MULTI-FAMILY PROGRAM

501(C)(3) TAX-EXEMPT BOND APPLICATION

Dear Developer:

This application package is a follow up to your indication of interest in applying for tax-exempt 501(c)(3) bond financing for a multi-family project where the borrower will be a not-for-profit entity.

- An Applicant can submit a project for Orange, Lake and Seminole counties.

- Application to the Authority only commits the Authority to consider the applicable Project and financing and does not create any rights in favor of the applicant. The Authority has expressed concern that rising interest rates might render a project infeasible prior to closing. All applicants must therefore indicate the maximum “all in” interest rate which, in the opinion of the applicant, bond financing is feasible for a project. The Authority reserves the right to withdraw its application for bond volume cap in the event interest rates rise to a level which, in the sole discretion of the Authority, is above the maximum feasible rate for a project.

Control of the Property

The Authority only considers a request for Inducement when the Applicant can demonstrate control (or an immediate likelihood) of the real estate. Such control can be evidenced by proof of ownership or by an executed Purchase Contract, Deed, Option Agreement, Letter of Intent or similar document. The instrument should clearly state the time period for which the agreement is effective and the purchase price to be paid and the cost of any extensions in the contract period, if applicable.

Proper Zoning for Use Intended and Concurrence

For new construction, the subject property, at the time the application is submitted, must be zoned for multi-family use with the appropriate number of units per acre and must meet concurrency requirements. Letters from the county confirming the multi-family zoning and concurrence or other official documentation are required for an application to be complete.

Authority Policies Relating to Tax Exempt Bonds

1. **Financing Plan** - The Authority must approve the financing plan for each project for which it adopts an Inducement Resolution. Elements of a financing plan include identification of a credit enhancement provider (if credit enhancement is part of the Financing Plan) and the basic structure of the proposed transaction. If a third party credit enhancement is not proposed, then the method of obtaining an investment grade credit rating, if applicable, must be identified. If the Applicant proposes to have the Authority issue bonds without benefit of a credit rating, the Applicant must comply with the Authority's policy relating to unrated bonds. Authority staff will analyze the financing plan submitted by an Applicant to determine the degree to which the financing plan is feasible and likely to be completed within the timeframe proposed. The Authority reserves the right to utilize its Financial Advisor and a third party real estate underwriter to evaluate the financial feasibility and risk characteristics of each proposed financing.

2. **Unrated & Unenhanced Bonds** – The Authority will consider issuing bonds without an investment grade rating on a "private placement" basis to a "Qualified Institutional Buyer" (as that term is defined by Rule 144A promulgated by the Securities and Exchange Commission the "SEC") or via an underwritten "limited public offering" to one or more "Accredited Investors" (as that term is defined in Regulation D promulgated by the SEC) (collectively referred to as "Sophisticated Investors" herein) under policies approved by the Authority and attached hereto as Exhibit B.

3. **Bond Counsel** – The Authority has retained Greenberg Traurig, P.A. to serve as Bond Counsel in connection with its single-family and multi-family housing bonds. Greenberg Traurig is a nationally recognized firm and has significant experience serving as Bond Counsel in matters pertaining to tax-exempt housing revenue bonds.

4. **Issuer's Counsel and Disclosure Counsel** – The Authority has retained Nabors, Giblin & Nickerson, P.A. as Issuer's Counsel and Disclosure Counsel. In the role of Disclosure Counsel Nabors, Giblin & Nickerson prepares and authorizes the release of all offering documents, including Preliminary and Final Official Statements, Disclosure Agreements and any Limited Offering Statements or other Issuer offering documents.

5. **Financial Advisor** - The Authority has retained CSG Advisors Incorporated as its Financial Advisor. CSG Advisors represents the interests of the Authority and serves in an oversight capacity for multi-family bond transactions. The Applicant may also engage its own financial advisor to assist in obtaining and negotiating the terms of any credit enhancement, structuring the bonds, obtaining an investment grade rating on the bonds and managing the transaction to assure an orderly closing.

6. **Investment Banker/Underwriter** - For bonds sold via public offering, the Applicant is required to provide the name of a qualified banking firm to underwrite and sell the bonds. The Authority maintains a list of qualified banking firms approved to underwrite and sell its bonds in the public markets. Underwriters not presently approved by the Authority may be considered, provided a summary of the firm's experience underwriting housing bonds is submitted to the Authority. The Authority reserves the right to approve or disapprove, for any reason, any Underwriter(s) nominated by an Applicant.

