



April 13, 2020

Brevard County Housing Finance Authority

Attn: Angela Abbott

4420 South Washington Avenue.

Titusville, Florida 3280

RE: Venue at Viera Senior Living

We are writing to request formal consideration and approval of our request previously identified in our Multi-Family Mortgage Revenue Bond (MMRB) Program Application, as well as additional items we are requesting for consideration and approval.

We are all well aware of the significant hardship that has been created by the COVID-19 global pandemic and the unprecedented unemployment resulting from the shuttering of our economy. This pandemic has further exacerbated the affordable housing crisis in Florida and is causing uncertainty within the financing and equity investment industry. This hardship being experienced by so many Florida low income families adds to our urgent need to facilitate the development of new affordable housing communities in economically sustainable transactions.

As we discussed with the HFA Board in prior meetings, our typical MMRB transactions are unique in that we proceed with development of affordable rental communities financed with MMRB and non-competitive 4% LIHTC without the benefit of any other subsidies, i.e. SAIL, HOME, CDBG, etc.

In order to accomplish these affordable rental developments without the benefit of these other competitive resources, we are required to provide credit support, guarantees and/or bond purchases from our Qualified Institutional Buyer of the original MMRB Issue. This credit support, guarantee and/ or bond purchase is provided from an entity whose Principal has commonality of ownership with the Developer and Applicant (referred to herein loosely as "Affiliate"). Our Affiliate is willing to make this investment based upon the structure we have recently completed on several MMRB transactions with the Housing Finance Authority of Volusia County.

As will be confirmed during Credit Underwriting, the Financial Institution purchasing the bonds is requiring our Affiliate to purchase a minimum of 10% of the outstanding bonds annually beginning immediately after construction completion.

In addition, the Developer will be required to defer substantially all of the FHFC allowable Developer Fee for this project.

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As was previously represented in our applications and presentation to the Brevard HFA, we are requesting that the HFA provide the following assistance;

ISSUER FEES

As we set forth in our original submission and discussed with the HFA's Board at prior meetings, we continue to request that the HFA Board grant a reduction of the current annual HFA fees to the reduced rate of 12.5 bps, which was the HFA fee for our last MMRB transactions with the Brevard HFA (Malabar and Wickham).

As discussed previously, the financing sources only anticipate local HFA bonds with equity from the sale of 4% LIHTC. As such, the Developer anticipates needing to defer almost its entire fee to balance sources of funds with total project costs. In the current environment of rising construction costs, the requested reduction of HFA annual fees to 12.5 bps will assist in the feasibility of the project. Additionally, in the future this requested reduced HFA fee structure of 12.5 bps would also provide flexibility for the bond holder to be a related party to the borrower, in the event the private placement financial institution needs to be replaced in whole or in part by an Affiliate of the Principal of the Owner, and remain in compliance with the "Program Investment" restrictions that only allow issuer fees up to a limited amount so as to avoid the bonds from becoming an arbitrage bond and thus "taxable".

Please note also the Affiliate will be providing guarantees to the private placement financial institution to avoid risk of foreclosure due to low debt service coverage ratios which may result from the proposed financing structure.

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COST OF ISSUANCE

Additionally, in recognition of the significant investment commitment by our Affiliate with regard to purchase of a portion of the bonds and deferral of substantially all of the allowable Developer Fee, we are requesting that the HFA fund 50% of the Cost of Issuance.

Angela Abbott provided a preliminary Cost of Issuance Estimate which is identified below along with our request for discount and funding.

Venue at Viera	as of:	April 3, 2020
Proposed Bond Amount		\$ 16,755,000
Brevard HFA COSTS OF ISSUANCE (Private Placement)		
	\$ Per Bond	\$ Amount
Issuer's Administrative Fees *	0.250%	\$ 41,887.50
Requested Issuer Fee Discount (upfront and annual)	0.125%	\$ (20,943.75)
COST OF ISSUANCE (Net of Issuer Fee)		
Issuer Counsel Fees (Angela Abbott)	1.79	\$ 30,000.00
Issuer Counsel Fees (estimated)	0.03	\$ 500.00
Financial Advisor Fee (PRAG)	2.09	\$ 35,000.00
Financial Advisor Expenses (estimated)	0.12	\$ 2,000.00
Bond Counsel Fee (Nabors Giblin & Nickerson)	3.28	\$ 55,000.00
Bond Counsel Expense (estimated)	0.30	\$ 5,000.00
Placement Agent Fee and Expenses (RBC)	1.85	\$ 31,000.00
Brevard County Financial Advisor Fee - Est at \$2500-5000	0.30	\$ 5,000.00
Post Official Statement - TBD		
Trustee - First Semi-Annual Fee (Wells Fargo - TBD)	0.13	\$ 2,250.00
Trustee Acceptance	0.21	\$ 3,500.00
Trustee Counsel (Akerman) - Fee capped at \$5,000	0.30	\$ 5,000.00
Trustee Expenses - TBD		
Credit Underwriting Fee (First Housing Devt Corp) - TBD		
Credit Underwriter Closing Fee - TBD		
Contingency		
COST OF ISSUANCE (Net of Issuer Fee)	12.90	\$ 174,250.00
Requested HFA funding for Cost of Issuance	50%	\$ 87,125.00

