TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING OF DECEMBER 12, 2001

Michael Jones, Chair
C. Kent Conine, Vice-Chair

Beth Anderson, Member
Vidal Gonzalez, Member

Shadrick Bogany, Member
Norberto Salinas, Member

1. Gross Income less Vacancy
2. NC - No comment received, O - Opposition, S - Support

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

DECEMBER 12, 2001

ROLL CALL

	Present	Absent
Michael Jones, Chair	___________	___________
Anderson, Beth, Member	___________	___________
Bogany, Shadrick, Member	___________	___________
Conine, C. Kent, Member	___________	___________
Gonzalez, Vidal, Member	___________	___________
Salinas, Norberto, Member	___________	___________
Number Present	___________	
Number Absent		___________

_______________________, Presiding Officer

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
1400 Congress Avenue, Room E1.012, Austin, Texas
December 12, 2001 10:00 a. m.

AGENDA

CALL TO ORDER, ROLL CALL Michael Jones
CERTIFICATION OF QUORUM Chair of Board

PUBLIC COMMENT

The Board will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by department staff and motions made by the Board.

The Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

Item 1 Presentation, Discussion and Possible Approval of Minutes of Board Meeting of November 14, 2001 — Michael Jones

Item 2 Presentation, Discussion and Possible Approval of Public Comment Process — Michael Jones

Item 3 Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items: — Michael Jones

a) Approval of the Recommended Priority for Allocation of Returned Tax Credits from the Approval 2001 LIHTC Allocations to One or More of the Remaining 2001 Waiting List Developments which include:
01055, Laredo Viejo Apartments, Laredo
01143, Laredo Vista, Laredo
01028, Spindletop Estates, Beaumont
01039, Park Meadows, Boerne
01167, Bexar Creek, San Antonio
01095, Pueblo Montana, El Paso
01012, Winchester Lake, Bastrop
01098, Burgandy Palms Apartments, El Paso
01036, Ennis Seniors Estates, Ennis

b) Approval of Request for Extension of Commencement of Substantial Construction for Project No. 00059, Evergreen Townhomes, New Braunfels

c) Approval of Issuance of Determination Notices to Tax-Exempt Bond Transactions known as:
01451, Westchester Woods, Pflugerville
01452, Fallbrook Apartments, Houston
01453, The Oaks at Boggy Creek, Austin
01458, Circle S Apartments, Austin

d) Approval of Possible Reduction in Qualified Units for 01058, Highland Gardens, Harlingen, Texas

e) Approval for Acting Executive Director to Execute 2001 Tax Credit

Carryover Allocations Before the Department's December 31, 2001 Carryover Deadline Subject to Re-Underwriting and Board Ratifications for 01005, Chaparral Townhomes, Allen, Texas and 01004, Fulton Village, Houston, Texas and any Other Developments That May Have Proposed Adjustments to their Original Allocation

Item 4 Presentation, Discussion and Possible Approval of Programmatic Items: Shadrick Bogany

a) Approval of 2001 HOME Program CHDO Set Aside Rental Housing Development Recommendations for Award
20010149, East Austin Economic Dev. Corp., Region 7, Score 212, 20 Units, Award of $999,890
20010151, St. John Colony Neighborhood, Region 7, Score 211, 36 Units, Award of $324,000
20010189, Foundation Communities Inc., Region 7, Score 158, 85 Units, Award of $1,000,000

b) Approval of 2002 State of Texas Low Income Housing Plan and Annual Report

c) Approval of 2002 State of Texas Consolidated Plan - One Year Action Plan

d) Approval of 2002 TDHCA Regional Allocation Formula

Item 5 Presentation, Discussion and Possible Approval of Report from Finance Committee: C. Kent Conine

a) Approval of the Sale of Collateralized Home Mortgage Revenue Bonds Series 1991A GNMA Mortgage Certificates and Other Related Matters

b) Approval of Additional Funding for the Single Family Down Payment Assistance Program and Other Related Matters

c) Approval of Recommendations Relating to the Issuance of Taxable Junior Lien Single Family Mortgage Revenue Bonds, Series 2002A and Other Related Matters (Program 58)

d) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds For Fallbrook Apartments, Houston, Texas in an Amount not to Exceed $15,135,000 and Other Related Matters

e) Approval of Amendments to Board Resolution No. 01-50 Approving the Issuance of Multifamily Mortgage Revenue Bonds for the Hillside Apartments And Other Related Matters

f) Approval of Amendments to Board Resolution No. 01-51 Approving the Issuance of Multifamily Mortgage Revenue Bonds for the Oak Hollow Apartments

g) Approval to Extend Limit on Capital Budget Expenditures for Development of the Weatherization Assistance Program Evaluation Project and the Conversion of EASY Audit 11 to EASY Audit 111 Project

REPORT ITEMS

Executive Directors Report
RMRB, Series 2001 A-E Pricing and Closing
Projected Single Family Bond Issuance in 2002

EXECUTIVE SESSION Michael Jones

Personnel Matters
Personnel Matters on Executive Director Position and Applications
Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception)
Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code
Consultation with Attorneys Concerning Litigation on Cause No. GN102058, Kenneth H. Mitchell, The Grand Texas, Ltd., and One Buena Vista, Ltd. v. Texas Department of Housing and Community Affairs, in the 53rd District Court of Travis County

The Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION Michael Jones

Action in Open Session on Items Discussed in Executive Session

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

Individuals who require auxiliary aids, services or translators for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

AGENDA ITEM NO. 1

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Capitol Extension, 1400 Congress, Room E1.028, Austin, Texas 78701
November 14, 2001 9:30 a. m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM
The Board Meeting of the Texas Department of Housing and Community Affairs of November 14, 2001 was called to order by Board Chair Michael Jones at 9:45 a.m. It was held at the State Capitol Extension, Room E1.018, 1400 Congress, Austin, Texas. Roll call certified a quorum was present. Vidal Gonzalez was absent.

