

Palmetto Park Apartments

Proposed Debt Assignment and Assumption Terms

“City Loan”, “HFA Loan”, and “HOME Loan”

Revised 11/01/2021 v6

Background

Each of the HFA of Pinellas and the City of Clearwater (the “Subordinate Lenders”) previously provided loans (the “Subordinate Debt”) to Palmetto Park Apartments (the “Property”) to fund a 2003 renovation and extension of affordability as follows:

- A loan from the Housing Finance Authority of Pinellas County, Florida (the “HFA”) in the original principal amount of \$223,113 (the “HFA Loan”); and
- A loan from the City of Clearwater (the “City”) in the original principal amount of \$1,000,000 (the “City Loan”).

Simultaneously with the above loans, a subordinate loan from Pinellas County, Florida (the “County”) was made in the original principal amount of \$900,000 (the “HOME Loan”); and

Projected balances as of 12/31/2021 are as follows:

- HOME Loan \$900,000
- HFA Loan of \$285,168.99
 - \$254,587.93 principal
 - \$30,581.06 of accrued interest
- City Loan of \$1,297,483.63
 - \$1,157,472.41 principal
 - \$140,011.22 of accrued interest

As part of a planned tax-exempt bond and low-income housing tax credit financed acquisition and rehabilitation of the Property, the Seller is willing to loan up to [\$10,726,624] of subordinate financing to the buyer (the “Seller Financing”). In consideration of material capital improvements to, and extended affordability of the property, the Subordinate Lenders and County propose subordinating, amending and restating the Subordinate Debt and the Home Loan on the Closing Date through the execution of an assignment and assumption and modification agreement, subordination agreement and intercreditor agreement and related documents as follows:

Borrower: Palmetto Preservation, LTD.

Closing Date On or before 12/31/2021

Amount Accrued interest will be added to the principal balances and the loans will be assigned, amended and restated in the following projected amounts:

- HOME Loan \$900,000.00 (unchanged)
- HFA Loan of \$285,168.99

- City Loan of \$1,297,483.63

Interest Rate: The Subordinate Loans will earn interest at or above the applicable Long Term Applicable Federal Rate as of the closing date (projected to be between 1.75% and 2.20%). The HOME Loan will remain at 0% interest.

Term: Subordinate Loan maturity will be the sooner of 45 years from the Closing Date or the repayment of the HOME Loan. The HOME loan maturity will remain at 8/1/2045 unless later extended.

Lien Position: Pari Passu with the Seller Financing and the HOME loan.
Junior to construction/bridge financing of about \$20.00 million through stabilization
Junior to permanent financing of about \$10.55 million post stabilization 1st mortgage debt and any future refinancing of that debt (provided it does not result in a cash-out to the borrower).

Payments: Subordinate Loan payments will be made at maturity and from available cash flow (after all debt service, reserve, asset management fee, capital improvements and other payment required by the higher priority lenders, issuer, service and the LIHTC investor) as follows:

- During the 36-month first-mortgage interest-only period, 100% of cash flow will be paid to the Seller Financing. Thereafter:
 - First to any seller note accrued unpaid interest
 - Second to the deferred developer fee until paid in full
 - Third 50% to the Seller Financing and 50% to the Subordinate Loans (pro rata) until repaid in full
 - HOME loan payments will solely be due at maturity.

Prepayments: Prepayment may be made at any time without penalty

Fees: None

Affordability: As a condition of the proposed assignment and assumptions, modifications and resubordinations the Borrower will agree to a new Florida Housing Extended Use Agreement requiring that at least 89% of the units be affordable to persons at or below 60% AMI (in conformance with Section 42) for a period equal to 45 years. The HFA, City Loan and HOME Loan use agreements will remain unchanged.

Project Savings: To the extent allowed by FHFC and approved by the other lenders, at final cost certification any amount remaining in the Subordinate Lender Stabilization Reserve as well as any final development sources in excess of development uses will be applied:

- First to reduce the deferred developer fee to 50% of total developer fee
- Second, to the Seller Financing and the Subordinate Loans, pari passu.

END