7. **Bond Related Fees** – The Authority charges various fees in connection with an application for Inducement and the subsequent issuance of housing revenue bonds:

   a. APPLICATION FEE – At the time an Application is submitted, the Applicant must include a check in the amount of 0.10% of the total bond principal requested. *The Authority's Application Fee is non-refundable*.

   b. BOND FINANCING FEE – Upon the adoption by the Authority of an Inducement Resolution, the Applicant must submit a check in the amount of 0.30% of the total tax-exempt and taxable bond principal induced. This "up-front" portion of the Authority's Inducement Fee is required before professionals engaged by the Authority will commence working on a bond transaction. The up-front portion of the Inducement Fee is a deposit and will be applied against any actual fees and expenses incurred by the Authority or the Authority's Issuer/Disclosure Counsel, Bond Counsel and Financial Advisor, in the event an Induced transaction does not close for any reason.

   c. THIRD PARTY UNDERWRITER FEE – If a third party mortgage underwriting of the project is required by the Authority, a check in the amount of Six Thousand Dollars ($6,000) must be paid to the independent firm designated by the Authority to provide real estate underwriting services.

   d. AUTHORITY BOND FINANCING FEE – On or prior to the date of closing, the Applicant (or Borrower) shall pay the balance of the Bond Financing Fee due (net of the .10% Application Fee and .30% Bond Financing Fee). The total Bond Financing Fee for a project is based on the following fee structure:

      - 1.50% for the first Five Million Dollars ($5,000,000) of bonds in an issue.
      - 0.85% of the amount of bonds issued in excess of Five Million Dollars ($5,000,000).

   e. ISSUER/DISCLOSURE COUNSEL FEE – Nabors, Giblin, Nickerson charges a fee payable at closing between Seven Thousand Five Hundred Dollars ($7,500) and Ten Thousand Dollars ($10,000) for preparing all Issuer documents on behalf of the Authority, reviewing all documents prepared by Bond Counsel and other parties to the transaction, and providing legal opinions on matters relating to the Authority. Nabors, Giblin, Nickerson also prepares and oversees printing and distribution of any Preliminary and Final Offering/Disclosure documents relating to bonds issued by the Authority, for which a fee in the amount 0.25% of the tax-exempt and taxable bonds issued, subject to a minimum fee of Fifteen Thousand Dollars ($15,000) and payable at closing.

f. BOND COUNSEL FEE – Greenburg Traurig, P.A. charges a fee payable at closing in an amount equal to Forty Thousand Dollars ($40,000) for up to Ten Million Dollars ($10,000,000) in the tax-exempt bonds issued plus .10% of the amount of bonds issued over Ten Million Dollars ($10,000,000, payable at closing for its services as Bond Counsel. If more than one (1) Series of bonds are issued (e.g. taxable bonds, mezzanine bonds, etc.), Greenberg Traurig charges an additional Five Thousand Dollars ($5,000).

g. ISSUER FINANCIAL ADVISOR FEE – CSG Advisors charges a fee payable at closing in at amount equal to .15% of the first Five Million Dollars ($5,000,000) in bonds issued and .10% of the principal amount of bonds issued in excess of Five Million Dollars ($5,000,000), subject to a minimum fee of $7,500, for its services as Financial Advisor to the Authority.

h. ANNUAL ADMINISTRATION FEE – The Authority charges an Administration Fee in an amount equal to .20% per annum of the total bonds outstanding payable in arrears in semi-annual installments, subject to a minimum fee of $10,000 per annum. The Authority also requires the bond indenture to specify that any residual cash balances in the revenue or other pledged funds be divided 50/50 between the Authority and Borrower, when all bonds are fully paid, subject to IRS yield spread limitations.

The Applicant is responsible for paying all professional fees and expenses of professionals engaged on behalf of the Issuer for services provided in connection with the financing, including actual fees and costs incurred should an approved financing fail to close for any reason.

Compliance with Federal and State Laws Relating to Tax Exempt Bonds

The proposed project must comply with all federal and state laws relating to the use of tax-exempt bonds, including, but not limited to, the following:

1. **Ninety-five Percent Test** – 95% or more of the net proceeds of the bonds must be used to provide exempt facilities such as a residential rental property;

2. **Residential Rental Property** – To qualify, the project must be classified as a residential rental property (i.e., a multi-family housing development) consisting of one or more similarly constructed units which (i) must be used for other than on a transient basis, (ii) made available for rental to the general public, and (iii) satisfy the continuous rental and very low or low income occupancy requirements. Hotels, motels, dormitories, fraternity and sorority houses, rooming houses, hospitals, nursing homes, retirement homes, sanitariums, or rest homes are not residential rental properties. Each rental unit must contain separate and complete facilities for living, sleeping, eating, cooking and sanitation.