Members present:
Michael Jones -- Chair
Elizabeth Anderson -- Member
Shadrick Bogany -- Member
C. Kent Conine -- Member
Norberto Salinas -- Member

Staff of the Texas Department of Housing and Community Affairs was also present.

PUBLIC COMMENT
The Board will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by department staff and motions made by the Board.

Mr. Jones called for public comment and the following either gave comments at this time or preferred to wait until the agenda item was presented.

<u>The Honorable Terri Hodge, Representative, State of Texas</u>
Representative Hodge spoke on behalf of the Hillside Apartment project and thanked the Board for all they are doing to provide an opportunity for quality affordable housing in Texas. She also stated the Oak Hollow Apartment project is in a neighborhood with many children and the project is welcomed in that area.

<u>John Garvin, Texas Affiliation of Affordable Housing Providers, Austin, Texas</u>
Mr. Garvin thanked the Board for the opportunity to speak on the Qualified Allocation Plan. He stated this process on the QAP was an open process and very encouraging of public comment. He stated many comments made by his organization were put in the revised QAP. He asked the Board to reserve the right as a Board to waive penalties on extensions and also requested a cap per unit for qualified census tracts and a cap of $8,500 was suggested.

<u>Brent Stewart, Trammell Crow Residential, Austin, Texas</u>
Mr. Stewart asked the Board to review the issue that requires all townhome units or two story units to

have a bedroom on the ground floor. He asked that all townhome units and two story units have a bathroom on the ground floor and stated the requirement of the bedroom on the ground floor will make it difficult to design a good quality townhome product.

Ms. Searles, Austin, Texas
Ms. Searles asked to speak when the item was presented.

Ms. Greebon, Austin, Texas
Ms. Greebon stated she supported affordable housing and there is a need for affordable housing for people with disabilities.

Barry Halla, Life Rebuilders, Inc., Dallas, Texas
Mr. Halla stated he represented a nonprofit of Ennis Senior Estates and it is on the waiting list and if credits become available they are ready to proceed. On the QAP he spoke on the points that a non profit and for profit joint venture can get by becoming a team. He stated he felt this was not necessary to award the points. He also stated that the home addresses of board members of not for profit groups should not be required.

Bill Wensom, Affordable Housing Provider, Austin, Texas
Mr. Wensom stated there are two projects which are located in the area that Hillside Apartments and Oak Hollow Apartments are planning to be built in and felt that these two projects would take people away from the existing properties.

Tom McMullen, Developer, Tampa, Florida
Mr. McMullen asked to speak at the time the agenda item was presented.

Carl Corley, Austin, Texas
Mr. Corley asked to speak when the agenda item was presented.

Jim Washburn, LCJ Management, New Caney, Texas
Mr. Washburn had concerns on the $6,500 per unit cost that was added in the QAP. He asked that $8,500 be added per unit for Qualified Census Tracts.

Glenn Lynch, San Angelo, Texas
Mr. Lynch asked to speak when the agenda item was presented.

Dora Brown, Austin, Texas
Ms. Brown asked to speak when the agenda item was presented.

Bob Sherman, Consultant, Dallas, Texas
Mr. Sherman asked to speak when the agenda item was presented.

Al Price, Southeast Texas CDC
Mr. Price asked to speak when the agenda item was presented.

Mike Sugrue, Simpson Housing Solutions, Plano, Texas
Mr. Sugrue asked that Section 49.7c state the following: "To ensure the allocation of credits are economically feasible consistent with Section 42 of the IRS Code of 1986". He also asked that Section 49.7(f)(7)(c) state: "To qualify for the points for units set aside for tenants at or below 50, 40 and 30 percent of AMGI, an applicant must provide evidence of commitment of funds which specifies the

amount of funds committed, terms of the commitment and the number of units targeted at the AMGI level". If local HOME funds are used for units set aside for tenants at 50, 40 and 30 percent AMGI, the applicant shall have proof of submittal of those local funds to receive the points; however, if a firm commitment for the local HOME funds is not received by the department prior to 10 days preceding the LIHTC reservation announcements, then the points should be deducted. He also asked that in Exhibit 201(f) that it needs to be stated in full as only the first sentence was quoted in the draft version of the QAP.

Patty Anderson, Executive Director, UCP of Texas, Austin, Texas
Ms. Anderson stated they supported the accessibility required for townhomes and thanked the staff for removing the provision for special housing developments.

