior to or simultaneous with closing of the construction financing.	$1,778,374	October 1, 2012
ii) 3.40% upon the later of: (a) achievement of 50% construction completion as evidenced by the project architect; and (b) June 1, 2013.	$403,098	June 1, 2013
iii) 3.40% upon the later of: (a) achievement of 75% construction completion as evidenced by the project architect; and (b) October 1, 2013.	$403,098	October 1, 2013
iv) 70.11% upon the later of the previous payment, and: (a) receipt of temporary or final Certificates of Occupancy for all of the units, (b) receipt of an architect's certificate of substantial completion, (c) lien free substantial project completion, (d) receipt of a preliminary cost certification (e) December 1, 2013.	$8,312,120	December 1, 2013
v) 8.09% upon the later of the previous payment, and: (a) receipt of final Certificates of Occupancy for all of the units, (b) achievement of 90 days of 90% physical occupancy for all LIHTC units (c) achievement of 100% qualified occupancy for all LIHTC units and (d) achievement of three consecutive months of 1.05 income to expense ratio; (d) pay-off or conversion of all construction debt to permanent (e) receipt of the final cost certification from an independent certified public accountant, and (f) receipt of the IRS Form 8609, and (g) September 1, 2014	$959,136	September 1, 2014
Total:	$11,855,826	

EXHIBIT B
SOURCES

<u>Construction Loan</u>

- Lender: TBD (lender acceptable to RBC)
- Amount: Up to $8,600,000
- Maturity: 18 months with (1) six (6) month option to renew
- Approximate Interest Rate: Libor plus 300 BP Floating with a Floor of Four Percent (4%).
- Collateral: First mortgage on Project (or other collateral acceptable to RBC)

<u>HUD Construction/Permanent Loan:</u>

- Non-recourse: No during construction, Yes at conversion
- Lender: HACFM
- Amount: $3,275,269
- Maturity: 50 years
- Interest Rate: 0% (construction and permanent)
- Amortization: N/A
- Conversion: Certificate of Occupancy
- Annual payments: N/A; Interest only payments subject to available cash flow
- Collateral: Second mortgage on Project during construction and First mortgage upon the construction loan being retired.
- These funds will be fully available upon initial closing

if the commitment is properly executed and, if applicable, evidence of ability to fund is provided.

2. Non-Corporation and Non-County Housing Finance Authority-Issued Tax-Exempt Multifamily Bonds (Threshold)

   If the first mortgage financing is to come from tax-exempt multifamily bonds issued by an entity other than the Corporation or a Local Government Housing Finance Authority, evidence of the following items must be included to meet threshold:

   (a) A letter signed by the Chairperson of the entity issuing the bonds, which is Development-specific and includes the following:

      (1) Affirmation that the entity issuing the bonds has passed an inducement resolution or acknowledgement resolution for the proposed Development;
      (2) Affirmation that a TEFRA hearing has been held by the entity issuing the bonds or by a designated hearing officer;
      (3) Affirmation that the TEFRA hearing has been approved by the entity issuing the bonds; and
      (4) Affirmation that the tax-exempt multifamily bond allocation has been reserved or that the entity issuing the bonds has agreed to award the necessary allocation when available.

   or

   (b) If the financing has closed, a copy of the executed note or executed loan agreement, which shows the Applicant as the borrower/direct recipient/mortgagee and contains the terms and interest rate, and a copy of the recorded mortgage, if applicable, must be included. If the proper documentation is provided, financing that has closed will count as a firm commitment, but in order for it to count as a permanent financing source, it must have a term of at least 10 years.

   Note: Any commitment for financing containing a contingent FNMA or similar takeout provision will not be considered a firm commitment unless the agreement to purchase the loan executed by all parties is attached.

3. Syndication/HC Equity (Threshold)

   For the purpose of this Application, an equity commitment, proposal or letter of intent must include the following:

   (a) In order for a Housing Credit Syndication/Equity commitment, proposal or letter of intent to meet threshold it must:

ATTACHMENT C - NO. 2011-174C

- Be executed by all parties, including the Applicant;
- Be dated;
- Include all terms and conditions of the commitment, proposal or letter of intent;
- Specifically state the proposed amount to be paid for each Housing Credit dollar being purchased;
- State the proposed capital pay-in schedule which must include the proposed amount of equity to be paid prior to or simultaneous with the closing of construction financing, and the proposed amount of equity to be paid prior to construction completion. It must expressly state the proposed equity amount, even if the amount is zero, along with the words "paid prior to or simultaneous with the closing of construction financing". Total of all installments must equal the anticipated amount of equity to be provided;
- State the proposed equity amount to be paid prior to or simultaneous with the closing of construction financing that is at least 15 percent of the total proposed equity to be provided (the 15 percent criteria). There are two exceptions to the preceding sentence. First, if there is a firm bridge loan commitment, proposal or letter of intent within the equity commitment, proposal or letter of intent that provides for bridge loan proceeds that equal at least 15 percent of the amount of total proposed equity to be provided to be made available prior to or simultaneous with closing of construction financing, the 15 percent criteria will be met. Second, if there is a separate firm commitment, proposal or letter of intent for a bridge loan from either the equity provider, any entity that is controlled directly or indirectly by the equity provider, or a subsidiary of the equity provider's parent holding company, and the commitment, proposal or letter of intent explicitly proposes an amount to be made available prior to or simultaneous with the closing of construction financing that equals at least 15 percent of the total proposed equity to be paid stated in the equity commitment, proposal or letter of intent, the 15 percent criteria is met. Bridge loan commitments, proposals or letters of intent that are not within the equity commitment, proposal or letter of intent, though, must meet the criteria previously stated for debt financing with the exception that evidence of ability to fund does not have to be provided. The Applicant may include the proposed amount of the bridge loan as equity proceeds on the Construction or Rehabilitation Analysis and on the Permanent Analysis;
- State the anticipated amount of Housing Credit allocation, which must be within the HC limits set out in Part V.A.1. of these instructions;
- State the percentage of the anticipated amount of Housing Credit allocation being purchased;
- State the anticipated total amount of equity to be provided; and

- State that the commitment, proposal or letter of intent does not expire before a date that is nine (9) months after the Application Deadline for the 2011 Universal Application Cycle.

(b) The percentage of Housing Credits proposed to be purchased must be equal to or less than the percentage of ownership interest held by the limited partner or member.

(c) If the limited partnership agreement or limited liability company operating agreement has closed, the closed agreement must be provided. To be counted as a firm source of financing the partnership agreement or operating agreement must expressly state the amount of funds to be paid prior to completion of construction by the equity provider or the Applicant must submit separate documentation, signed by the equity provider, expressly stating the amount of funds paid or to be paid prior to completion of construction.

(d) If not syndicating/selling the Housing Credits, the owner's commitment to provide equity must be included. The commitment must include the following:

- the total amount of equity; and
- the pay-in schedule stating the amounts to be paid prior to or simultaneously with the closing of construction financing and the amounts to be paid prior to the completion of construction; and
- the anticipated Housing Credit allocation.

Important! If not syndicating/selling the Housing Credits, evidence of ability to fund must be provided as an exhibit to the Application. Additionally, in order for the commitment to meet threshold, 15 percent of the total equity being provided must be paid prior to or simultaneously with the closing of the construction financing. Proceeds from a bridge loan will NOT count toward meeting this requirement.

(e) If the Development's location loses its DDA/QCT designation in the period between the Application Deadline and the date that signifies a day that is one week before the end of the cure period, any equity commitment, proposal or letter of intent for the Development provided to the Corporation on or before the Application Deadline will not meet threshold and a new equity commitment, proposal or letter of intent will need to be provided as a cure.

(f) If the amount of Housing Credits requested is less than the anticipated amount of credit allocation stated in the equity/owner/syndication commitment, proposal or letter of intent, the commitment, proposal or letter of intent will not be considered a source of financing.

Florida Housing Finance Corporation

Credit Underwriting Report

RENAISSANCE PRESERVE PHASE II

2009-151C/2010-027CX/2011-008CX

Section A: Board Summary

Section B: HC Program Special & General Loan Conditions
HC Allocation Recommendation & Contingencies

Section C: Supporting Information and Schedules

Prepared by

First Housing Development Corporation

Final Report

July 16, 2010

RENAISSANCE PRESERVE PHASE II

TABLE OF CONTENTS

Section A

Board Summary

Recommendation

First Housing recommends a Tax Credit Exchange Program ("TCEP" or "Exchange") award in the amount of **$2,995,000**, which equates to a **$352,353** annual Housing Credit determination and an annual housing credit allocation of **$1,510,000**, be awarded to this development for its construction and permanent financing.

DEVELOPMENT & SET-ASIDES	
Location	4240 Michigan Avenue Link, Fort Myers, Lee County, Florida 33916
Number of Units/Unit Mix	(see unit mix table below)
Demographic Commitment	Family - Development will serve the general population
Set Asides	10% (9 ELI units) at or below 33% AMI (HC) 90% (remaining units) at or below 60% AMI (HC) 5% (5 units) will be set aside for Special Needs Households (HC)
Set Aside Term	50 Years (HC)
County Size	Medium
Development Category	New Construction
Development Type	Townhouse Style
Occupancy Rate	N/A
Parking	The property will include 191 parking spaces, per the Appraisal, which will comply with zoning requirements. This equals 2.2 parking spaces per unit. Sixteen (16) spaces are reserved for Handicapped.
Improvements	The proposed improvements include eleven (11) residential buildings consisting of two-story townhomes with stair access. The buildings will be of concrete block