3. **Low or Very Low Income Leasing** – The project must be continuously subject to Very Low or Low Income leasing requirements. The Borrower elects to set aside either (i) twenty percent (20%) of the units for rental to persons and families with household incomes of fifty percent (50%) or less of Area Median Income, or (ii) forty percent (40%) of the units for rental to persons and families with household incomes of eighty percent (60%) or less of Area Median Income. In either case, household income limits are adjusted for family size.

Application Information and Format Required for Inducement Request

To be considered, the Applicant must prepare and submit ten **(10)** copies of a clear, brief and concise proposal that is bound, organized with tabs/dividers and fully responds to the following questions:

1. Name, address, telephone number and form of organization (limited partnership, L.L.C., etc.) of the Applicant (the "Borrower" as it will appear in all bond documents).

2. Name, address, financial statements and resume for each of the key principals of the Applicant. The resumes should specifically address the each principal's experience that is relevant to the proposed housing development. (Printed brochures on the parent Development Company should not be included in the body of the proposal but may be submitted apart from the bound proposal. Points may be deducted for failing to follow this requirement.)

3. Detailed description of the proposed housing development, including property address, acreage, present zoning status, type of construction, number of units, unit bedroom mix, current rental rates (if appropriate), expected stabilized rental rates (specify any charges for premiums), and any amenities to be provided (include any charges for amenities). Include a location map and, if available, preliminary site plan drawings, elevation renderings, unit layout drawings, etc.

4. Description of the various levels of services and care to be provided and evidence of the need for such services within the area. This section must specifically address whether the project will compete with other existing or planned affordable housing in the immediate market. Points may be deducted for failing to respond to this question. Include a recently prepared local market or feasibility study or recently completed "as completed" real estate appraisal prepared by independent professionals relating to the development.

5. Provide Evidence of Site Control and status of any site plan approvals.

6. Provide Evidence of Zoning. Describe any code or ordinance variances that must be approved before Permitting will be authorized by the jurisdiction. If the proposed financing is for rehabilitation, describe the proposed rehabilitation and indicate the extent to which the proposed scope of work is expected to meet local building ordinances and code. Describe the status of any preliminary site plan approvals or building permits applied for prior to the date the Application has been submitted.

7. Describe how the proposed development is in concurrence with the jurisdiction's Comprehensive Plan (including the extent to which existing roads, utilities (i.e., water and sewer), fire, police, schools, transportation and other public services presently exist to service the project). Also describe the proximity of employment centers to the project.

8. Indicate if the Site is located in an IRS designated Targeted Area for tax-exempt bond financing or other federally designated area (e.g., Community Development Block Grant area. Maps identifying these areas are available from Authority staff. It is not necessary to indicate that the project is located in a "Difficult to Develop Area" for Tax Credits.

9. Provide the name and experience of the Architect and General Contractor, if selected.

10. Provide the name and experience of the Property Manager, if selected.

11. Provide the name of the proposed Investment Banker/Underwriter(s) selected by the Applicant. If the proposed financing involves bonds that will be remarketed, provide the name of the proposed Remarketing Agent.

12. Provide the name of the Trustee, (registrar, payee), and if the bonds require a Tender Agent, provide the name of the proposed firm that will accept the duties of Tender Agent.

13. Provide a description of the proposed financing plan including the provider name and status of any anticipated credit enhancement (if credit enhancement is part of the Financing Plan) at the time the application is submitted.

    - Include copies of any written confirmations relating to the proposed credit enhancement from lenders, mortgage underwriters, banks, or other institution expected to be a party to the credit enhancement structure. Such written confirmations will be reviewed by the Authority to determine the likelihood the proposed financing is feasible and can be completed in the timeframe proposed.

    - Indicated the anticipated investment grade rating expected on the bonds, and the rating Agency (or Agencies) expected to be used.

    - In the event the bonds are proposed to be placed or sold without an investment grade rating, provide the name and experience of the proposed Sophisticated Investor, if the bonds are to be privately placed. If non-investment grade bonds are to be underwritten and sold through a limited public offering, describe the preliminary proposed terms of the loan and bond structure, including any requirements for reserves and working capital to be funded at the time bonds are issued.

    - Indicate if any other sources of federal, state or local monies are expected to be approved for the project (include estimated equity funding expected to be raised through the sale of Low Income Housing Tax Credits), and the current status of any pending requests for such funding.