Robert Voelker, Coppell, Texas
Mr. Voelker stated the revised draft of the QAP contains a substantial change from the one proposed in the initial draft on the limitation on the number of units they can do at 30% and 40% of AMFI. He felt this would create a concentration issue and could also create a not in my backyard factor. He asked that the board do the non profit set aside first and then put all the remaining applications in the general category for awards. He asked that the board change the recommendation of having a bedroom and bathroom on the ground floor of townhomes.

Donna Lee, Austin, Texas
Ms. Lee asked to speak at the time the agenda item was presented.

Lee Sloan, Austin, Texas
Mr. Sloan asked to speak when the agenda item was presented.

Albert Metz, ADAPT of Texas, Austin, Texas
Mr. Metz asked for more affordable integrated housing for people who are getting out of nursing homes and other institutions.

Jennifer McPhail, ADAPT of Texas, Austin, Texas
Ms. McPhail stated integrated housing is essential to people with disabilities and asked that removing special housing developments from the QAP is a good idea. She also asked that the board support scattered site or projects that take tenant based rental assistance and was for the recommendation on townhomes.

Susan Maxwell, Texas Council for Developmental Disabilities, Austin, Texas
Ms. Maxwell stated that she supported the QAP townhome qualifications that call for a bedroom and bathroom on the ground floor.

Walter Moreau, Director, Foundation Communities, Austin, Texas
Mr. Moreau stated he supported a cap of $6,500 per tax credit unit.

John Henneberger, Co-Director, Texas Low Income Housing Information Service, Austin, Texas
Mr. Henneberger stated he supported the QAP being presented and stated he would like to see more points for providing lower income units.

Rowan Smith, Developer, Houston, Texas
Mr. Smith asked to speak when the agenda item was presented.

James Fisher, Dallas, Texas
Mr. Fisher asked to speak when the agenda item was presented.

Brian Potashnik, Dallas, Texas
Mr. Potashnik asked to speak when the agenda item was presented.

Mike Dunn, TACDC, Austin, Texas
Mr. Dunn asked to speak when the agenda item was presented.

Bob Sherman, Consultant for Southeast Texas Community Dev. Corp.
Mr. Sherman spoke on the QAP and stated there should be no more than 5% of tax credit units for those tenants earning less than 40% of AMFI.

Doug Brothers, Attorney, Grand Prairie, Texas
Mr. Brothers represented Mr. Ken Mitchell who could not be present at this meeting and he asked that the project of Grand Texas Seniors be awarded tax credits.

Glenn Lynch, San Angelo, Texas
Mr. Lynch stated that the removal of having ceramic tile floors and not getting two points was not right and he felt this should be in the QAP. He asked the board to give the same amount of points for hardiplank siding as is given masonry or stucco.

Donald Pace, Merit Housing
Mr. Pace stated on Exhibit 105(e) that no changes be made.

Mr. Jones closed public comments at 11:30 a.m. but will allow all those who completed witness affirmation forms to defer comments to a particular item to testify.

EXECUTIVE SESSION

Personnel Matters
Personnel Matters on Executive Director Position and Applications
Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception)
Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code
Consultation with Attorneys Concerning Litigation on Cause No. GN102058, Kenneth H. Mitchell, The Grand Texas, Ltd., and One Buena Vista, Ltd. v. Texas Department of Housing and Community Affairs, in the 53rd District Court of Travis County
The Board may discuss any item listed on this agenda in Executive Session

The Board went into Executive Session at 11:33 a.m. and Mr. Jones stated: "This day, November 14, 2001, at a regular board meeting of Texas Department of Housing and Community Affairs held in Austin, Texas, the board of directors adjourned into a closed executive session, as evidenced by the following. The board of directors will begin its executive session today, November 14, 2001 at 11:33 a.m. The subject matter of this executive session deliberation is as follows: Personnel Matters; Personnel Matters on

Executive Director Position and Applications; Litigation and anticipated litigation, (potential of threatened, under Section 551.071 and 551.103, Texas Government Code Exception); consultation with attorneys concerning litigation on Cause No. GN102058, Kenneth H. Mitchell, The Grand Texas, Ltd., and One Buena Vista, Ltd. v. Texas Department of Housing and Community Affairs, in the 53rd District Court of Travis County; the board may discuss any item listed on this agenda in Executive Session of the board meeting of November 14, 2001."

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

The Board returned to Open Session at 12:50 p.m. and Mr. Jones stated: "The board of directors has completed an executive session of the Texas Department of Housing and Community Affairs on November 14, 2001 at 12:50 p.m. Subject matter of the executive session deliberation was as follows: Personnel Matters - action taken none; Personnel Matters on Executive Director Position and Applications - action taken none; Litigation and anticipated litigation, (potential of threatened, under Section 551.071 and 551.103, Texas Government Code Exception) - action taken none; consultation with attorneys concerning litigation on Cause No. GN102058, Kenneth H. Mitchell, The Grand Texas, Ltd., and One Buena Vista, Ltd. v. Texas Department of Housing and Community Affairs, in the 53rd District Court of Travis County - action taken none; the board may discuss any item listed on this agenda in Executive Session of the board meeting of November 14, 2001 - action taken none. I hereby certify that this agenda of the executive session of the Texas Department of Housing and Community Affairs was properly authorized pursuant to Section 551.103 of the Texas Government Code, posted at the Secretary of State's office seven days prior to the meeting pursuant to Section 551.044 of the Texas Government Code, and that all members of the board of directors were present with the exception of Mr. Gonzales, and that this is a true and correct record of proceedings pursuant to the Texas Open Meeting Act, Chapter 551, Texas Government Code." Signed Michael E. Jones, Chair.

