

AHC Corporation

Affordable Housing Consultants

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INTRODUCTION

THANK YOU FOR THE OPPORTUNITY TO PRESENT OUR PROPOSAL ON HOW YOU CAN IMPLEMENT A "RENT-TO-OWN" AFFORDABLE HOUSING PLAN BY USING THE TAX EXEMPT BOND AUTHORITY OF YOUR NON-PROFIT 501 (C)(3).

THIS PLAN IS BASED ON THE USE OF LOCAL PROFESSIONALS, CONSULTANTS, AND CONTRACTORS, WHO ARE UNDER YOUR CONTROL AND AUTHORITY. IT DOES NOT DIRECTLY INVOLVE THE FEDERAL GOVERNMENT OR ANY OF ITS PROGRAMS.

OUR RENT-TO-OWN AFFORDABLE HOUSING PLAN HAS BEEN AND IS BEING CURRENTLY IMPLEMENTED THROUGHOUT FLORIDA BY OUR FIRM, EMPLOYING THE NON PROFIT SPONSORSHIP OF BETHEL METROPOLITAN BAPTIST CHURCH; DR. HENRY LYONS, PASTOR.

WE ARE SUGGESTING IN THIS PROPOSAL THAT THE NATIONAL BAPTIST CONVENTION, WITH ITS DESIGNATED AGENCY MEFAC WORKING WITH THE MEMBER CHURCHES, CREATE LOCAL (OR STATE) ORGANIZATIONS TO SPONSOR THE DEVELOPMENT AND CONSTRUCTION OF AFFORDABLE HOUSING. SPONSORING THESE DEVELOPMENTS ENTAILS ACTING AS THE BORROWER, OWNER, MANAGER, LESSEE, AND SELLER IN MEETING THE REQUIREMENTS OF DEVELOPING AFFORDABLE HOUSING.

MY ASSOCIATES AND I, HEREINAFTER REFERRED TO AS AHC CORPORATION, WILL TRAIN YOUR SELECTED STAFF TO PERFORM ALL OF THE SERVICES REQUIRED TO ACQUIRE SUITABLE PROPERTY, TO DESIGN, DEVELOP, CONSTRUCT, AND FINANCE THE COSTS THROUGH PLACEMENT OF THE TAX EXEMPT BONDS.

WE EMPHASIZE THAT THIS PLAN CAN BE LOCALLY ORGANIZED WITHOUT

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Gene LeBeuf ♦ Licensed Real Estate Broker

INVOLVING THE FEDERAL GOVERNMENT AND ITS BUREAUCRACY,

IT IS DIFFICULT FOR LOW TO MODERATE INCOME FAMILIES TO IMPROVE THEIR LIVING CONDITIONS WITHOUT DIRECTION AND SOME ASSISTANCE FROM OTHERS. PROVIDING AFFORDABLE NEW HOMES TO FAMILIES WILL HELP CREATE A NEIGHBORHOOD WITH COMMUNITY PRIDE. USING A PROGRAM THAT WILL TEACH FAMILIES HOW TO OBTAIN, PROTECT AND PAY FOR THIS ASSET IS A STEP TOWARD MEETING THE ASPIRATIONS OF A GREAT MANY OF YOUR PARISHIONERS.

THERE ARE THREE MAJOR PROBLEMS THAT LIMIT THE ABILITY OF MODERATE INCOME FAMILIES IN THEIR EFFORTS TO PURCHASE NEW HOMES.

- 1) THEY CANNOT AFFORD THE DOWN PAYMENT.
- 2) THEY MAY HAVE SOME POOR CREDIT HISTORY.
- 3) THE MONTHLY HOUSING PAYMENTS MAY EXCEED THEIR ABILITY TO PAY.

OUR "RENT TO OWN" AFFORDABLE HOUSING PLAN FOR LOW TO MODERATE INCOME FAMILIES ADDRESSES THESE ISSUES. THE PLAN PROVIDES FOR THE DEVELOPMENT AND FINANCING OF SUBDIVISIONS, IDEALLY BETWEEN 40 AND 50 SINGLE FAMILY HOUSING UNITS. THESE HOMES WILL PROVIDE HOUSES OF APPROXIMATELY 1,000 SQUARE FEET OF AIR CONDITIONED SPACE. THEY USUALLY HAVE 3 BEDROOMS, 2 BATHS, ARE FULLY CARPETED AND INCLUDE ALL APPLIANCES. THEY WILL HAVE ENCLOSED GARAGES AND BE FULLY LANDSCAPED.