Bedrooms	Baths	No. of Units	Unit Size (Sf)
1	1	6	652
1+Den	1	6	767
2	2	14	905
2+Den	2	14	1,033
3 Townhouse	2	32	1,183
4 Townhouse	2	16	1,378
Total		**88**	**95,550**

	construction with stucco finish. Amenities will include a library building with accessible restroom, a volleyball court, picnic pavilion, carwash area, and a tot lot. Amenities accessible through a shared use agreement with Phase I will be a community room facility with an exercise room, a computer center, playground, picnic area and tennis court.
Site Acre	9.51 (+/-) acres per the Appraisal
Density	9.25 units per acre
Zoning	The site is zoned Planned Urban Development ("PUD"), which are approved on a site-by-site basis. As such, the subject is a conforming used based on zoning.
Flood Zone Designation	The subject site is located in Flood Zone "X" according to Flood Map #12071C0289F dated August 28, 2008. Flood insurance purchase is not required in this zone.
DEVELOPMENT TEAM	
Applicant/Borrower	Renaissance Preserve III, LLLP
General Partners (0.009% ownership of the Applicant)	Norstar Renaissance Preserve Family II, Inc., a Florida corporation. (Managing General Partner with 0.0046% ownership interest in the Applicant) and; Renaissance Preserve III, LLC, a Florida limited liability company. (General Partner with .0044% ownership interest in the Applicant). The sole managing member of which is the Housing Authority of the City of Fort Myers.
Limited Partner	Initially the Housing Authority of the City of Fort Myers. (99.991% ownership interest)
Guarantors	Renaissance Preserve III, LLLP, Norstar Renaissance Preserve Family II, Inc., Renaissance Preserve III, LLC, Norstar Development USA, LP., Renaissance Preserve Developers, LLC and Richard Higgins
Co-Developers	Norstar Development USA, LP ("Norstar") and Renaissance Preserve Developers, LLC
General Contractor	Brooks and Freund, LLC
Management Company	Norstar Accolade Property Management
First Mortgage Lender-Permanent	FHFC (TCEP)
Second Mortgage Lender-Permanent	HACFM (HOPE VI) and CFRCG Funds
Syndicator	RBC Capital Markets
FINANCING INFORMATION	
FHFC Programs	RFP 2010-04 TCEP and HC Programs
First Mortgage TCEP Loan Amount	$2,995,000
"All in" Underwritten Interest Rate	0.35% (Fees)
Permanent Loan Term/Amortization	15 / N/A (Forgivable Loan)

Second Mortgage HACFM Loan Amount	$1,515,754
"All in" Underwritten Interest Rate	8.00% (Soft Pay)
Term/Amortization	50/ N/A
Restricted Rent/Favorable Financing Value	$2,970,000
Market Rent/ Market Financing Value at Stabilization	$5,010,000
Restricted Loan To Value – First Mortgage - TCEP	100.84%
Market Loan To Value – First Mortgage - TCEP	59.78%
Projected Net Operating Income in Year 1	$169,461
Debt Service Coverage Ratio-TCEP Fees in Year 1	16.16
TCEP Allocation per unit	$34,034
HC Annual Allocation Per Unit	$17,159
Total HC Assistance Per Unit (10 Yrs)	$171,591
FHFC assistance per unit	$112,727
TCEP Exchange Price	$0.850
HC Syndication Price	$0.655
6 months of Operating Deficit and Debt Service Reserves	$199,944

Construction/Permanent Sources:

Source	Lender	Construction	Permanent	Permanent loan per Unit
First Mortg. Construction	RBC Bank	$6,925,000	$0	$0
First Mortg. Permanent	FHFC (TCEP)	$2,995,000	$2,995,000	$34,034
Second Mortgage	HACFM (HOPE VI) and CFRCG Funds	$1,515,754	$1,515,754	$17,224
Housing Credit Equity	RBC Capital Markets	$1,483,427	$9,889,511	$112,381
Deferred Developer Fee	Norstar Development USA, LP	$1,481,868	$784	$9
Total		**$14,401,049**	**$14,401,049**	**$163,648**

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?		2
Do the site plans/architectural drawings account for all amenities/features listed in the Application?	X	
Does the applicant have site control at or above the level indicated in the Application?	X	
Does the applicant have adequate zoning as indicated in the Application?	X	
Has the Development been evaluated for feasibility using the total length of set-aside committed to in the Application?	X	
Have the Development costs remained equal to or less than those listed in the Application?	X	
Is the Development feasible using the set-asides committed to in the Application?	X	
If the Development has committed to serve a special target group (e.g. elderly, large family, etc.). Do the development and operating plans contain specific provision for implementation?	X	
HOME ONLY: If points were given for match funds, is the match percentage the same as or greater than that indicated in the Application?	N/A	
HC ONLY: Is the rate of syndication the same as or greater than that shown in the Application?	N/A	
Is the Development in all other material respects the same as presented in the Application?	X	

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

1. Completion of the Development's infrastructure is substantially complete. The Housing Authority was awarded a Capital Fund Recovery Competitive Grant ("CFRCG") by HUD. The funds were earmarked for completion of all infrastructure work at the Renaissance Preserve complex, including Phase I that closed in April of 2010, the current request for Phase II and the remaining Phase III that has yet to apply to FHFC for funding.

   Pursuant to early start approval from HUD, infrastructure work at the subject site began in mid-March utilizing the CFRCG funds. This work will be substantially completed and almost all of the CFRCG funds will be expended prior to closing of this request. At closing, the Housing Authority will advance to Renaissance Preserve III, LLLP loan proceeds in an amount equal to the CFRCG funds expended exclusively on this Development's infrastructure work, and this amount will be included in the note evidencing the Housing Authority Loan in the amount of $1,515,754. No money will exchange hands. The purpose of this book-entry transaction is to transfer the cost/repayment for the infrastructure from the Housing Authority to subject's partnership. The early start allows the Development to be completed within the timeframe required for 2009 credit transactions.

   In addition, completing the infrastructure on all three (3) phases at the same time allowed for a reduction in overall costs.

2. The Applicant has requested a change in committed amenities on behalf of the Housing Authority of the City of Fort Myers. The Housing Authority has indicated that it would prefer a volleyball court in this phase with the basketball court to be included in a future phase. The Applicant consequently request approval that the Basketball Court be replaced with Volleyball Court. This request has been approved by FHFC Staff.

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

According to the FHFC June 3, 2010 non-compliance report, the development team has the following non-compliance item(s) not in the correction period:

- None

According to the FHFC Past Due report dated June 8, 2010, the development team has the following past due item(s):

- None

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

Strengths:

1. Meridian Appraisal Group ("Realvest") has concluded in the Market Study that the average occupancy rate for the rental assisted supply in the subject's CMA is 99%. The market study estimates an average stabilized occupancy rate for the subject property as an affordable development with rental assistance over the holding period in the mid to high 90's range. As an income restricted development under the Housing Credit program with rental assistance the subject units will meet strong demand. The study estimates an absorption rate of 35 units per month without concessions, or a three (3) month lease-up period.

2. Sixty-six (66) of the Development's units are expected to operate under a HUD Annual Contributions Contract ("ACC") and the remaining 22 units are expected to operate under the HUD project-based Section 8 program.

3. The principals and development team, as well as the general contractor, and management group are experienced in the field.

4. The Applicant and its principals have sufficient experience and substantial financial resources to operate the proposed development.

Other Considerations:

1. The location of this Development qualifies as an Urban in-fill Development, as defined in Rule Chapters 67-21 and 67-48, F.A.C.

2. The proposed Development is utilizing HOPE VI and CFRCG funding.

Mitigating Factors:

None

Waiver Requests/Special Conditions:

None

Additional Information:

1. During the approval and closing process for Renaissance Preserve Senior the Housing Authority presented, and FHFC approved, a Shared Use Agreement including all four (4) phases of this Development. The agreement grants perpetual and non-exclusive easements (i) for vehicular and pedestrian egress and ingress, across and through the roads and sidewalks constructed from time to time within the respective properties (the "Roads"), until same are dedicated for public use, (ii) for the use and enjoyment by each of the parties hereto, their tenants, employees, agents, customers, invitees, successors and assigns, of the recreational amenities constructed on any property now or in the future, including but not limited to, clubhouse, car care areas, laundry facilities, playgrounds, volleyball courts, and similar amenities located on the respective properties from time to time (collectively, the "recreational facilities") (iii) for the installation, maintenance and repair of drainage facilities, (iv) for the installation, maintenance and repair of water and sewer lines, and (v) for the drawing of well water for irrigation purposes.

Issues and Concerns:

None

Recommendation:
First Housing recommends a Tax Credit Exchange Program ("TCEP" or "Exchange") award in the amount of **$2,995,000**, which equates to a **$352,353** annual Housing Credit determination and an annual housing credit allocation of **$1,510,000**, be awarded to this development for its construction and permanent financing.

These recommendations are based upon the assumptions detailed in the Board Summary (Section A), and Supporting Information and Schedules (Section C). In addition, these recommendations are subject to the TCEP, and Housing Credit Conditions (Section B). **This recommendation is only valid for six months from the date of the report.**

The reader is cautioned to refer to these sections for complete information.

Prepared by:

William J. Metler
Senior Credit Underwriter

Reviewed by:

Ed Busansky, Senior Vice President

Overview

Construction Financing Sources

Construction Sources	Lender	Application	Revised Applicant	Underwriter	Construction Interest Rate	Annual Construction Debt Service
First Mortgage	RBC Bank	$8,000,000	$6,925,000	$6,925,000	4.00%	$277,000
Second Mortgage	FHFC (TCEP)	$3,960,000	$2,995,000	$2,995,000	0.35%	$10,488
Third Mortgage	HACFM (HOPE VI) and CFRCG Funds	$500,000	$1,515,754	$1,515,754	0.00%	$0
Housing Credit Equity	RBC Capital Markets	$1,964,465	$1,483,427	$1,483,427	N/A	N/A
Deferred Developer Fee	Norstar Development USA, LP	$930,105	$1,534,875	$1,481,868	N/A	N/A
Total		**$15,354,570**	**$14,454,056**	**$14,401,049**		**$287,488**

Construction First Mortgage RBC Bank:

FHDC has reviewed a term sheet proposal for construction only financing, dated July 1, 2010 from RBC Bank for a first mortgage construction only loan of $6,925,000. The construction loan will have an initial term of eighteen (18) months and will allow for one six (6) month option. The interest rate will be payable monthly and will be based on Libor plus 300 basis points floating with a floor of Four (4%) percent.

TCEP (Exchange Equity):

The Applicant's revised formal request was for $4,200,000, however, First Housing recommends TCEP funding in the amount of $2,995,000. The Exchange funding will be limited to an Exchange amount of up to the lesser of (a) the amount requested in the response to RFP 2010-04; (b) $5,000,000 per development; (c) $50,000 per unit; (d) the amount calculated by taking Total Development Costs and deducting the Housing Credit equity, the first mortgage, any other FHFC resources, the deferred developer fee, any local government subsidy funds, and any other committed resources, or (e) 85 percent of the amount of the development's eligible basis as determined at the end of the first year of the credit period (as defined in Section 4s(f)(1) of the Internal Revenue Code). Eligible basis, for this purpose, includes any increase for buildings located in high cost areas under Section 42(d) (5) (B). The Exchange funding for this development was calculated using (d) above. FHFC will provide the final amount of Exchange funding to the development in the form of a forgivable loan where $1/15^{th}$ will be forgiven each year after being placed in service so long as the property remains in compliance. An asset management fee of $3,000 will be charged by FHFC for its asset management activities. An annual permanent loan servicing fee of 25 basis points on the outstanding balance of the Exchange loan, with an annual minimum fee of $2,228 and an annual maximum fee not to exceed $8,910 will be charged. First Housing has calculated the fees into the rate of 0.35%.