Motion made by Shadrick Bogany and seconded by C. Kent Conine:
"I move that the Board accept the plaintiff's offer and approve a settlement of this case as follows:

1. This settlement is done due to the uncertainties of litigation and does not amount to an admission of wrongdoing of any kind by the staff or the Board;
2. The Board approves the application of The Grand Texas Limited, Inc. for the Grand Texas Seniors Community in McKinney, Texas, in the amount of $357,087.00;
3. The Executive Director and staff will take the necessary steps to carry out this action and settlement;
4. The Executive Director is authorized to sign the settlement papers that will finalize this action; and,
5. The Board believes this action does not violate any provision of the QAP under the specific facts of this case."

Passed with 4 ayes (Mr. Conine, Mr. Bogany, Ms. Anderson and Mr. Jones) and 1 no (Mr. Salinas)

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of the Board Meeting of October 17, 2001

Motion made by C. Kent Conine and seconded by Beth Anderson to approve the minutes of the Board Meeting of October 17, 2001.
Passed Unanimously

At this time further public comment was taken.

Al Price, Former State Representative, Southeast Texas Community Development Corporation
Representative Price stated they were informed by a letter that they would receive tax credits and this item was to be discussed during the board meeting in September but was not discussed and then it was not discussed in October also so he asked that the board grant them the tax credits at this meeting.

Mr. Bob Sherman who is the consultant on this project asked that the tax credits be granted.

Brian Potashnik, President, Southwest Housing Development
Mr. Potashnik stated on the Hillside Apartments and Oak Hollow Apartments projects that these projects were putting about $30 million of economic development in the area and is also a higher quality standard project. This will in turn help people have a better quality of life.

Lee Sloan, Jack Howison, Donna Lee, Dora Brown, Anna Searles, Austin, Texas
The Kensington Park Homeowners Association was represented by the listed individuals who were against TDHCA Project No. 00062, King Fisher Creek Apartments. Mr. Sloan had concerns on the competitive nature of the application, on the credit commitment requirements, on Phase 1 environmental assessments, on safety and the track record of the developer-manager. He stated this project was in the 100 year flood plain.

Ms. Lee stated the original site location on the application filed with the department was incorrect and the environmental site assessment has not been carried out on a portion of the proposed site.

Mr. Howison asked the board to deny the request for this project.

Ms. Brown stated that Douglas Landing is a project completed by the developers and there are many problems with that project.

Ms. Searles stated the developers are not sensitive to the environment and ecosystem is very delicate in this area.

Ricardo Calderon, General Counsel, Eagle Pass Housing Assistance Corporation, Eagle Pass, Texas
Mr. Calderon asked that the extension being recommended by staff for Las Quintas Apartments be granted.

Mr. McMullen, Developer of King Fisher Creek Apartments, Austin, Texas
Mr. McMullen stated the neighborhood association did not object in 2000 when the project was being presented at a public hearing. He also stated they do not have a building permit from the city.

(2) Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items:
a) List of Projects from the 2001 LIHTC Application Round Waiting List in Order of Priority:
#1086, Mission Oaks, Refugio, Texas, Region 8B
#1055, Laredo Viejo Apartments, Laredo, Texas, Region 8B
#1143, Laredo Vista, Laredo, Texas, Region 8B

#1028, Spindletop Estates, Beaumont, Texas, Region 5
#1039, Park Meadows, Boerne, Texas, Region 8A
#1167, Bexar Creek, San Antonio, Texas, Region 8A
#1095, Pueblo Montana, El Paso, Texas, Region 10
#1012, Winchester Lake, Bastrop, Texas, Region 7
#1098, Burgundy Palms Apartments, El Paso, Texas, Region 10
#1036, Ennis Seniors Estates, Ennis, Texas, Region 3
#1007, Grand Texas Seniors, McKinney, Texas, Region 3
Ms. Cedillo stated staff was asked to prioritize the projects on the waiting list and the list being submitted does that. There is about $531,982 in tax credits available but the litigation settlement will take $357,087 from that which will leave credits for Mission Oaks.

Motion made by Norberto Salinas and seconded by Shadrick Bogany to approve Mission Oaks, #1086, Refugio, Texas, Region 8B for funding in the amount of $174,895 from the waiting list.
Passed Unanimously

b) **Approval and Possible Issuance of Determination Notices to Tax-Exempt Bond Transactions known as:**
01406 Hillside Apartments, Dallas, Texas
01435 Oak Hollow, Dallas, Texas
01442 Buena Vista Seniors, Cleburne, Texas
01448 Riverside Meadows, Austin, Texas
Mr. Nwaneri stated Hillside Apartments in Dallas, Texas is being recommended for $837,364 in tax credits.

Motion made by C. Kent Conine and seconded by Shadrick Bogany to approve the issuance of a determination notice for 01406, Hillside Apartments, Dallas, Texas for $837,364.
Passed Unanimously

Mr. Nwaneri stated Oak Hollow Apartments in Dallas, Texas is being recommended for $588,062 in tax credits.