IN ORDER TO QUALIFY FOR A CONVENTIONAL MORTGAGE TO PURCHASE THIS HOME THE BUYER MUST, ACCORDING TO ACCEPTABLE UNDERWRITING GUIDELINES, SHOW AN "INTENT TO HAVE EXCELLENT CREDIT" FOR THE PREVIOUS 24 MONTHS. THE CREDIT CRITERIA MUST MEET THE STANDARD OF "FREDDIE MAC" WHICH IS THE SECONDARY FINANCIAL MARKET WHERE MOST MORTGAGE LENDERS SELL THE CONVENTIONAL MORTGAGES THEY ORIGINATE. FREDDIE MAC GUIDELINES, THEREFORE, SHOULD BE COMPLIED WITH, AND THE PURCHASERS SHOULD CONFORM

WITH THE FOLLOWING REQUIREMENTS FOR A PERIOD OF 24 MONTHS.

- * REVOLVING CREDIT (LIKE DEPARTMENT STORES): NO PAYMENT 60 DAYS OR MORE PAST DUE AND NO MORE THAN 2 PAYMENTS 30 DAYS PAST DUE OVER THE PAST 12 MONTHS.
- * INSTALMENT CREDIT (AUTOS AND APPLIANCES ETC.): NO PAYMENT 60 DAYS OR MORE PAST DUE AND NOT MORE THAN 2 PAYMENTS 30 DAYS PAST DUE OVER THE PAST 12 MONTHS, WITHOUT EXPLANATION.
- * HOUSING DEBT (INCLUDES RENT): NO PAYMENT PAST DUE OVER THE PAST 12 MONTHS.
- * TOTAL HOUSING EXPENSE MAXIMUM ALLOWED, INCLUDE MORTGAGE PRINCIPLE, INTEREST, TAXES & INSURANCE: 30% TO 34%.
- * TOTAL OBLIGATIONS ALLOWED (INCLUDING HOUSING): 33% TO 38%.

ASSUME THE MEDIAN HOUSEHOLD INCOME OF A COMMUNITY IS \$26,900 PER YEAR OR \$2,242/MONTH, WHICH EQUALS \$518/WEEK OR ABOUT \$13/HOUR FOR A SINGLE INCOME HOUSEHOLD OR \$6.50 PER HOUR FOR A TWO INCOME FAMILY.

A CONVENTIONAL 30 YEAR 95% MORTGAGE AT 8% INTEREST FOR \$50,000 REQUIRES A \$2,500 DOWN PAYMENT WITH PRINCIPAL AND INTEREST PAYMENTS OF \$367.00 PER MONTH. ADDING AN ALLOWANCE FOR TAXES AND INSURANCE SHOULD RESULT IN MONTHLY HOUSING EXPENSE OF APPROXIMATELY \$427.00 PER MONTH. THIS \$427.00 PER MONTH SHOULD BE THE RENTAL RATE ON OUR "RENT-TO-OWN" WHICH IS BELOW THE FREDDIE MAC MAXIMUM HOUSING EXPENSE RATIOS SHOW ABOVE.

UNDER OUR "RENT-TO-OWN" PLAN THE TENANTS ARE REQUIRED TO HAVE A VERIFIABLE INCOME CAPABLE OF SUPPORTING THE MORTGAGE AND NOT EXCEED 80% OF THE MEDIAN HOUSEHOLD INCOME OF THEIR COMMUNITY. UPON SIGNING A LEASE

PURCHASE AGREEMENT, THE TENANTS WILL HAVE APPROXIMATELY TWO AND ONE-HALF (2 1/2) YEARS, WITH THE ASSISTANCE OF A REQUIRED MUNICIPAL FIRST TIME HOME OWNERS EDUCATION AND GUIDANCE PROGRAM, TO ARRANGE THEIR AFFAIRS AND COMPLY WITH FREDDIE MAC GUIDELINES OF TWO (2) YEARS CREDIT HISTORY.