Construction Third Mortgage:

The Applicant has submitted an executed commitment letter from The Housing Authority of the City of Fort Myers, dated August 11, 2009 and revised June 29, 2010, for HOPE VI and CFRCG funds in the amount of $1,515,754 for the construction and permanent financing of the subject development. The loan term is 50 years with a 0.0% interest rate during the construction period and an 8.00% fixed rate during the permanent period. Payment is interest-only based upon available cash flow and principal repayment is not applicable as long as the property remains affordable consistent with FHFC, HUD, and The Housing Authorities requirements.

Housing Credit Equity:

FHDC has reviewed a proposal dated March 25, 2010 indicating RBC Capital Markets ("RBC") or an affiliate will be admitted to the partnership as a limited partner concurrent with or prior to the closing of the construction loan with a 99.991% ownership interest in the project partnership. The proposal expires July 31, 2010. Based on the annual HC allocation estimated to be available in the amount of $1,510,000 and a syndication rate of $0.655 per dollar, RBC anticipates a net capital contribution of $9,889,511 . Of this amount, $1,483,427 (15.00%) will be available upon the later of closing of construction financing ($50,000 shall be paid to RBC as reimbursement of expenses incurred in connection with due diligence), with an additional $7,387,939 (74.70%) available upon the later of receipt of preliminary cost certification, receipt of Certificates of Occupancy, lien free completion, or December 1, 2011; and an additional $1,018,145 (10.30%) will be available upon the later of receipt of final CO's, achievement for 90 days of 90% occupancy for the LIHTC units, reaching a 1.10 income to expense ratio for three (3) consecutive months, conversion, receipt of final cost certification from an independent CPA, receipt of 8609's, or June 1, 2012 for a total of $9,889,511 . Of this total amount, $1,483,427 will be available during construction.

Capital Contributions	Amount	Percentage of Total	When Due
1st Installment	$1,483,427	15.00%	Upon the later of: (a) execution of the Partnership Agreement, (b) Loan Closing, (c) evidence of real estate tax abatement, (d) receipt and approval of all due diligence items by RBC Capital.
2nd Installment	$7,387,939	74.70%	Upon the later of: (a) Reciept of preliminary cost certification, (b) reciept of Certificates of Occupancy on all units, (c) lein free completion, (d) or December 1, 2011.
3rd Installment	$1,018,145	10.30%	Upon the later of: i) reciept of final Certificates of Occupancy, (b) achievement of 90 days of 90% occupancy for all LIHTC units, (c) achievement of 1.10 income to expense ratio for three consecutive months, (d) payoff or conversion of all construction debt, (e) receipt of final cost certification from an independant CPA, (f) receipt of IRS form 8609, (g) or June 1, 2012.
Total	$9,889,511	100.00%	

Annual Credit Per Syndication Agreement	$1,510,000
Calcualted HC Exchange Rate	$0.655
Limited Partner Ownership Percentage	99.991%
Proceeds Available During Construction	$1,483,427

Deferred Developer Fee:

To balance the sources and uses of funds during construction, the Developer is required to defer $1,481,868 or 75.65% of the total developer fee in the amount of $1,958,772.

Permanent Financing Sources

Permanent Sources	Lender	Application	Revised Applicant	Underwriter	Term Yrs.	Amort. Yrs.	Interest Rate	Annual Debt Service
First Mortgage	FHFC (TCEP)	$3,960,000	$2,995,000	$2,995,000	15	-	0.35%	$10,488
Second Mortgage	HACFM (HOPE VI) and CFRCG Funds	$1,575,000	$1,515,754	$1,515,754	50	-	8.00%	$121,260
Housing Credit Equity	RBC Capital Markets	$9,814,019	$9,889,510	$9,889,511	N/A	N/A	N/A	N/A
Deferred Developer Fee	Norstar Development USA, LP	$5,551	$53,792	$784	N/A	N/A	N/A	N/A
Total		**$15,354,570**	**$14,454,056**	**$14,401,049**				$131,748

TCEP First Mortgage (Exchange Equity):

The Applicant's revised formal request was for $4,200,000, however, First Housing recommends TCEP funding in the amount of $2,995,000. The Exchange funding will be limited to an Exchange amount of up to the lesser of (a) the amount requested in the response to RFP 2010-04; (b) $5,000,000 per development; (c) $50,000 per unit; (d) the amount calculated by taking Total Development Costs and deducting the Housing Credit equity, the first mortgage, any other FHFC resources, the deferred developer fee, any local government subsidy funds, and any other committed resources, or (e) 85 percent of the amount of the development's eligible basis as determined at the end of the first year of the credit period (as defined in Section 4s(f)(1) of the Internal Revenue Code). Eligible basis, for this purpose, includes any increase for buildings located in high cost areas under Section 42(d) (5) (B). The Exchange funding for this development was calculated using (d) above. FHFC will provide the final amount of Exchange funding to the development in the form of a forgivable loan where 1/15th will be forgiven each year after being placed in service so long as the property remains in compliance. An asset management fee of $3,000 will be charged by FHFC for its asset management activities. An annual permanent loan servicing fee of 25 basis points on the outstanding balance of the Exchange loan, with an annual minimum fee of $2,228 and an annual maximum fee not to exceed $8,910 will be charged. First Housing has calculated the fees into the rate of 0.35%.

Permanent Second Mortgage Loan Structure:

The Applicant has submitted an executed commitment letter from The Housing Authority of the City of Fort Myers, dated August 11, 2009 and revised June 29, 2010, for HOPE VI and CFRCG funds in the amount of $1,515,754 for the construction and permanent financing of the subject development. The loan term is 50 years with a 0.0% interest rate during the construction period and an 8.00% fixed rate during the permanent period. Payment is interest-only based and principal repayment is not applicable as long as the property remains affordable consistent with FHFC, HUD, and The Housing Authorities requirements.

Uses of Funds

Construction Cost	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Cost	HC Ineligible Costs
Site Work	$0	$1,244,983	$1,194,969	$0
New Rental Units	$9,041,000	$7,040,198	$7,087,729	$0
Accessory Buildings	$100,000	$0	$0	$0
Recreational Facilities	$50,000	$0	$0	$0
Total Hard Costs	**$9,191,000**	**$8,285,181**	**$8,282,698**	**$0**
Payment and Performance Bond	$0	$90,190	$90,190	$13,529
General Contractor Fee	$1,286,740	$1,159,577	$1,165,253	$0
Total Construction Contract	**$10,477,740**	**$9,534,948**	**$9,538,141**	**$13,529**
Furniture	$0	$0	$0	$0
Hard Cost Contingency	$0	$519,337	$472,398	$0
Total Construction Cost	**$10,477,740**	**$10,054,285**	**$10,010,539**	**$13,529**

Notes to the Actual Costs:

1. The applicant provided two executed construction contracts. The first is dated February 15, 2010, in the amount of $1,361,845. This is a Standard Form of Agreement between the Owner, Renaissance Preserve III, LLLP, and the Contractor, Brooks & Freund, LLC, where the basis of payment is a Cost of Work plus a Fee with a Negotiated Guaranteed Maximum Price. This contract is for Site work. Per this contract, substantial completion is to be achieved no later than 9 months from the date of commencement. The Owner will make monthly progress payments to the Contractor, based upon Applications for Payment approved by the Architect. Retainage holdback on all construction draws will be 10% until the Development is 50% complete, then no further retainage shall be held, as long as the Contractor is not in default under the contract. FHFC Rule requires that retainage will not be released until successful completion of construction and issuance of all certificates of occupancy.

   The second contract is dated May 24, 2010, in the amount of $8,176,296. This is a Standard Form of Agreement between the Owner, Renaissance Preserve III, LLLP, and the Contractor, Brooks & Freund, LLC, where the basis of payment is a Cost of Work plus a Fee with a Negotiated Guaranteed Maximum Price. This contract is for vertical construction. Per this contract, substantial completion is to be achieved no later than 18 months from the date of commencement. The Owner will make monthly progress payments to the Contractor, based upon Applications for Payment approved by the Architect. Retainage holdback on all construction draws will be 10% until the

Development is 50% complete, then no further retainage shall be held, as long as the Contractor is not in default under the contract. FHFC Rule requires that retainage will not be released until successful completion of construction and issuance of all certificates of occupancy.

2. First Housing recommends a funded hard cost contingency equal to 5% of the contract amount, which is within program rule requirements.

3. The General Contractor's Fee is within the 14% permitted by the Rule.

4. The Applicant will secure a Payment and Performance Bond to secure the construction contract. The cost is included within the contractor's Construction Contract.

General Development Costs	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Cost	HC Ineligible Costs
Accounting Fees	$25,000	$25,000	$25,000	$0
Appraisal	$10,000	$10,000	$7,250	$0
Architect's Fee -Design	$180,000	$170,000	$170,000	$0
Architect's Fee- Supervision	$85,000	$81,000	$81,000	$0
Builder's Risk Insurance	$200,000	$120,000	$120,000	$0
Building Permits	$75,000	$75,000	$75,000	$0
Engineering Fee	$85,000	$150,000	$150,000	$0
Environmental Reports	$10,000	$15,000	$15,000	$0
FHFC Administrative Fee	$120,800	$120,800	$120,800	$120,800
FHFC Application Fee	$3,000	$3,000	$3,000	$3,000
FHFC HC Compliance Fee	$72,284	$87,500	$82,996	$82,996
FHFC Credit Underwriting Fee	$14,106	$20,000	$14,532	$14,532
Impact Fees	$156,200	$156,200	$156,200	$0
Inspection Fees	$25,000	$32,500	$32,500	$0
Insurance	$75,000	$80,000	$80,000	$0
Lease-Up Reserve	$0	$0	$0	$0
Legal Fees	$125,000	$150,000	$150,000	$65,000
Market Study	$5,000	$10,000	$5,650	$0
Marketing and Advertising	$12,000	$12,000	$12,000	$12,000
Pre-Construction Analysis	$0	$2,000	$2,000	$0
Property Taxes	$20,000	$20,000	$20,000	$0
Soil Test	$10,000	$5,000	$5,000	$0
Survey	$25,000	$25,000	$25,000	$0
Title Insurance and Recording Fees	$110,000	$110,000	$110,000	$0
Utility Connection Fees	$0	$0	$0	$0
Tenant Relocation cost	$50,000	$50,000	$50,000	$50,000
Soft Cost Contingency	$569,220	$24,883	$77,606	$0
Total General Development Costs	**$2,062,610**	**$1,554,883**	**$1,590,534**	**$348,328**

Notes to the General Development Costs:

1. General Development Costs, with the exception of the HC Compliance, Soft Cost Contingency, and PCA fees, are the Applicant's updated estimates, which appear reasonable.

2. The FHFC Administrative Fee is based on 8% of the Applicant's 2009 awarded annual allocation.

3. The FHFC Compliance Fee includes $2,549 initial compliance monitoring fee and $80,447 based on the 2010 compliance monitoring fee schedule.