14. If the proposed development involves acquisition and rehabilitation of an existing property, provide a description of the scope of extraordinary repairs and replacement that will be implemented during the rehabilitation period and the expected timing of such improvements. Include an Architectural and Engineering report, assessing the current condition of the project and describing the recommended scope of improvements. Also provide the name and a brief statement of the qualifications of the firm preparing the report and indicate if the firm is an independent third party or a related party to the Applicant.

15. Provide a detailed Development Budget for the project, including a cost breakout for any consultants and other professionals expected to be engaged by the applicant. Include preliminary Cost of Issuance Budgets for the Authority and Borrower, and Sources and Uses of funds (for the time bonds are issued and upon completion of the development if additional sources are anticipated after the issuance of bonds).

16. Provide detailed pro forma operating statements including estimated rental rates for each type of unit. <u>The pro forma should be based on the highest "all in" bond interest rate that would allow the project to be feasible and should include estimated operating expenses from the time the bonds are closed through the estimated stabilized rent/expense period</u>. The pro forma budgets must include both aggregate and per unit amounts by line item. Line items should be sufficiently detailed to allow the Authority and its consultants to evaluate the reasonableness of the assumptions used (budgets without detail for normal and customary income and expense items are not acceptable). Extraordinary income from other operations (e.g., cable TV, laundry, etc.) may not exceed 5% of gross rents. Multi-year projections

beyond the "stabilization period" are required and should reflect the Applicants "pessimistic" scenario (e.g., assuming rents inflate at a rate that is less than expense inflation).

17. Quantify all estimated fees to be paid at closing and/or over the life of the project, including the estimated amount and timing of any developer fee, consultant's fees, construction management fees and other fees expected to be realized by the Applicant. Also include fees for related parties where the principals are the same persons as those working with or on behalf of the Applicant in connection with the proposed housing development.

18. Provide an explanation of why tax-exempt bond financing is needed for the project. Also, if appropriate, indicate why other sources of federal or local housing subsidies, including Low Income Housing Tax Credits, SAIL, SHIP, HOME, CDBG, etc. are needed to complete the proposed housing development.

19. Describe how the project will comply with federal and state laws regulating the use of tax exempt bonds, Low Income Housing Tax Credits, and all other federal, state or local monies expected to be awarded in connection with the proposed development. Include all unit rent restrictions that will apply and indicate the current maximum rents that would be allowed, if applicable. Provide an explanation of how the marketing plan will address the need to meet very low or low and moderate income leasing requirements. Also, if applicable, indicate the extent to which any existing tenants will be affected by the proposed financing and the Applicants plans for addressing this issue.

Inducement Process

- **Review by Staff** - Authority staff, board committee and advisors will review and evaluate the applications before submitting recommendations to the Authority's full Board.

- **Consideration by Authority's Board** - The Authority's Board will consider the proposals at a scheduled meeting subsequent to submission, review and recommendation by Staff. The Board may decide to adopt a resolution to Induce the project for bond financing at this meeting or reject the application for any reason, including but not limited to, a rise in interest rates over current prevailing rates.

- **Advertisement for TEFRA Hearing** – Once the project is Induced, Bond Counsel will prepare TEFRA notice and the Authority staff will place notice in local papers advertising the date and location of the TEFRA hearing.

- **Conduct TEFRA Hearing** – Authority staff will conduct the TEFRA hearing. The Applicant is encouraged to attend and be prepared to participate in the TEFRA hearing.

- **Consideration by Appropriate Board of County Commissioners** – The matter will be brought before the Orange, Lake, Osceola and Seminole County Commissions at a regularly scheduled meeting.

- **Commence Bond Financing** – The transaction manager may commence the bond financing process, pending approval of the proposed timetable by the Authority staff.

Conclusion

The Authority appreciates your interest in submitting an application for 501(c)(3) multi-family bond financing. Please do not hesitate to contact me if you have any questions regarding this information or the Authority's policies relating to multi-family financing using private activity tax-exempt bonds.