YOU AS THE SPONSOR WILL REQUIRE TENANT/PURCHASERS TO MAKE A SECURITY DEPOSIT PRIOR TO OCCUPANCY. THIS SECURITY DEPOSIT AND MONTHLY RENTAL WOULD BE PART OF THE TOTAL COST OF THE UNIT AND THE "RENT" IS USUALLY BELOW COMPARABLE AREA RENTALS OR SALES.

THE SECURITY DEPOSIT AND A PORTION OF THE TENANT'S MONTHLY RENT, SUFFICIENT TO ACCUMULATE THE NECESSARY DOWN PAYMENT AND CLOSING COST, WILL BE COLLECTED AS A PART OF THE RENT AND DEPOSITED IN AN ESCROW ACCOUNT. THE ESCROWED FUNDS BELONG TO THE SPONSOR, BUT WILL BE GRANTED TO THE TENANTS WHEN THEY CLOSE ON THEIR MORTGAGE. THESE ACCUMULATED "DOWN PAYMENTS", AS WELL AS MANAGEMENT FEES, ACCRUE TO THE BENEFIT OF YOU THE SPONSOR. THIS INCOME ALONG WITH OTHER FINANCIAL BENEFITS WILL PRODUCE APPROXIMATELY \$250,000 FOR THE SPONSOR ON A 40 HOME DEVELOPMENT.

AS PREVIOUSLY STATED, THE SPONSOR WILL OWN THESE HOMES AND BE RESPONSIBLE FOR MANAGEMENT, LEASING, SELLING, SUPERVISION AND MAINTAINING THE SUBDIVISION. THE SPONSOR SHALL BE ASSIGNED ALL CONTRACTS RELATIVE TO DEVELOPMENT AND CONSTRUCTION OF THE SUBDIVISION. ALL CONTRACTS SHALL BE REVIEWED AND APPROVED BY THE SPONSOR BEFORE EXECUTION DURING THE INTERIM DEVELOPMENT PERIOD AND ASSIGNED TO THEIR SPONSOR PRIOR TO THE BOND CLOSING.

THE TAX EXEMPT "RENT-TO-OWN" AFFORDABLE HOUSING BONDS TO BE ISSUED BY THE SPONSOR, WILL PROBABLY BE PRIVATELY PLACED AND MUST BE ACCEPTABLE AS A "QUALIFIED TAX EXEMPT OBLIGATION" UNDER SECTION 265 OF THE INTERNAL REVENUE CODE AND ANY AND ALL OTHER APPLICABLE LOCAL, STATE AND FEDERAL

LAWS, ORDINANCES, RULES AND REGULATIONS. THE SIZE OF THE BOND ISSUE WILL BE THE TOTAL COST, HARD AND SOFT, OF THE 40 TO 50 HOME SUBDIVISION. THIS USUALLY TOTALS BETWEEN \$2,000,000 TO \$2,500,000.

THE BONDS ARE FOR A TERM OF FIVE YEARS, AMORTIZED FOR 30 YEARS OF MONTHLY PAYMENTS, SUBJECT TO EARLY REDEMPTION WITHOUT PENALTY. THE BONDS ARE RETIRED AS THE HOMES ARE CLOSED ACCORDING TO THE TENANTS' LEASE PURCHASE AGREEMENT. THE BONDS WILL BE NON-RECOURSE TO THE ISSUER AND SECURED BY A MASTER MORTGAGE ALONG WITH AN ASSIGNMENT OF ALL "LEASES" COVERING ALL THE HOMES IN THE SUBDIVISION, WITH A PLEDGE OF THE LEASE PURCHASE RENTS AND SALES PROCEEDS.

AS THE ORIGINATOR OF THIS PROPOSAL, IT IS RECOGNIZED THAT THE OWNER/SPONSOR REMAIN AT "ARMS LENGTH" FROM THE FEE AND PROFIT CENTERS INVOLVED IN DEVELOPMENT AND CONSTRUCTION. TO THIS EXTENT, WE RECOMMEND THAT SOME OF THESE REQUIRED ENTREPRENEURIAL SERVICES BE UNDERTAKEN BY MEFAC AS AN "INTERIM DEVELOPER". WE WILL ARRANGE FOR ALL LEGAL AND PROFESSIONAL SERVICES REQUIRED TO DESIGN, CONSTRUCT, AND PLACE THE BONDS SUBJECT ONLY TO THE RECEIPT OF AN INDUCEMENT RESOLUTION FROM THE SPONSOR AUTHORIZING THE ISSUE OF TAX EXEMPT BONDS. WE WILL ALSO PROVIDE CONSTRUCTION CONSULTING SERVICES TO THE SPONSORS' STAFF AS MAY BE REQUIRED DURING THE CONSTRUCTION PERIOD.