4. First Housing recommends a Soft Cost Contingency equal to or less than 5% of the General Development Costs less contingency.

Financial Costs	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Cost	HC Ineligible Costs
Credit Enhancement Fee	$0	$0	$0	$0
Construction Loan Origination Fee	$100,000	$93,750	$93,750	$0
Construction Loan Costs	$75,000	$45,000	$45,000	$0
Construction Loan Interest	$504,000	$472,500	$472,500	$118,125
Permanent Loan Closing Costs	$0	$30,000	$30,000	$30,000
Operating Deficit Reserve	$0	$192,000	$199,944	$199,944
Total Financial Costs	**$679,000**	**$833,250**	**$841,194**	**$348,069**

Notes to the Financial Costs:

1. Financial Costs are the Applicant's estimates, which appear reasonable.

2. Loan Closing Costs include First Mortgage Construction commitment fees and any other expected cost associated with closing.

3. Reserves include the equivalent of 6 months anticipated operating expenses and debt service as required by RFP 2010-04.

Non-Land Acquisition Costs	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Cost	HC Ineligible Costs
Building Acquisition Cost	$0	$0	$0	$0
Total Non-Land Acquisition Costs	**$0**	**$0**	**$0**	**$0**

Notes to the Non-Land Acquisition Costs:

1. Since this is a new construction development, there are no non-land acquisition costs.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Cost	HC Ineligible Costs
Development Costs Before Developer Fee and Land Costs	**$13,219,350**	**$12,391,418**	**$12,391,267**	**$709,926**

Other Development Costs	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Cost	HC Ineligible Costs
Developer Fee	$2,135,210	$ 1,986,628	$ 1,950,612	$0
Consultant as a subset of Dev. Fee	$0	$25,000	$0	$0
Total Other Development Costs	**$2,135,210**	**$2,011,628**	**$ 1,950,612**	**$0**

Notes to the Other Development Costs:

1. The recommended Developer Fee is within 16% of the total development cost before developer fee, reserves and land costs, which meets the Rule requirement.

2. The Consultant line item is an illegible expense and as such becomes a subset of the earned Developer Fee.

Acquisition Cost	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Cost	HC Ineligible Costs
Land	$10	$10	$10	$10
Other	$0	$0	$0	$0
Total Acquisition Cost	**$10**	**$10**	**$10**	**$10**

Notes to Acquisition Costs:

1. The Underwriter has reviewed a Ground Lease Agreement, dated May 1, 2009, between The Housing Authority of the City of Fort Myers, Florida ("Landlord") and Renaissance Preserve III, LLLP ("Tenant") which indicates an annual rate of $10 and a 65 year lease term, commencing on May 1, 2009 and ending on the 65th anniversary thereof. The

appraised value of the ground leasehold interest in the subject property "as is" as of March 3, 2010 was $880,000 .

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Cost	HC Ineligible Costs
Total Development Costs	**$15,354,570**	**$14,454,056**	**$14,401,049**	**$709,936**

Notes to Total Development Costs:

1. The Total Development Costs are $14,401,049 which represents a decrease of $953,521 or approximately -6.2% This decrease comes from decreases in hard construction costs offset in part by the addition of or increase of hard and soft cost contingencies.

Operating Pro Forma

Description	Annual	Per Unit
Revenue		
Gross Potential Revenue	$327,336	$3,720
Annual Contributions Contract	$176,293	$2,003
HUD Project Based Section 8	$73,404	$834
Other Income		
Washer/Dryer	$0	$0
Cable	$0	$0
Miscellaneous	$17,500	$199
Gross Potential Revenue	$594,533	$6,756
Vacancy and Collection Loss @ 6%	($35,672)	($405)
Total Effective Gross Revenue	**$558,861**	$6,351
Expenses		
Fixed		
Real Estate Taxes	$2,200	$25
Insurance	$61,600	$700
Variable		
Management Fee (6% or min $36,000)	$36,000	$409
General and Adminstrative	$35,200	$400
Payroll Expenses	$105,600	$1,200
Utilities	$52,800	$600
Marketing and Advertising	$8,800	$100
Maintenance and Repairs	$30,800	$350
Grounds Maintenance and Landscaping	$30,000	$341
Reserve for Replacements	$26,400	$300
Total Expenses	**$389,400**	$4,425
Net Operating Income	**$169,461**	$1,926
Debt Service Payments		
FHFC TCEP (Fees)	$10,488	$119
HACFM (HOPE VI) and CFRCG Funds	$121,260	$1,378
Total Debt Service Payments	**$131,748**	$1,497
Cash Flow After Debt Service	**$37,713**	$429

Debt Service Coverage Ratios	
Debt Service Coverage - 1st Mtg Fees	16.16
Debt Service Coverage - 2nd Mtg	1.29
Debt Service Coverage - All Mtgs plus Fees	1.29
Financial Ratios	
Operating Expense Ratio	70%
Break-Even Occupancy Rate	88%

Notes to the Operating Pro Forma and Ratios:

The rent restrictions are based on 2009 FHFC rent schedules for the Cape Coral-Fort Myers MSA (Lee County) and limited to 10% of the units being at or below 33% of the Area Median Income ("AMI"), and 90% of the units being at or below 60% of the AMI. The rents proposed for the subjects tenants are all below the 2009 maximum gross Housing Credit rents for the Cape Coral-Fort Myers MSA. Additionally, the project has a HUD Annual Contributions Contract ("ACC"); Tenants in sixty-six (66) of the units will pay rental rates based on 30% of their adjusted monthly income with the balance between the tenant contribution and the cost to operate the units being paid through government subsidies. Furthermore, the remaining 22 units will be supported by a project-based Section 8 Contract.

County (MSA) Lee County (Cape Coral-Fort Myers)

Bedrooms	Baths	No. of Units	Unit Size (SF)	Median Income %	Max Gross HC Rents	Utility Allowance	Max Net HC Rents	Underwriter Rents	Annual Rents
1	1	1	652 - 767	33% / ACC	$375	$140	$235	$235	$2,820
1	1	8	652 - 767	60% / ACC	$683	$140	$543	$200	$19,200
1	1	3	652 - 767	60%	$683	$140	$543	$500	$18,000
2	2	3	905 - 1,033	33% / ACC	$450	$174	$276	$276	$9,936
2	2	18	905 - 1,033	60% / ACC	$819	$174	$645	$200	$43,200
2	1	7	905 - 1,033	60%	$819	$174	$645	$555	$46,620
3	2	3	1,183	33% / ACC	$520	$234	$286	$286	$10,296
3	2	21	1,183	60% / ACC	$947	$234	$713	$200	$50,400
3	2	8	1,183	60%	$947	$234	$713	$625	$60,000
4	2	2	1,378	33% / ACC	$580	$294	$286	$286	$6,864
4	2	10	1,378	60% / ACC	$1,056	$294	$762	$200	$24,000
4	2	4	1,378	60%	$1,056	$294	$762	$750	$36,000
Total		88	95,550						$327,336
						Annual Contributions Contract yearly			$176,293
						Section 8			$73,404
						Total Gross Rental Income:			**$577,033**

1. The 5% vacancy and 1% collection loss rate for a total of 6% is based on the Appraiser's estimate of 95% stabilized occupancy.

2. Other Income is comprised of laundry and miscellaneous income including vending, late charges, pet deposits, and forfeited security deposits, as well as the aforementioned ACC and Section 8 subsidies.

3. Based upon operating data from comparable properties, third-party reports (Appraisal and Market Study) and the Credit Underwriter's independent due diligence, First Housing represents that, in its professional opinion, estimates for Rental Income, Vacancy, Other Income, and Operating Expenses fall within a band of reasonableness.

4. The Applicant has submitted an executed Management Agreement, dated June 1, 2009, which reflects a management fee of 6% of the Effective Gross Income or $3,000 monthly, which ever is larger; First Housing has utilized an initial management fee of $36,000 annually. The Management Company is affiliated with the Developer.

5. Replacement Reserves of $300 per unit per year are required, which meets FHFC minimum Rule requirement.

6. Refer to Exhibit I, Page 1 for a 15-Year Pro Forma, which reflects rental income increasing at an annual rate of 2%, and expenses increasing at an annual rate of 3%.

7. The subject's units will have all electric appliances. The tenant will be responsible for paying for electricity, water, and sewer. The Owner will pay for common area electric/gas as well as trash removal.

8. A comparable expense analysis of similar Developments within the subject's market follows.

Exhibit 1 -Expense Analysis

Deal	Iona Lakes	Coral Village	Bernwood Trace
County	Lee County	Lee County	Lee County
Number of Units	350	64	340
Year Completed	1985	1998	2001

Managent Company	America First	NDC RE Mngmt	Cornerstone	**Average**	**Appraiser**	**Developer**	**First Housing**
Real Estate Taxes	$370	$339	$270	$326	$516	$0	$25
Insurance	$517	$465	$420	$467	$450	$1,080	$700
Management Fee	$346	$384	$284	$338	$390	$300	$409
General and Adminstrative	$380	$513	$260	$384	$350	$324	$400
Payroll Expenses	$1,091	$1,058	$553	$901	$1,200	$1,347	$1,200
Utilities	$744	$731	$1,575	$1,017	$500	$545	$600
Marketing and Advertising	$149	$12	$113	$91	$93	$65	$100
Maintenance and Repairs	$889	$869	$835	$864	$350	$194	$350
Grounds Maintenance and Landscaping	$0	$0	$91	$30	$230	$170	$341
Reserve for Replacements	$365	$200	$200	$255	$300	$250	$300
Total Expenses Per Unit	**$4,851**	**$4,571**	**$4,601**	$4,674	**$4,379**	**$4,275**	**$4,425**

Section B

TCEP Special and General Loan Program Conditions & HC Allocation Recommendations and Contingencies

Special Conditions

This recommendation is contingent upon the review and approval of the following items by Florida Housing and the Servicer, **at least two weeks** prior to Loan Closing. Failure to submit and to receive approval of these items within this timeframe may result in postponement of the loan closing date.

1. Updated financial statements will be required prior to loan closing, at the discretion of First Housing.

2. Replacement Reserves shall be a minimum of $300/unit with a requirement to maintain a minimum amount of $1,500 per unit at all times, allowing for an initial period to accumulate this minimum.

3. All developments must have a minimum of six (6) months debt service and operating expense reserves with no releases during the 15 year federal compliance period. Any reserves required in excess of the minimum of six months shall be allocated as a subset of the developer fee.

4. FHFC requires that the Applicant close on its tax credit partnership and Exchange funding, and commence construction on or before November 1, 2010.