Motion made by Beth Anderson and seconded by Norberto Salinas to approve the issuance of a determination notice for 01425 Oak Hollow, Dallas, Texas for $588,062.
Passed Unanimously

Mr. Nwaneri stated Buena Vista Seniors in Cleburne, Texas is being recommended for $739,296 in tax credits.

Motion made by C. Kent Conine and seconded by Shadrick Bogany to approve the issuance of a determination notice for 01442 for Buena Vista Seniors, Cleburne, Texas for $739,296.
Passed Unanimously

Mr. Nwaneri stated Riverside Meadows in Austin, Texas is being recommended for $790,031 in tax credits.

Motion made by Beth Anderson and seconded by C. Kent Conine to approve the issuance of a determination notice for 01448, Riverside Meadows, Austin, Texas for $790,031.
Passed Unanimously

c) **Approval of Request for Extension of Deadline to Place in Service for projects known as:**
99022, Eban Village Apartments Phase 11, Dallas, Texas
99111, Roseland Townhomes, Dallas, Texas
Mr. Nwaneri stated Evan Village, Dallas, Texas, is requesting an extension date to place in service from October 2001 to December 28, 2001.

Motion made by C. Kent Conine and seconded by Beth Anderson to approve the extension to place in service for #99022, Eban Village Apartments Phase 11, Dallas, Texas to December 28, 2001.
Passed Unanimously

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the extension to place in service for #99111, Roseland Townhomes, Dallas, Texas to November 30, 2001.
Passed Unanimously

d) **Approval of Request for Extension for Commencement of Substantial Construction for Projects known as:**
00058, Windfern ll Townhomes, Houston, Texas
00062, King Fisher Creek Apartments, Austin, Texas
00124, Las Brisas Apartments, Del Rio, Texas
00133, Cameron Village Apartments, Alice, Texas
00139, Talmadge at Park Central Apartments, Amarillo, Texas
00163, Las Quintas Apartments, Eagle Pass, Texas

Motion made by Shadrick Bogany and seconded by Beth Anderson to approve the request for extension for commencement of substantial construction for #00058, Windfern 11 Townhomes, Houston, Texas to February 15, 2002.
Passed Unanimously

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the extension request for #00062, King Fisher Apartments, Austin, Texas, subject to the building permit being received by the developer from the City of Austin and Department staff is to review the critical documentation verifying that critical dates and carryover allocations have been met for the original board approved project and independent evaluations be made on the conceived project as it currently stands and that it can be finished by the existing April 15, 2002 date.
Passed Unanimously

Motion made by Shadrick Bogany and seconded by Norberto Salinas to approve the request for extension for commencement of substantial construction for #00124, Las Brisas Apartments, Del Rio, Texas to February 13, 2002.
Passed Unanimously

Motion made by Shadrick Bogany and seconded by Norberto Salinas to approve the request for extension for commencement of substantial construction for #00133, Cameron Village Apartments, Alice, Texas to January 15, 2002.
Passed Unanimously

Motion made by Shadrick Bogany and seconded by Norberto Salinas to approve the request

for extension for commencement of substantial construction for #00139, Talmadge at Park Central Apartments, Amarillo, Texas to January 14, 2002.
Passed Unanimously

Motion made by Shadrick Bogany and seconded by Norberto Salinas to approve the request for extension for commencement of substantial construction for #00163, Las Quintas Apartments, Eagle Pass, Texas to January 15, 2002.
Passed Unanimously

e) **Approval of the Final Qualified Allocation Plan and Rules for the Year 2002 Allocation Round for the Low Income Housing Tax Credit Program**
Mr. David Burrell stated staff is recommending approval of the QAP and Rules. This QAP will be sent to the Governor for his signature. Public hearings were held on the plan throughout the state and staff also has met with individual groups to solicit public comments on the plan.

Public Comment was taken at this time after a five-minute recess was taken.

Mr. Barry Kahn, Developer, LIHTC
Mr. Kahn asked that the Board not include the deferral of the developers fee in the QAP. He also asked that a developer not be penalized if he does not meet the due date of the project.

Mike Dunn, TACDC, Austin, Texas
Mr. Dunn asked that points be given to qualified nonprofits applying independently for tax credits and this to be included in the QAP.

Rowan Smith, Houston, Texas
Mr. Smith stated points are to be given for adding additional units for individuals and families of very low income and this should be part of the QAP as it is part of SB322. He asked that more points be given to developers who complete their projects on time and not ask for extensions.

Diana McIvor, Austin, Texas
Ms. McIvor stated the wording was incorrect on Section 49.9 on market study requirements and asked that staff review this item for the board.

Mr. Salinas left the room at 3:16 p.m. and did not return.

Ms. Brooke Boston, LIHTC Division, stated staff feels it necessary to make a recommendation regarding the zero percent on the law income targeting and will not award points for developers who have done no projects.

Motion made by C. Kent Conine and seconded by Shadrick Bogany to approve the Qualified Allocation Plan with the following amendments.

Amendments were made by Shadrick Bogany which included: (1) against making townhomes one bedroom one bath downstairs as he would like to use a 20% of the units to be this way and all to have ½ baths downstairs; (2) penalties as if a developer files for an extension and then the developer does not have to use that extension then he would not be penalized.