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We would also like the Brevard County HFA to consider the following items related to the Credit Underwriting and closing conditions;

CONSTRUCTION COMPLETION LETTER OF CREDIT / PAYMENT & PERFORMANCE BOND / LIQUIDITY MAINTENANCE

The current FHFC Rule 67-21, with regard to FHFC MMRB provides;

(e) At a minimum, each general partner (whether individual or entity) or each manager/managing member (whether individual or entity), as applicable, of the Applicant shall provide a guarantee for completion of construction. In addition, one or more entities or individuals (other than a general partner or manager/managing member) having an ownership interest, either directly or indirectly, in the Applicant or in the general partner or managing member of the Applicant shall be required to provide guarantees or personal guarantees, as applicable, for completion of construction as recommended by the Credit Underwriter or as otherwise required by the Corporation. The Corporation shall consider the following when determining the need for additional construction completion guarantees based on the recommendations of the Credit Underwriter:

1. Liquidity of any guarantee provider.
2. Applicant's, Developer's and General Contractor's history in successfully completing Developments of similar nature.
3. The past performance of the Applicant, Developer, General Contractor, or any other guarantee provider, in developing or constructing Developments financed by the Corporation or its predecessor.
4. Percentage of the Corporation's funds utilized compared to Total Development Costs. If, after evaluation of subparagraphs 1. through 4. above, by the Corporation and the Credit Underwriter, it is determined that additional surety is needed, the Applicant will be required to provide a letter of credit or payment and performance bond.

(r) 4. If deemed necessary by the Corporation and the Credit Underwriter in their evaluation of construction completion guarantees in paragraph (2)(e), above, secure a payment and performance bond whose terms do not adversely affect the Corporation's interest, issued in the name of the General Contractor, from a company rated at least "A-" by AMBest & Co., or a Corporation-approved alternate security for the General Contractor's performance such as a letter of credit issued by a financial institution with a senior long term (or equivalent) credit rating of at least "Baa3" by Moody's, or at least "BBB-" by Standard & Poor's or Fitch, or a financial rating of at least 175 by IDC Financial Publishing,

Many Regional HFA's and Underwriters look to the FHFC Rule when considering Construction Completion Surety.

Based upon our significant history in completing Developments of similar nature, our past performance, and the percentage of Bond Issuer's funds utilized (*none*), we have not been required to provide a Letter of Credit, Performance & Payment Bond, nor Liquidity Maintenance on any recently developed affordable housing project. The reality is that as related parties, the Letter of Credit, P&P Bond and/or Liquidity Maintenance have no functional value to any party other than the Private Placement Bond Buyer. Under the Loan Documents only the Private Placement Bond Buyer would have authority to initiate a call on any Construction Completion Surety. Our Private Placement Bond Buyer only requires that we provide Performance and Payment Bonds for our Major Subcontractors.

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HOUSING CREDIT EQUITY FUNDED AT CLOSING

We have had recommendations from Credit Underwriters that would require the Housing Credit Purchaser to fund and escrow at bond closing the installments needed to complete construction. As we typically do not sell the Housing Credits prior to bond closing and the escrow of Housing Credit Equity impacts the after tax yield to the Investor, it creates an unnecessary cost for the transaction. Also it is important to note that our loan documents require funding of a Bridge Loan and/or Housing Credit Equity prior to any bond proceeds being funded until such time as the bond proceeds are sufficient to complete construction. We have completed significant affordable housing developments with no escrow of Housing Credit Equity and our Private Placement Bond Purchaser does not require the escrow of those funds.

We would like to have these issues considered at the next scheduled Brevard County Housing Finance Authority Board Meeting.

Thanks for your continued professional support and consideration.

Sincerely,

A handwritten signature in blue ink, appearing to be 'W. Scott Culp', written in a cursive style.

W. Scott Culp, Manager
Atlantic Housing Partners