5. FHFC requires the Applicant certify that it has incurred at least 10 percent of the reasonably expected basis (10 percent test) of the proposed development on or before November 1, 2010.

6. The Developer is only allowed to draw a maximum of 50% of the total developer fee (developer fee minus acquisition developer fee) during construction/rehabilitation, 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/rehabilitation will be allowed to be disbursed at closing. The remainder of the "developer's overhead" will be disbursed during construction/rehabilitation on a pro rata basis, based on the percentage of completion of the development, as approved and reviewed by FHFC 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. Any other reasonable requirements of First Housing, Florida Housing, or its Legal Counsel.

General Conditions

This recommendation is contingent upon the review and approval of the following items by Florida Housing and the Servicer **at least two weeks** prior to Loan Closing. Failure to receive approval of these items within this timeframe may result in postponement of the loan closing date.

1. Borrower is to comply with any and all recommendations noted in the final plan and cost review which was prepared by New Perspective, LLC.

2. Signed and sealed survey, dated within 90 days of loan closing, unless otherwise approved by Florida Housing, and its Legal Counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to Florida Housing, and its Legal Counsel, as well as the title insurance company, and shall indicate the legal description, exact boundaries of the Development, easements, utilities, roads, and means of access to public streets, total acreage and flood hazard area and any other requirements of Florida Housing.

3. Building permits and any other necessary approvals and permits (e.g., final site plan approval, Department of Environmental Protection, Army Corps of Engineers, the Water Management District, Department of Transportation, etc.). An acceptable alternative to this requirement is receipt and satisfactory review of a letter from the local permitting and approval authority stating that the above referenced permits and approvals will be issued upon receipt of applicable fees (with no other conditions), or evidence of 100% lien-free completion, if applicable. If a letter is provided, copies of all permits will be required as a condition of the first post-closing draw.

4. The Final "as permitted" (signed and sealed) site plans, building plans and specifications. The Geotechnical report must be bound within the final plans and specifications.

5. Final sources and uses of funds, itemized by source and line item, in a format and amounts approved by the Servicer. A detailed calculation of the construction interest based upon the final draw schedule, documentation of the closing costs, and draft loan closing statement must also be provided. The final sources and uses of funds schedule will be attached to the Loan Agreement as the approved development budget.

6. A final construction draw schedule showing itemized sources and uses of funds for each monthly draw. No draws will be taken from the first mortgage lender until all of

the exchange funds are drawn, unless the first mortgage is used to acquire the land prior to closing the exchange funds. The closing draw must include appropriate backup and ACH wiring instructions. Prior to approval of any Exchange fund draws in 2011, a CPA certification indicating that the Treasury's 30% test has been met must be approved by FHFC or its Servicer.

7. Evidence of general liability, flood (if applicable), builder's risk and replacement cost hazard insurance (as certificates of occupancy are received) reflecting Florida Housing as Loss Payee/Mortgagee, with coverages, deductibles and amounts satisfactory to Florida Housing.

8. If the development is not 100% lien-free completed, a 100% Payment and Performance Bond 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 GC and the Borrower. In either case, Florida housing must be listed as co-obligee. The P&P bonds must be from a company rates at least "A-" by A.M. Best & Co with a financial size category of a least FSC VI. FHFC, 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 include "evergreen" language and be in a form satisfactory to Florida Housing, its Servicer and its Legal Counsel.

9. Architect, Construction Consultant, and Developer Certifications on forms provided by FHFC will be required for both design and as-built with respect to Section 504 of the Rehabilitation Act, Americans with Disabilities Act, and the Federal Fair Housing Act requirements, if applicable.

This recommendation is contingent upon the review and approval by Florida Housing, and it's Legal Counsel **at least two weeks** before a requested date for funding. Failure to receive approval of these items within this timeframe may result in postponement of the loan closing date.

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

2. Signed and sealed survey, dated within 90 days of Loan closing, unless otherwise approved by Florida Housing, and its Legal Counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to Florida Housing and its legal counsel, as well as the title insurance company, and shall indicate the legal

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

3. An acceptable updated Environmental Audit report, together with a reliance letter to Florida Housing, prepared within 90 days of Loan closing, unless otherwise approved by Florida Housing, and its legal counsel, based upon the particular circumstances of the transaction. Borrower to comply with any and all recommendations noted in the Environmental Audit Report(s) and all other environmental reports related to the property, as deemed appropriate by Florida Housing in its sole discretion.

4. Title insurance pro forma or commitment for title insurance with copies of all Schedule B exceptions, in the amount of the Loans naming FHFC as the insured. All endorsements required by FHFC shall be provided.

5. Florida Housing and its legal counsel shall review and approve all other lenders closing documents and the limited partnership/operating agreement or other applicable agreement. Florida Housing shall be satisfied in its sole discretion that all legal and program requirements for the Loan have been satisfied.

6. Evidence of general liability, flood (if applicable), builder's risk, and replacement cost hazard insurance (as certificates of occupancy are received) reflecting Florida Housing as Loss Payee/Mortgagee, in coverage, deductibles and amounts satisfactory to Florida Housing.

7. Receipt of a legal opinion from the Borrower's Legal Counsel acceptable to Florida Housing addressing the following matters:

    a. The legal existence and good standing of the Borrower and of any partnership or limited liability company that is the general partner of the Borrower ("GP") and of any corporation or partnership that is the managing general partner of the GP, of any corporate guarantor and any manager; or any entity signing on behalf of the Borrower.

    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 Florida Housing or its Legal Counsel may require.

8. Evidence of compliance with local concurrency laws, if applicable.

9. Such other assignments, affidavits, certificates, financial statements, closing statements and other documents as may be reasonably requested by Florida Housing or its Legal Counsel in form and substance acceptable to Florida housing or its legal counsel, in connection with the Loan.

10. UCC Searches for the Borrower, its partnerships, as requested by counsel.

11. Any other reasonable conditions established by Florida Housing and its Legal Counsel.

This recommendation is also contingent upon satisfaction of the following additional conditions:

1. Compliance with all provisions of Section 42 of the Internal Revenue Code, as amended, and all related federal regulations, including the provision of the HC Exchange and/or TCEP Programs under the American Recovery and Reinvestment Act of 2009, Florida Statutes and administrative rules, including, but not limited to Rule Chapter 67-48, F.A.C and FHFC Request for Proposals 2010-04.

2. Acceptance by the Borrower and execution of all documents evidencing and securing the TCEP Loan in form and substance satisfactory to Florida Housing, including, but not limited to, the Promissory Note, the Loan Agreement, the Mortgage and Security Agreement, and the Extended Low Income Housing Agreement.

3. At all times there will be undisbursed loan funds (collectively held by Florida Housing, First Lender and any other sources) sufficient to complete the Development. If at any time there are not sufficient funds (held by Florida Housing, First Lender and any other sources) to complete the Development, the Borrower will be required to expend additional equity on Development costs or to deposit additional equity with Florida

Housing which is sufficient (in Florida Housing's judgment) to complete the Development before additional loan funds are disbursed. This condition specifically includes escrowing at closing all equity necessary to complete construction or another alternative acceptable to Florida Housing in its sole discretion.

4. The Limited Partnership Agreement shall be in a form and of financial substance satisfactory to FHFC, it's Legal Counsel, and it'd Servicer.

5. Guarantors to provide the standard FHFC Construction Completion Guaranty to be released upon 100% lien-free completion, as approved by the Servicer.

6. Guarantors to provide the standard FHFC Operating Deficit Guaranty for the full 15 years of the compliance period. The amount of the Guaranty will be limited to nine (9) months operating expenses (inclusive of replacement reserves) and nine (9) months of debt service.

7. Guarantors to provide the standard FHFC Environmental Indemnity Guaranty.

8. Guarantors are to provide the standard FHFC Guaranty of Recourse Obligations.

9. Closing of the first mortgage loan prior to or simultaneous with the closing of the TCEP loan.

10. A mortgagee title insurance policy naming Florida Housing as the insured in the amount of the Loan is to be issued immediately after closing. Any exceptions to the title insurance policy must be acceptable to Florida Housing or its Legal Counsel. The form of the title policy must be approved prior to closing.

11. Property tax and hazard insurance escrow are to be established and maintained by the First Mortgage Lender or the Servicer. In the event the reserve account is held by Florida Housing's Loan(s) servicing agent, the release of funds shall be at Florida Housing's sole discretion.

12. Replacement Reserves in the amount of $300 per unit per year will be required to be deposited on a monthly basis into a designated escrow account, to be maintained by the First Mortgagee or Florida Housing's Loan(s) servicing agent. An inflation factor based upon the Consumer Price Index will be applied to the Replacement Reserve deposit beginning in Year 7, unless waived or reduced in the event Obligor provides a Physical

Needs Study prepared by an independent third party acceptable to FHFC that evidences an increase in the deposit is excessive or unnecessary. Replacement reserves shall be a minimum of $300 per unit/per year with a requirement to maintain a minimum amount of $1,500 per unit at all times, allowing for an initial period to accumulate this minimum. Allowed uses for Replacement reserves in order to fall below the minimum amount: life safety, structural and systems as determined by Florida Housing and its servicers. Traditional Replacement reserve draws shall be limited to items which can be depreciated.

13. A minimum of 10% retainage holdback on all construction draws until the Development is 50% complete, and 0% retainage thereafter is required. Retainage will not be released until successful completion of construction and issuance of all certificates of occupancy. The construction contract indicates retainage holdback on all construction draws will be 10% until the Development is 50% and 0% retainage thereafter, which satisfies the minimum requirement.

14. Satisfactory completion of a pre-loan closing compliance audit conducted by FHFC or Servicer, if applicable.

15. Satisfactory resolution of any outstanding past due items or non compliance issues prior to closing.

16. Satisfactory confirmation that the Management Company has received approval from FHFC's Compliance Department to manage developments, to which Rule Chapter 67-53 F.A.C. applies, is a condition of this report.

17. First Housing is requiring an Operating Deficit Reserve ("ODR") in the amount of 6 months of operating expenses and debt service payments on the hard pay debt in the collective amount of $199,944 .

18. Any other reasonable requirements of the Servicer, Florida Housing, or its Legal Counsel.

HC and Exchange Allocation Recommendation

First Housing Development Corporation has estimated a preliminary annual Housing Credit Allocation of **$1,510,000** Please see the HC Allocation analysis in Exhibit 3 of this report for further details.

Contingencies

1. Purchase of the Housing Credits by RBC Capital Markets, or an affiliate thereof, under the terms consistent with this report.

2. FHFC requires that the Applicant close on its tax credit partnership and Exchange funding, and commence construction on or before November 1, 2010.