Amendments made by C. Kent Conine are: (2) eliminate the $6,500.00 per unit; (2) change 0%-9% to 1%-9%; (3) add ceramic tile back and exterior masonry; (5) on 100% stucco or brick that this be 80% of the project and the other 20% can be another product; (6) differentiate between the elderly units vs other units by square foot; (7) add the suggestion relating to local funds as stated by Rowan Smith.

Amendments made by Ms. Anderson (1) not for profit board members to not have their home addresses furnished; (2) issue of points joint venture on non profits and the wording in SB322 to be added.

Ms. Boston read for the record: “On Low Income Targeting: The way the whole exhibit would read is, "Low Income Targeting Points. Applications are eligible to receive points under Clause 1, 2 and 3 of this paragraph. For purposes of calculating percentages of units, all figures should be rounded down to the nearest whole number. To qualify for these points, the rents for the rent-restricted units must not be higher than the allowable tax credit rents at the rent-restricted AMFI level.”

"For Section 8 residents or other rental-assistance tenants, the tenant-paid rent plus the utility allowances compared to the rent limit to determine compliance. The development owner, upon making selections for this exhibit, will set aside units at the rent-restricted levels of AMFI and will maintain the percentage of such units continuously over the compliance and extended use period as specified in the LURA.”

"For the purposes of the subparagraph, maintaining the promised percentage of units at the selected levels of AMFI, if at recertification the tenant's household income exceeded the specified limit, then the unit remains as a unit restricted at the specified level of AMFI until the next available unit of comparable or smaller size is designated to replace this unit. Once the unit exceeding the specified AMFI level is replaced, then the rent for the previously qualified unit at the specified level of AMFI may be increased over the LIHTC requirements.”

"Rent increases, if any, should comply with lease provisions and local tenant-landlord laws.”

"To qualify for points for units set aside for tenants at or below 50 percent, 40 percent, and 30 percent of AMFI, an applicant must provide evidence of a commitment of funds which specifies the amount of funds committed, terms of the commitment, and the number of units targeted at the AMFI level.”

"Notwithstanding anything to the contrary contained here, development owners may not elect to set aside 30 percent, 40 percent, and 50 percent units for points hereunder to the extent that the deferred developer's fee, as determined by staff at underwriting, exceeds 50 percent of the entire developer fee.”

"If local HOME funds are to be used for units set aside for tenants at 50 percent, 40 percent, and 30 percent AMFI, the applicant should have proof of submittal for these local funds to receive the points. However, if a firm commitment for local HOME funds is not received by the department prior to ten days preceding the LIHTC reservation announcements, the points shall be deducted."

Mr. Conine withdrew his original motion and Mr. Bogany withdrew his second.

Motion made by Shadrick Bogany and seconded by C. Kent Conine to approve the 2002 Qualified Allocation Plan with proposed amendments and staff to compile the exact wording

on the proposed amendments.
Passed Unanimously

(3) Presentation, Discussion and Possible Approval of Report on Finance Items:

a) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds For the Hillside Apartments, Dallas, Texas in an amount not to Exceed $12,900,000 and Other Related Matters

b) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds For the Oak Hollow Apartments, Dallas, Texas in an Amount not to Exceed $8,625,000 and Other Related Matters

Motion made by C. Kent Conine and seconded by Shadrick Bogany to approve the Proposed Issuance of Multifamily Mortgage Revenue Bonds For the Hillside Apartments, Dallas, Texas in an amount not to Exceed $12,900,000 and the Proposed Issuance of Multifamily Mortgage Revenue Bonds For the Oak Hollow Apartments, Dallas, Texas in an Amount not to Exceed $8,625,000.
Passed Unanimously

(4) Presentation, Discussion and Possible Approval of Report from Programs Committee:

a) Appointment of Members to the Advisory Committee for the Support of Individuals with Disabilities:
Ann Denton, Austin, Texas
Jean Langendorf, Cottonwood Shores, Texas
Jonas E. Schwartz, Austin, Texas
Wilma Crain, Amarillo, Texas
David Wood, Houston, Texas

b) Approval of Award Resulting from an Appeal of Staff Recommendations in the 2001 HOME Funding Cycle for Twin City Mission, No. 20010117, TBRA Activity, Score of 218, Region 7 for an Award of $335,700 for 45 units

Motion made by Shadrick Bogany and seconded by Elizabeth Anderson to approve the Appointment of Members to the Advisory Committee for the Support of Individuals with Disabilities: Ann Denton, Austin, Texas; Jean Langendorf, Cottonwood Shores, Texas; Jonas E. Schwartz, Austin, Texas; Wilma Crain, Amarillo, Texas; David Wood, Houston, Texas and; to approve the Award Resulting from an Appeal of Staff Recommendations in the 2001 HOME Funding Cycle for Twin City Mission, No. 20010117, TBRA Activity, Score of 218, Region 7 for an Award of $335,700 for 45 units.
Passed Unanimously

REPORT ITEMS
Executive Directors Report
SF Bond Report
State-Federal Liaison
The Board asked that the Executive Directors Report be mailed to them.