AHC WILL NOT ACT AS OR BE INVOLVED IN ANY WAY AS THE DEVELOPMENT CONTRACTOR, THE GENERAL CONTRACTOR OR AS ANY PROFESSIONAL OR DESIGN SERVICE EXCEPT AS THE OWNER'S OR SPONSOR'S AGENT.

THE CONTRACTORS, PROFESSIONALS, AND OTHER SERVICES WILL BE REVIEWED BY AHC AND MEFAC AND THEIR CONTRACT SUBMITTED TO YOU, THE SPONSOR, FOR REVIEW AND APPROVAL BEFORE EXECUTION. THEIR EFFORT WILL BE UNDER OUR DIRECTION AND THEIR PRODUCT WILL BE PERIODICALLY SUBMITTED TO THE SPONSOR FOR REVIEW AND APPROVAL.

IN SUMMARY, THIS "RENT-TO-OWN" AFFORDABLE HOUSING PLAN WORKS

BECAUSE:

- 1) THIS PLAN SUPPORTS RENTAL TENANT CITIZENS IN ARRANGING THEIR AFFAIRS SO THEY CAN PARTICIPATE IN HOME OWNERSHIP AND ACCUMULATE ASSETS.
- 2) THIS PLAN IS GOOD FOR THE COMMUNITY BECAUSE IT IS TO BE DEVELOPED BY LOCAL PROFESSIONALS, CONSULTANTS, CONTRACTORS, SERVICES AND FINANCIAL INSTITUTIONS.
- 3) THE PLAN IS EXPEDITIOUS AND EFFICIENT BECAUSE IT DOES NOT DIRECTLY INVOLVE THE FEDERAL GOVERNMENT OR ANY OF ITS PROGRAMS.
- 4) THE PLAN WILL PRODUCE "PROFITS" FOR THE SPONSOR WITHOUT PENALIZING THE HOME BUYER WITH EXCESSIVE COSTS.

RESPECTFULLY SUBMITTED,
AHC CORPORATION

GENE LEBEUF
PRESIDENT

GL/LKM
G\RENTOWN

ZIEGLER SECURITIES

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August 3, 1995

Mr. Gene LeBeuf
President
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Re: Single Family Rent-To-Own Program; Tax-Exempt Bond Financing

Dear Mr. LeBeuf:

Ziegler Securities has completed its preliminary review of information provided by you regarding the potential for the issuance of a short-term tax-exempt multifamily mortgage revenue bond, proceeds from which would be utilized to finance the construction of single family detached dwellings which would be made available to persons of low to moderate income who would eventually, over an equity build-up period, qualify to purchase the homes within the five-year term of the proposed bond issue. The information further identifies that the issuer of the bonds would be the City of St. Petersburg or the Pinellas County Housing Finance Authority.

Pursuant to Florida law, the bonds would be declared tax-exempt, assuming an unqualified bond counsel opinion can be obtained and the tax exemption on the bonds would not be subject to a volume cap allocation from the State of Florida. These two exemptions on the tax side of the transaction and the allocation provision are a result of the fact that the sponsor of the project is a qualified 501(c)(3) non-profit corporation. We assume in our conversations that this qualified non-profit is a local St. Petersburg Baptist Church which is a member of the Baptist Council. This church, as an organization qualifying as a non-profit would, in turn, form and extend its non-profit status to a qualified housing development corporation whose sole purpose and sole asset would be the single family dwellings for which this financing is to be designed, marketed, and closed. With this as a background within the financing projections you have provided, Ziegler Securities is willing to accept a formal application to underwrite the tax-exempt obligations under terms and conditions satisfactory to Ziegler Securities. We would assume, in accepting this request, that the bonds would be non-rated. We further assume that the proceeds from the sale of the bonds would be used to:

1. Finance construction costs of the 42 units.
2. Capitalize interest during the construction period which is anticipated not to exceed twelve months.
3. Pay up to 2% of the cost of issuance of the bonds.