15 Year Proforma

Description	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
Revenue															
Gross Potential Revenue	$327,336	$333,883	$340,560	$347,372	$354,319	$361,405	$368,634	$376,006	$383,526	$391,197	$399,021	$407,001	$415,141	$423,444	$431,913
Other Income															
Annual Contributions Contract	$176,293	$179,819	$183,415	$187,084	$190,825	$194,642	$198,535	$202,505	$206,555	$210,686	$214,900	$219,198	$223,582	$228,054	$232,615
HUD Project Based Section 8	$73,404	$74,872	$76,370	$77,897	$79,455	$81,044	$82,665	$84,318	$86,004	$87,725	$89,479	$91,269	$93,094	$94,956	$96,855
Miscellaneous	$17,500	$17,850	$18,207	$18,571	$18,943	$19,321	$19,708	$20,102	$20,504	$20,914	$21,332	$21,759	$22,194	$22,638	$23,091
Gross Potential Revenue	$594,533	$606,424	$618,552	$630,923	$643,542	$656,412	$669,541	$682,932	$696,590	$710,522	$724,732	$739,227	$754,012	$769,092	$784,474
Vacancy and Collection Loss @ 6%	($35,672)	($36,385)	($37,113)	($37,855)	($38,612)	($39,385)	($40,172)	($40,976)	($41,795)	($42,631)	($43,484)	($44,354)	($45,241)	($46,146)	($47,068)
Total Effective Gross Revenue	$558,861	$570,038	$581,439	$593,068	$604,929	$617,028	$629,368	$641,956	$654,795	$667,891	$681,248	$694,873	$708,771	$722,946	$737,405
Expenses															
Fixed															
Real Estate Taxes	$2,200	$2,266	$2,334	$2,404	$2,476	$2,550	$2,627	$2,706	$2,787	$2,871	$2,957	$3,045	$3,137	$3,231	$3,328
Insurance	$61,600	$63,448	$65,351	$67,312	$69,331	$71,411	$73,554	$75,760	$78,033	$80,374	$82,785	$85,269	$87,827	$90,462	$93,176
Variable															
Management Fee (6% or min $36,000)	$36,000	$36,000	$36,000	$36,000	$36,296	$37,022	$37,762	$38,517	$39,288	$40,073	$40,875	$41,692	$42,526	$43,377	$44,244
General and Adminstrative	$35,200	$36,256	$37,344	$38,464	$39,618	$40,806	$42,031	$43,292	$44,590	$45,928	$47,306	$48,725	$50,187	$51,692	$53,243
Payroll Expenses	$105,600	$108,768	$112,031	$115,392	$118,854	$122,419	$126,092	$129,875	$133,771	$137,784	$141,918	$146,175	$150,560	$155,077	$159,729
Utilities	$52,800	$54,384	$56,016	$57,696	$59,427	$61,210	$63,046	$64,937	$66,885	$68,892	$70,959	$73,088	$75,280	$77,539	$79,865
Marketing and Advertising	$8,800	$9,064	$9,336	$9,616	$9,904	$10,202	$10,508	$10,823	$11,148	$11,482	$11,826	$12,181	$12,547	$12,923	$13,311
Maintenance and Repairs	$30,800	$31,724	$32,676	$33,656	$34,666	$35,706	$36,777	$37,880	$39,017	$40,187	$41,393	$42,634	$43,913	$45,231	$46,588
Grounds Maintenance and Landscaping	$30,000	$30,900	$31,827	$32,782	$33,765	$34,778	$35,822	$36,896	$38,003	$39,143	$40,317	$41,527	$42,773	$44,056	$45,378
Reserve for Replacements	$26,400	$26,400	$26,400	$26,400	$26,400	$26,400	$27,192	$28,008	$28,848	$29,713	$30,605	$31,523	$32,469	$33,443	$34,446
Total Expenses	$389,400	$399,210	$409,314	$419,722	$430,737	$442,504	$455,409	$468,694	$482,369	$496,448	$510,940	$525,860	$541,219	$557,030	$573,307
Net Operating Income	$169,461	$170,828	$172,125	$173,346	$174,192	$174,523	$173,959	$173,262	$172,425	$171,443	$170,308	$169,014	$167,552	$165,916	$164,098
Debt Service Payments															
FHFC TCEP (Fees)	$10,488	$10,488	$10,488	$10,488	$10,488	$10,488	$10,488	$10,488	$10,488	$10,488	$10,488	$10,488	$10,488	$10,488	$10,488
HACFM (HOPE VI) and CFRCG Funds	$121,260	$121,260	$121,260	$121,260	$121,260	$121,260	$121,260	$121,260	$121,260	$121,260	$121,260	$121,260	$121,260	$121,260	$121,260
Total Debt Service Payments	$131,748	$131,748	$131,748	$131,748	$131,748	$131,748	$131,748	$131,748	$131,748	$131,748	$131,748	$131,748	$131,748	$131,748	$131,748
Cash Flow After Debt Service	$37,713	$39,080	$40,377	$41,598	$42,444	$42,776	$42,211	$41,514	$40,677	$39,695	$38,560	$37,266	$35,804	$34,168	$32,350
Debt Service Coverage Ratios															
FHFC TCEP (Fees)	16.16	16.29	16.41	16.53	16.61	16.64	16.59	16.52	16.44	16.35	16.24	16.12	15.98	15.82	15.65
HACFM (HOPE VI) and CFRCG Funds	1.29	1.30	1.31	1.32	1.32	1.32	1.32	1.32	1.31	1.30	1.29	1.28	1.27	1.26	1.25
Total Debt Service Payments	1.29	1.30	1.31	1.32	1.32	1.32	1.32	1.32	1.31	1.30	1.29	1.28	1.27	1.26	1.25
Financial Ratios															
Operating Expense Ratio	70%	70%	70%	71%	71%	72%	72%	73%	74%	74%	75%	76%	76%	77%	78%
Break-Even Occupancy Rate	88%	88%	87%	87%	87%	87%	88%	88%	88%	88%	89%	89%	89%	90%	90%

RENAISSANCE PRESEREVE PHASE II (2009-151C)
Lee County
Description of Features and Amenities

A. The Development will consist of:

88 Townhouse Apartment units located in 11 residential buildings.

Unit Mix:

Six (6) one bedroom/one bath units containing a minimum of 652 square feet of heated and cooled living area.

Six (6) one bedroom/one bath plus a Den units containing a minimum of 767 square feet of heated and cooled living area.

Fourteen (14) two bedroom/two bath units containing a minimum of 905 square feet of heated and cooled living area.

Fourteen (14) two bedroom/two bath plus a Den units containing a minimum of 1,033 square feet of heated and cooled living area

Thirty-two (32) three bedroom/two bath Townhouse units containing a minimum of 1,183 square feet of heated and cooled living area.

Sixteen (16) four bedroom/two bath Townhouse units containing a minimum of 1, 378 square feet of heated and cooled living area.

88 Total Units

The Development is to be constructed in accordance with the final plans and specifications approved by the appropriate city or county building or planning department or equivalent agency, and approved as reflected in the Pre-Construction Analysis prepared for Florida Housing or its Servicer, unless a change has been approved in writing by Florida Housing or its Servicer. The Development will conform to requirements of local, state & federal laws, rules, regulations, ordinances, orders and codes, Federal Fair Housing Act and Americans with Disabilities Act ("ADA"), as applicable.

B. Each unit will be fully equipped with the following:

1. Air conditioning in all units (window units are not allowed; however, through-wall units are permissible for rehabilitation).
2. Window treatments for each window and glass door inside each unit.
3. Termite prevention and pest control throughout the entire affordability period.
4. Peephole on all exterior doors.
5. Exterior lighting in open and common areas.
6. Cable or satellite TV hook-up in all units.
7. Full-size range, oven and refrigerator in all units.
8. At least two full bathrooms in all 3 bedroom or larger new construction units.
9. Bathtub with shower in at least one bathroom in at least 90% of the new construction, non-Elderly units.

C. The Applicant has committed to provide the following features in each new construction unit:

1. Marble window sills in all units
2. Steel exterior entry door frames for all units
3. At least 1.5 bathrooms (one full bath and one with at least a toilet and sink) in all 2 bedroom new construction units
4. Double compartment kitchen sink in all units
5. Pantry in kitchen area in all units – must be no less than 20 cubic feet of storage space. Pantry cannot be just an under- or over-the-counter cabinet
6. Dishwasher in all new construction units
7. Garbage disposal in all new construction units

D. The Applicant has committed to the following amenities in the Development:

1. Playground/tot lot, accessible to children with disabilities (must be sized in proportion to Development's size and expected resident population with age-appropriate equipment)
2. Car care area (for car cleaning/washing)
3. Two or more parking spaces per total number of units
4. Picnic area with hard cover permanent roof of a design compatible with the Development, open on all sides, containing at least three permanent picnic tables with benches and an adjoining permanent outdoor grill
5. Outside recreation facility: Full Volleyball Court
6. Library consisting of a minimum of 100 books and 5 current magazine subscriptions
7. Each unit wired for high speed internet
8. Washer and dryer in a dedicated space with hook-ups within each unit, provided at no charge to the resident during the term of any lease

E. The Applicant has committed to provide the following energy conservation features for all buildings in the Development:

1. Air conditioning with a minimum SEER rating of 14
2. Electric water heater with energy factor of .93 or better
3. Wall insulation of a minimum of R-7 for masonry/concrete block construction
4. Attic insulation of R-30 or better
5. All windows single-pane with minimum solar heat gain coefficient of .58 or better
6. Energy Star certified refrigerator and dishwasher in each unit
7. Ceiling fans in all bedrooms and living area in each unit

F. By initialing each item, the Applicant commits to the following 10 Green Building options for this Development:

1. _X__ Programmable thermostats in each unit
2. _X__ Energy Star rated reversible ceiling fans in all bedrooms and living areas
3. _X__ Showerheads that use less than 2.5 gallons of water per minute
4. _X__ Faucets that use 2 gallons of water per minute or less in the kitchen and all bathrooms
5. ____ Toilets that have dual flush options which include 1.6 gallons of water or less
6. _X__ Energy Star qualified lighting in all open and common areas
7. _X__ Motion detectors on all outside lighting that is attached to the units
8. _X__ Low VOC paint (less than 50 grams per gallon) in all units and common areas
9. ____ Reduced Heat-Island Effect paving (use light colored or porous paving materials)
10. _X__ Energy Star rating for all refrigerators, dishwashers and washing machines that are provided by the Applicant
11. ____ Energy Star rating for all windows in each unit
12. _X__ Carpet and Rug Institute Green Label certified carpet and pad for all carpeting provided
13. ____ Florida Yards and Neighborhood certification on all landscaping
14. _X__ Install daylight sensors or timers on all outdoor lighting

G. The Applicant has committed to provide the following Resident Programs:

1. Welfare to Work or Self-Sufficiency Type Programs - The Applicant commits to actively seek residents who are participating in or who have successfully completed the training provided by these types of programs.