ADJOURN

Motion made by Elizabeth Anderson and seconded by Shadrick Bogany to adjourn the meeting.
Passed Unanimously

The meeting adjourned at 4:22 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

Bdminnov14/dg

AGENDA ITEM NO. 2

This item has been pulled from the agenda.

AGENDA ITEM NO. 3A

LIHTC ITEMS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Recommended <u>Priority</u> of Allocation of Tax Credits to the 2001 Waiting List Developments

The Executive Award and Review Committee has evaluated the 2001 Waiting List and is recommending that the applicants be prioritized in the descending order listed below. A total of $286,413 in tax credits are available to be allocated to Waiting List development applicants at this time. The regional allocation formula, development set-asides, development scores and underwriting recommendations were considered in developing the priority list. The regional allocation formula was given highest priority due to legislative mandates as outlined in TDHCA's enabling statutes. The salient information to support the priority list is also provided below.

We are recommending that you approve the allocation of the $286,413 to one or more of the developments on the Waiting List using this priority list. Low Income Housing Tax Credit staff has contacted (in writing) all of the applicants on the Waiting List and all stated that (1) they will be able to restructure their project to utilize the $286,413 if it is awarded to them and (2) they will be able to satisfy the 10% Carryover Test by December 31, 2001.

At the November 14, 2001 board meeting, the Board approved the Mission Oaks Apartment development (TDHCA# 01086) in Refugio, which is located in region 8B for the allocation of available tax credits in the amount of $174,895. This development, which was on the Waiting List, was originally considered for an allocation in the amount of $179,350 at the July 31, 2001 board meeting. **Accordingly, we are requesting additional tax credits of $4,455 be awarded to the Mission Oaks development in Refugio for the difference since there were not enough tax credits to complete the initial approval amount at the November 14, 2001 board meeting.**

If the above request is approved, then a balance of $281,958 will be available for allocation for the current Waiting List priorities.

Additionally, we are recommending that the Board allow the Department to (1) use the 2001 Forward Commitments awarded in the 2000 allocation cycle to add to the 2001 regular allocations for purposes of determining our total regional allocation for 2001 (as listed in the chart below), and (2) use this priority list to allocate the $281,958 and any subsequent tax credits that may become available for allocation prior to December 31, 2001. Upon your approval and final determination of return credits available, the Department will underwrite one or more of the developments in the order listed to determine the number of tax credit units that can be produced with the $281,958 and/or with any additional credits that may become available before December 31, 2001.

Priority #	TDHCA #	Project Name	Project City	Service Region	Recommended Credit Amt.	Total Units	LIHTC Units	Pts. Awd.	Household Type
*1A	01055	Laredo Viejo Apts.	Laredo	8B	$770,447	108	91	80	Family
*1B	01143	Laredo Vista	Laredo	8B	$888,406	160	136	68	Family
2	01028	Spindletop Estates	Beaumont	5	$704,340	128	108	75	Elderly
3	01039	Park Meadows	Boerne	8A	$408,647	76	76	66	Elderly
4	01167	Bexar Creek	San Antonio	8A	$548,121	72	61	71	Family
5	01095	Pueblo Montana	El Paso	10	$175,557	36	36	72	Family
6	01012	Winchester Lake	Bastrop	7	$477,705	120	120	73	Family
	01098	Burgandy Palms Apt.	El Paso	10	N/A	92	92	69	Family
	01036	Ennis Seniors Estates	Ennis	3	N/A	248	248	82	Elderly

*These two developments are mutually exclusive. Therefore an allocation to one will exclude the other.

Service Region	**(a)** Allocation Formula	**(b)** Board Approve Amt	**(c)** 2001 Forward Commitment	**(d)** Total Allocation	**(e)** Difference (d-a)
1	**$1,142,671**	$1,054,496		**$1,054,496**	**-$ 88,175**
2	**$ 731,638**	$ 929,597		**$ 929,597**	**$197,959**
3	**$4,506,262**	$4,703,920	$ 717,690	**$5,421,610**	**$915,348**
4	**$1,672,371**	$1,846,086		**$1,846,086**	**$173,715**
5	**$1,276,684**	$1,230,099		**$1,230,099**	**-$ 46,585**
6	**$5,494,953**	$5,858,772	$ 573,256	**$6,432,028**	**$937,075**
7	**$2,197,370**	$1,999,259	$1,497,778	**$3,497,037**	**$1,299,667**
8A	**$3,068,639**	$3,156,329		**$3,156,329**	**$ 87,690**
8B	**$5,488,492**	$4,314,427	$ 534,892	**$4,849,319**	**-$639,173**
9	**$ 807,218**	$1,030,497		**$1,030,497**	**$223,279**
10	**$1,603,554**	$1,840,421		**$1,840,421**	**$236,867**

PRIORITIZATION OF 2001 WAITING LIST

1A. 01055-Laredo Viejo Apts. - Laredo

- Region 8B
- Region 8B is under funded by $639,173.
- General Set-Aside.
- Score is 80.

1B. 01143-Laredo Vista Apts. - Laredo

- Region 8B
- Region 8B is under funded by $639,173.
- General Set-Aside.
- Score is 68.

2. 01028-Spindletop Estates - Beaumont

- Region 5
- Region 5 is under funded by $46,585.
- Elderly Set-Aside.
- Score is 75.