Sincerely yours,

ORANGE COUNTY HOUSING FINANCE AUTHORITY

W.D. Morris

Executive Director

Enclosure

Exhibit A

Orange County Housing Finance Authority
Private Placement/Unrated & Unenhanced Bond Policy

Bonds Without Long-Term or Permanent Credit Enhancement and Without a Rating in One of The Three Highest Rating Categories. Unless held by the borrower or a credit enhancer, or an affiliate of either of them, bonds without credit enhancement and without a rating in one of the three highest rating categories by a nationally recognized rating service (i) shall not be held in a book-entry only system, (ii) shall only be sold and subsequently transferred to a Sophisticated Investor or Investors and (iii) shall comply with the conditions set forth in paragraph (a) or (b), as determined prior to the issuance of the bonds:

(a) (i) The bonds shall be sold in minimum denominations of $100,000; and

(ii) The bonds shall be sold only to Sophisticated Investors who have executed and delivered an “investor’s letter”, in form and substance satisfactory to the Authority including, among other things, (A) stating that the purchase of the bonds will be solely for its own account, (B) stating that such Sophisticated Investor can bear the economic risk of its investment in the bonds, (C) stating that such Sophisticated Investor has such knowledge and experience in financial business matters in general and tax-exempt obligations in particular, that it is capable of evaluating the merits and risks of purchasing the bonds, (D) stating that such Sophisticated Investor has made the decision to purchase the bonds based on its own independent investigation regarding the bonds, the borrower and the project and if a disclosure document has been prepared, it has reviewed such disclosure document, and has received the information it considers necessary to make an informed decision to invest in the bonds, and (E) acknowledging that the Authority, its counsel and its advisors bear no responsibility for the accuracy or completeness of information with respect to the borrower and the project contained in any disclosure document related to the Sophisticated Investor’s purchase of the bonds; and

(iii) The bonds shall bear a legend restricting subsequent transfers to other Sophisticated Investors who have executed and delivered an “investor’s letter” complying with the preceding paragraph (ii).

or

(b) (i) The bonds shall be sold in minimum denominations of $250,000; and

(ii) The bonds shall be sold initially only to Sophisticated Investors who have executed and delivered an “investor’s letter”, in form and substance satisfactory to the Authority including, among other things, (A) stating that the purchase of the bonds will be solely for its own account, (B) such Sophisticated Investor can bear the economic risk of its investment in the bonds, (C) stating that such Sophisticated Investor has such knowledge and experience in financial business matters in general and tax-exempt obligations in particular, that it is capable of evaluating the merits and risks of purchasing the bonds, (D) stating that such Sophisticated Investor has made the decision to purchase the bonds based on its own independent investigation regarding the bonds, the borrower and the project and if a disclosure document has been prepared, it has reviewed such disclosure document, and has received the information it considers necessary to make an informed decision to invest in the bonds, and (E) acknowledging that the Authority, its counsel and its advisors bear no responsibility for the accuracy or completeness of information with respect to the borrower and the project contained in any disclosure document related to the Sophisticated Investor’s purchase of the bonds; and

(iii) The bonds shall bear a legend restricting subsequent transfers to investors who by their purchase of the bonds represent that they (A) are purchasing the bonds solely for their own account, (B) can bear the economic risk of their investment in the bonds, (C) have such knowledge and experience in financial business matters that they are capable of evaluating the merits and risks of purchasing the bonds, and (D) have made the decision to purchase the bonds based on their own independent investigation regarding the bonds and have received the information they consider necessary to make an informed decision to invest in the bonds.

(c) The indenture related to such bonds shall provide that the trustee and the paying agent shall not authenticate or register a bond unless the conditions of this policy have been satisfied.

Bonds Without Long-Term or Permanent Credit Enhancement But With a Rating in One of The Three Highest Rating Categories. Unless held by the borrower, or an affiliate of the borrower, bonds without credit enhancement but with a rating in one of the three highest rating categories by a nationally recognized rating service

(i) shall not be held in a book-entry only system;

(ii) shall be sold in minimum denominations of $100,000;

(iii) in the event that the initial rating on the bonds is withdrawn or is downgraded to a rating lower than one of the three highest rating categories by a nationally recognized rating agency, transfers of the bonds shall be restricted to Sophisticated Investors; and

(iv) the bonds at issuance and thereafter shall bear a legend stating that in the event the initial rating on the bonds is withdrawn or is downgraded to a rating lower than one of the three highest rating categories by a nationally recognized rating agency, transfers of the bonds shall be restricted to investors who by their purchase of the bonds represent that they (A) are purchasing the bonds solely for their own account, (B) can bear the economic risk of their investment in the bonds, (C) have such knowledge and experience in financial business matters that they are capable of evaluating the merits and risks of purchasing the bonds, and (D) have made the decision to purchase the bonds based on their own independent investigation regarding the bonds and have received the information they consider necessary to make an informed decision to invest in the bonds.

“Sophisticated Investor” as used herein means a “qualified institutional buyer” as that term is defined under Rule 144A of the Securities and Exchange Commission or an “accredited investor” as that term is defined in Regulation D of the Securities and Exchange Commission.