2. First Time Homebuyer Seminars – Applicant or its Management Agent must arrange for and provide, at no cost to the resident, in conjunction with local realtors or lending institutions, semiannual on-site seminars for residents interested in becoming homeowners. Electronic media, if used, must be used in conjunction with live instruction.

3. Literacy Training - Applicant or its Management agent must make available, at no cost to the resident, literacy tutor(s) who will provide weekly literacy lessons to residents in private space on-site. Electronic media, if used, must be used in conjunction with live instruction.

4. Job Training – Applicant or its Management Agent must provide, at no cost to the resident, regularly scheduled classes in keyboarding, computer literacy, secretarial skills or other useful job skills, which will be provided at least once each quarter. If the training is not provided on-site, transportation at no cost to the resident must be provided. Electronic media, if used, must be used in conjunction with live instruction.

5. Health and Nutrition Classes – At least 8 hours per year, provided on site at no cost to the residents. Electronic media, if used, must be used in conjunction with live instruction.

6. Resident Activities – These specified activities are planned, arranged, provided and paid for by the Applicant or its Management Agent. These activities must be an integral part of the management plan. The Applicant must develop and execute a comprehensive plan of varied activities that brings the residents together and encourages community pride. The goal here is to foster a sense of community by bringing residents together on a regularly scheduled basis by providing activities such as holiday and special occasion parties, community picnics, newsletters, children's special functions, etc.

7. Financial Counseling – This service must be provided by the Applicant or its Management Agent, at no cost to the resident, and must include the following components: must be regularly scheduled at least once each quarter; must include tax preparation assistance by qualified professionals; must include educational workshops on such topics as "Learning to Budget," "Handling Personal Finances," "Predatory Lending," or "Comparison Shopping for the Consumer." Electronic media, if used, must be used in conjunction with live instruction.

8. Resident Assistance Referral Program - The Applicant or its Management Agent will make available to residents information about services such as crisis intervention, individual and family needs assessment, problem solving and planning, appropriate information and referral to community resources and services based on need, monitoring of ongoing ability to retain self sufficiency, and advocacy to assist clients in securing needed resources. This service must be provided at no cost to the resident. Electronic media, if used, must be used in conjunction with live instruction.

HC Exchange Allocation Calculation

Qualified Basis

Total Development Costs(including land and ineligible Costs)	$14,401,049
Less Land Costs	$10
Less Federal Grants and Loans	$0
Less Other Ineligible Costs	$709,926
Total Eligible Basis	$13,691,113
Applicable Fraction	100%
DDA/QCT Basis Credit	130%
Qualified Basis	$17,798,447
Housing Credit Percentage	9.00%
Annual Housing Credit Allocation	$1,601,860

Notes to the Qualified Basis Calculation:

1. Other ineligible costs include brokerage fees, relocation costs, accounting, legal and other fees attributable to land acquisition, advertising/marketing fees, operating reserves required by the lender, the lease-up portion of construction interest and certain costs of bond issuance items.

2. The development has a 100% set-aside; therefore, the applicable fraction is 100%.

3. For purposes of this analysis, the development is located in a Difficult Development Area ("DDA") and or Qualified Census Tract ("QCT"); therefore, the 130% basis credit was applied.

4. The Housing Credit Percentage is 9.00% based on the Housing and Economic Recovery Act of 2008 for developments placed in service after July 30, 2008 and before December 31, 2013.

GAP Calculation

Total Development Costs(including land and ineligible Costs)	$14,401,049
Less Mortgages	$1,515,754
Less Grants	$0
Equity Gap	$12,885,295
HC Syndication Percentage to Investement Partnership	99.99%
HC Syndicaton Pricing	$0.655
HC Required to meet Equity Gap	$19,673,977
Annual HC Required	$1,967,398

Notes to the Gap Calculation:

1. The Less Mortgages line item represents the first mortgage from HACFM and the TCEP Loan.

Recommendation

HC Per Syndication Agreement	$1,510,000
HC Per Qualified Basis	$1,601,860
HC Per GAP Calculation	$1,967,398
Annual HC Recommended	$1,510,000
Syndicaton Proceeds based upon Syndication Agreement	$9,889,511

Notes to the Summary:

1. The estimated Annual HC Allocation recommended is limited by the lesser of the Applicant's request, Qualified Basis, or the GAP Calculation; therefore, the Applicant's request applies.

DEVELOPMENT NAME: **RENAISSANCE PRESERVE PHASE II**
DATE: **July 16, 2010**

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

FINAL REVIEW **REQUIRED ITEMS:**	**STATUS** **Satis. / Unsatis.**	**NOTE**
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.	Satis.	
2. Final site plan and/or status of site plan approval.	Satis.	
3. Permit Status.	Satis.	
4. Pre-construction analysis ("PCA").	Satis.	
5. Survey.	Satis.	
6. Complete, thorough soil test reports.	Satis.	
7. Full or self-contained appraisal as defined by the Uniform Standards of Professional Appraisal Practice.	Satis.	
8. Market Study separate from the Appraisal.	Satis.	
9. Environmental Site Assessment - Phase I and/or the Phase II if applicable (If Phase I and/or II disclosed environmental problems requiring remediation, a plan, including timeframe and cost, for the remediation is required). If the report is not dated within one year of the application date, an update from the assessor must be provided indicating the current environmental status.	Satis.	
10. Audited financial statements for the most recent fiscal year ended or acceptable alternative as stated in Rule for credit enhancers, applicant, general partner, principals, guarantors and general contractor.	Satis.	
11. Resumes and experience of applicant, general contractor and management agent.	Satis.	
12. Credit authorizations; verifications of deposits and mortgage loans.	Satis.	
13. Management Agreement and Management Plan.	Satis.	
14. Firm commitment from the credit enhancer or private placement purchaser, if any.	Satis.	
15. Firm commitment letter from the syndicator, if any.	Satis.	
16. Firm commitment letter(s) for any other financing sources.	Satis.	
17. Updated sources and uses of funds.	Satis.	

FINAL REVIEW	STATUS	NOTE
REQUIRED ITEMS:	**Satis. / Unsatis.**	
18. Draft construction draw schedule showing sources of funds during each month of the construction and lease-up period.	Satis.	
19. Fifteen-year income, expense, and occupancy projection.	Satis.	
20. Executed general construction contract with "not to exceed" costs.	Satis.	
21. HC ONLY: 15% of the total equity to be provided prior to or simultaneously with the closing of the construction financing.	Satis.	
22. Any additional items required by the credit underwriter.	Satis.	

8/14/03

NOTES AND DEVELOPER RESPONSES:

<u>Notes:</u>

None

First Housing

May 5, 2010

Ms. Candice Allbaugh, Housing Credit Administrator
Florida Housing Finance Corporation
227 North Bronough Street, Suite 5000
Tallahassee, FL 32301

Re: **Renaissance Preserve II- 2009-151C**
4240 Michigan Avenue Link, Fort Myers, Lee County, Florida 33916

Dear Ms. Allbaugh,

Renaissance Preserve III, LLLP ("Applicant") has applied for a $1,510,000 annual federal Housing Credit ("HC") allocation and for a Tax Credit Exchange Program loan under RFP 2010-04 in an amount of $4,200,000 which equates to a $494,118 annual HC determination to finance the construction of the project referenced above. The proposed development is Renaissance Preserve, Phase II, an 88-unit townhouse and garden style residential apartment rental community located at 4240 Michigan Avenue Link in Fort Myers, Lee County, Florida. The development's set-aside, per the Application, is 100%, with 10% of the units at 33% or less of the Area Median Income ("AMI"), and the remaining 90% of the units at 60% or less of the AMI. According to the Market Study, referenced below, the unit breakdown is 9 units at 33% or less or the AMI ("ELI Units")and the remaining 79 units at 60% or less of the AMI, for a total of 88 units. 50% or 5 ELI Units will be set aside for Special Needs Households.

The Applicant is a Florida Limited Liability Limited Partnership formed March 16, 2009 expressly to own and operate Renaissance Preserve, Phase II. The initial Limited Partner, with a 99.99% interest in the Applicant Entity, is the Housing Authority of the City of Fort Myers, a public body corporate and politic organized under the laws of the State of Florida. The Co-General Partners are Norstar Renaissance Preserve Family II, Inc., a Florida Corporation with a .0051% interest in the Applicant Entity and Renaissance Preserve III, LLC, a Florida Limited Liability Company with a .0049% interest in the Applicant Entity, and the Co-Developers will be Norstar Development USA, LP a Texas Limited Partnership and Renaissance Preserve Developers, LLC a Florida Limited Liability Company. First Housing Development Corporation ("FHDC") has reviewed a Ground Lease executed on May 1, 2009, between Renaissance Preserve III, LLLP, ("Tenant") and Housing Authority of the City of Fort Myers ("Landlord") in the amount of $10.00 in annual base rent an with a term of sixty-five (65) years. First Housing's initial findings indicate that the principals of the Applicant have sufficient experience and financial resources to complete a development of this type.

Meridian Appraisal Group ("Meridian") prepared a Market Study ("study") for the subject property dated March 5, 2010 (date of report), with a cover letter dated the same. Based on this study there were 2,955 affordable rate units and 7,391 market rate units surveyed. The Market rate units surveyed had an average occupancy rate of 89% whereas the overall affordable unit occupancy rate was approximately 83%. Meridian indicates that they are not aware of any new market rate developments that have delivered new units into the market within the 10-mile ring within the last couple of years and are not aware of any proposed market rate developments that have been through the permitting process.

Over the past two years there are two (2) new developments that have added to the affordable supply. Maple Crest was built in 2008 and is operating under the Housing Credit guidelines. Maple Crest does not have rental assistance but has achieved stabilized occupancy. Renaissance Preserve Senior (An initial phase associated with the subject of this predetermination letter and located within the same site) is a 120 unit project for elderly tenants. Renaissance Preserve Senior had its first move-ins in September of 2009. It operates under the Housing Credit program and has rental assistance. According to the Developer this Development has reached 96% occupancy as of April 2010. One additional project is anticipated to be funded within the subject's Competitive Market Area ("CMA") and has yet to be built. It is Renaissance Preserve Phase I (an affiliated development) which will have rental assistance on all 96 units.

The subject Development is comprised of 88 units, of which 47 units will have ACC rental assistance. The remaining 41 units will not be covered by the ACC contract but will be most likely supported by The Housing Authority of the City of Fort Myers' waiting list of 1,277 section-8 voucher tenants. In addition, the subject's developer has indicated that should the need arise to "project-base" Section-8 for some or all of the 41 non-rental assisted units, it could be done. According to the Developer if the 41 units were given rental assistance, it would not take the Housing Authority outside the permitted limits with respect to project basing (i.e. no more than 25% of the Housing Authority's Section 8 vouchers can be project based and no more than 20% can be tied to a single development). If project-based assistance is provided, demand would be strong and similar to the units with ACC subsidies.

The CMA, or subject's sub-market, is defined as those projects lying in closest proximity to the subject with similar income restrictions and demographic commitments. The geographic area for the CMA is more flexible and dependant on the concentration of like-kind properties; the CMA is used to access the supply of like-kind units. The subject is comprised of two distinct components, with and without rental assistance. The CMA for the subject's 47 units with ACC subsidies (rental assistance) is comprised of 24 income restricted projects with rental assistance within the area considered to be competitively significant. The CMA for the subject's 41 units without rental assistance is comprised of seven income restricted projects with most units at the 60% AMI level within the area considered to be competitively significant.

The demographic analysis indicates positive household growth over the next five years and approximately 511 income-qualified renter households in the income band for the 47 units with rental assistance are expected to be added annually. According to the demographics the supply of units relative to the demand for the 47 units with rental assistance results in Levels of Effort of

47.2%, 32.4% and 14.2% in the three, five and 10 mile market areas. Based upon the demographic analysis, it appears the size of the subject project is appropriate relative to the number of income-qualified renter households resulting in Capture Rates of 1.9%, 0.9%, and 0.4% for the three, five, and ten mile market areas, respectively. The performance of similar projects with rental assistance suggests the subject's 47 units with rental assistance are an appropriate size.

The demographic analysis for the 41 units without rental assistance indicates positive household growth over the next five years and approximately 569 income-qualified renter households in the income band for the 41 units without rental assistance are expected to be added annually. According to the demographics the supply of units relative to the demand for the 41 units without rental assistance results in Levels of Effort of 40.6%, 35.4% and 13.9% in the three, five and 10 mile market areas. Based upon the demographic analysis, it appears the size of the subject project is appropriate relative to the number of income-qualified renter households resulting in Capture Rates of 2.0%, 0.8%, and 0.3% for the three, five, and ten mile market areas, respectively. The performance of similar projects with most units at the 60% AMI level suggests limited demand. Remaining Potential Demand is the number of income-qualified renter households that are not housed in existing or funded projects with most units at the 60% AMI level. Residents of these households may live in affordable housing developments funded under other programs or in other forms of housing. The Remaining Potential demand is adequate. The average occupancy rate for rental assisted supply in the subject's CMA for the 47 subject units with rental assistance is 99% and for the 41 units restricted at 60% AMI is at 87%. A calculated weighted average anticipated occupancy level for the combination of mixed use units would be 93.41% The Market Study provider concludes that the average stabilized occupancy rate for the 47 units with rental assistance to be in the mid to high 90's level while the average stabilized occupancy rate for the 41 units without rental assistance will be in the high 80%'s to low 90%'s range. A calculated weighted average anticipated stabilized occupancy level for the combination of mixed use units would be 94%.

Two of the three Guarantee Fund developments in Lee County lie within the CMA (Bernwood Trace and Westwood); these developments do not have rental assistance. The subject's 47 units with rental assistance are not expected to impact these developments; however, the subject's 41 units at the 60% AMI level without rental assistance are expected to have some impact on these projects. Bernwood Trace is a 306 unit development with an occupancy level of approximately 90% and Westwood is a 288 unit Development currently at approximately 85% occupancy. Given that the subject Development could have a negative impact on the Guarantee Fund Developments; this could possibly lead to a negative recommendation during Credit Underwriting.

The rent levels are based on 2009 FHFC rent schedules for Lee County less the applicable utility allowances. The rents proposed for the subject development are at or below the 2009 maximum gross Housing Credit rents and those units not covered by the ACC subsidy will be approximately 19% and 33% below market rents.

County (MSA)		Lee County							
Bedrooms	Baths	No. of Units	Unit Size (SF)	Median Income %	Max Gross HC Rents	Utility Allowance	Max Net HC Rents	Underwriter Rents	Annual Rents
1	1	1	652 - 767	33% / ACC	$375	$140	$235	$200	$2,400
1	1	6	652 - 767	60% / ACC	$683	$140	$543	$200	$14,400
1	1	5	652-767	60%	$683	$140	$543	$495	$29,700
2	2	3	905 - 1,033	33% / ACC	$450	$174	$276	$200	$7,200
2	2	13	905 - 1,033	60% / ACC	$819	$174	$645	$200	$31,200
2	1	12	9905-1,033	60%	$819	$174	$645	$550	$79,200
3	2	3	1,183	33% / ACC	$520	$234	$286	$200	$7,200
3	2	15	1,183	60% / ACC	$947	$234	$713	$200	$36,000
3	2	14	1,183	60%	$947	$234	$713	$620	$104,160
4	2	2	1,378	33% / ACC	$580	$294	$286	$200	$4,800
4	2	4	1,378	60% / ACC	$1,056	$294	$762	$200	$9,600
4	2	10	1,378	60%	$1,056	$294	$762	$750	$90,000
Total		88	59,904						$415,860

The above cited rental rates are the maximum permitted rental rates for the subject's income levels under the Housing Credit program or maximum attainable rates according to the market study, whichever are less adjusted to reflect individual tenant rents for the 47 ACC supported units. The subject will operate under a HUD ACC program and will have contract rental rates derived for the development for 47 of the total 88 units. The anticipated ACC Subsidy is $76,000 per year with estimated average tenant participation of $200 per month. The tenant participation amount will vary and is based upon 30% of the tenant's adjusted household income.

First Housing's preliminary findings indicate that other income is approximately $199 per-unit/per-year and vacancy and collection loss has been calculated at 11% with expenses estimated at approximately $4,512 per-unit/per-year. Therefore, this development should generate a net operating income of $639 per-unit/per-year. Based on these initial estimates, it appears that this development will be able to achieve minimum debt service coverage ("DSC") of at least 1.10:1, which satisfies FHFC's minimum requirements.

FHDC has reviewed a proposal dated August 7, 2009 indicating RBC Capital Markets ("RBC") or an affiliate will be admitted to the partnership as a limited partner concurrent with or prior to the closing of the construction loan with a 99.99% ownership interest in the project partnership. The proposal expires June 30, 2010. Based on the annual HC allocation estimated to be available in the amount of $1,510,000 and a syndication rate of $0.65 per dollar, RBC anticipates a net capital contribution of $9,814,019 Of this amount, $1,962,804 (20%) will be available prior to or simultaneous with the closing of construction financing ($50,000 shall be paid to RBC as reimbursement of expenses incurred in connection with due diligence), with an additional $6,379,112 (65%) available at receipt of certificates of occupancy and preliminary cost certification; and the final $1,472,103 (15%) available at 95% occupancy and a 1.15 DSC for three consecutive months, and permanent loan conversion for a total of $9,814,019 . Of this total amount, $1,962,804 will be available during construction.

This recommendation is contingent upon closing of the HC purchase consistent with the terms noted in this report.

FHDC has reviewed a commitment for construction and permanent financing, dated August 11, 2009 from The Housing Authority of the City of Fort Myers for a first mortgage loan of up to

$1,575,000. The loan term will be 50 years, with no repayment as long as the property remains affordable consistent with FHFC, HUD, and Housing Authority guidelines. FHDC has also reviewed a construction period financing Term Sheet provided by RBC Bank, an affiliate of the LIHTC equity provider. The Term Sheet provides for up to $8,000,000 in construction only financing for a term of 18 months with one (1) six month option to renew. In addition, the Applicant has been awarded a preliminary allocation of exchange funds of $4,200,000. Our preliminary review of this transaction indicates that the minimum DSC of 1.10:1 is achievable under this loan structure.

First Housing's preliminary estimates indicate that, during the construction period, the Applicant must defer $0 or 0.0% of the total developer fee of $2,112,058 . The deferred developer fees represent amounts that must be deferred after all available loan proceeds, building permit deferrals, and equity disbursements have been received during the construction period.

Following is a summary of the HC Allocation Calculation. Note that these calculations are based upon information provided to date. Updated information submitted during credit underwriting may result in changes to these preliminary estimates.

As previously mentioned, the 41 units that will not be covered by the ACC contract will be most likely supported by The Housing Authority of the City of Fort Myers' waiting list of 1,277 section-8 voucher tenants. Another option available to the Applicant (the Applicant would prefer not utilizing) is that the entire Development could be converted to "project based Section-8 rental assistance" for some or all of the 41 non-rental assisted units. However, if the Housing Authority or the Developer choose not to do either, the subject Development's 41 units restricted to 60% AMI could have a negative impact on the Guarantee Fund Developments within its CMA; this could possibly lead to a negative recommendation during Credit Underwriting.

If you have any question regarding this letter please do no hesitate to call us at 813-289-9410.

Sincerely,

Prepared by:

William J. Metler
Senior Credit Underwriter

Reviewed by:

Senior Vice President

Housing Credit Calculation

Qualified Basis	
Total Development Costs(including land and ineligible Costs)	$15,493,677
Less Land Costs	$10
Less Federal Grants and Loans	$1,575,000
Less Other Ineligible Costs	$516,640
Total Eligible Basis	$13,402,027
Applicable Fraction	100%
DDA/QCT Basis Credit	130%
Qualified Basis	$17,422,635
Housing Credit Percentage	9.00%
Annual Housing Credit Allocation	$1,568,037

1. Other ineligible costs include legal fees, advertising/marketing fees, operating reserves required by lender, the lease-up portion of construction interest, and certain administrative cost.

2. The development has a 100% set-aside, therefore, the Applicable Fraction is 100%.

3. For purposes of this analysis, the development is located in a Qualified Census Tract ("QCT") and/or Difficult Development Area ("DDA"), therefore, the 130% basis credit was applied.

4. The Housing Credit Percentage is 9.00% based on the Housing and Economic recovery Act of 2008 for Developments placed in service after July 30, 2008 and before December 31, 2013.

GAP Calculation	
Total Development Costs(including land and ineligible Costs)	$15,493,677
Less Mortgages	$5,535,000
Less Grants	$0
Equity Gap	$9,958,677
HC Syndication Percentage to Investement Partnership	99.99%
HC Syndicaton Pricing	$0.65
HC Required to meet Equity Gap	$15,322,574
Annual HC Required	$1,532,257

1. HC Syndication Pricing and Percentage to Investment Partnership are based on the proposal provided by the Applicant.

Recommendation

HC Per Syndication Agreement	$1,510,000
HC Per Qualified Basis	$1,568,037
HC Per GAP Calculation	$1,532,257
Annual HC Recommended	$1,510,000
Syndicaton Proceeds based upon Syndication Agreement	$9,814,019

1. The Annual Housing Credit Recommendation is limited by the Applicant's Request.