3. 01039-Park Meadows Apts. - Boerne

- Region 8A
- Region 8A is over funded by $87,690.
- Elderly Set-Aside.
- Score is 66.

4. 01167-Bexar Creek Apts. - San Antonio

- Region 8A
- Region 8A is over funded by $87,690.
- General Set-Aside.
- Score is 71.

5. <u>01095-Pueblo Montana - El Paso</u>
   - Region 10
   - Region 10 is over funded by $236,867.
   - General Set-Aside.
   - Score is 73.

6. <u>01012-Winchester Lake - Bastrop</u>
   - Region 7
   - Region 7 is over funded by $1,299,667
   - General Set-Aside.
   - Score is 72.

   <u>01098-Burgundy Palms Apts. - El Paso</u>
   - Region 10
   - Region 10 is over funded by $236,867.
   - General Set-Aside
   - Score is 69
   - This development was not recommended because it is located entirely within the 100-year floodplain and the applicant did not provide a sufficient mitigation plan.

   <u>01036-Ennis Seniors Estates - Ennis</u>
   - Region 3
   - Region 3 is over funded by $915,348.
   - Non-Profit Set-Aside
   - Score is 82
   - This development was not recommended because of insufficient demand for affordable units in the market area.

AGENDA ITEM NO. 3B

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Extension requests to place projects in service or commence substantial construction

Projects requesting extensions are given below. Each request was accompanied by the mandatory $2,500 extension request fee. Staff has reviewed the information and recommends granting the extensions pursuant to Section 50.11(d) of the 1999 QAP, Section 49.11(d) of the 2000 QAP or Section 50.11(h) of the 2001 QAP.

Project No. 00059, Evergreen Townhomes

Synopsis Project Owner's Statement: Project general partner, Amistad Affordable Housing, Inc. lost Southern California Edison as its equity investor because of the California energy problems of last summer. After a second and third investor declined the project, Amistad received permission (TDHCA October board meeting) to sell its general partner interest to Bozrah International Ministries, Inc. To close the sale and allow Bozrah to close with an investor, install a drainage system, complete site work and pour foundations, the Board granted an extension until January 15, 2002. Bozrah abandoned the purchase on November 1. Amistad states that it reached a syndication agreement with WNC & Associates, Inc. on November 19, and the project can achieve placement in service by December 31, 2002, if a second extension for commencement of substantial construction is granted until April 1, 2002.

City/County:	New Braunfels / Comal
Set-Aside:	General
Type of Project:	New Construction
Units:	60 LIHTC units and 20 market rate units
Allocation:	$340,642
Allocation Cost per LIHTC Unit:	$5,677
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Extension to commence substantial construction
Current Deadline:	1/15/02
New Deadline Requested:	4/1/02
Prior Extensions on Project:	Yes
Construction Loan Closing:	Extended from 6/15/01 to 7/15/01
Commencement of Construction	Extended from 11/15/01 to 1/15/02
Reason for Extension Request, etc.:	Limited partner investor withdrew then buyer withdrew
Staff Recommendation:	Grant extension as requested.

LOW INCOME HOUSING TAX CREDIT PROGRAM
2001 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Westchester Woods** TDHCA#: 01451

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Pflugerville ETJ	QCT: N	DDA: N	TTC: N
Development Owner:	Westchester Woods, Ltd.			
General Partner(s):	Weswoo, Inc., Todd L. Borck, 100%			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: Travis County HFC		
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $662,124 Eligible Basis Amt: 663,155 Equity/Gap Amt.: $692,488

Annual Tax Credit Allocation Recommendation: 663,155

Total Tax Credit Allocation Over Ten Years: $6,631,550

PROPERTY INFORMATION

Unit and Building Information

Total Units: 250 LIHTC Units: 248*[*] % of LIHTC Units: 100%

Gross Square Footage: 260,901

Average Square Footage/Unit: 1,030

Number of Buildings: 17

Currently Occupied: N

Development Cost

Total Cost: 21,747,650 Total Cost/Net Rentable Sq. Ft.: $84.44

Income and Expenses

Effective Gross Income:[1] $2,269,328 Ttl. Expenses: $867,477 Net Operating Inc.: $1,401,851

Estimated 1st Year DCR: 1.09

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Wendover Management, Inc.
Attorney:	Stearns, Weaver, Miller, et. Al.	Architect:	Chiles Architects, Inc.
Accountant:	Rezick, Fedder & Silverman	Engineer:	Baker-Aicklen & Associates, Inc.
Market Analyst:	Apartment Market Data	Lender:	ARCS Commercial Mortgage Co., L. P.
Contractor:	Wendover Texas Dev., Inc.	Syndicator:	First Union Affordable Housing Community Development Corp.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: NC # in Opposition: NC	Sen. Gonzalo Barrientos, District 14 - NC Rep. Terry Keel, District 47 - NC Mayor Scott Winton - NC Harvey L. Davis, Manager, Travis County Houisng FinanceCorp. Although, Travis County does not have a Consolidated Plan, we support endeavors to provide affordable housing.

[*] This Development has 2 employee occupied units.

CONDITION(S) TO COMMITMENT

1. Per §50.7(h)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
2. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS

Approved Tax Credit Amount: Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable). This project qualifies as a Tax Exempt Financed Project per the requirements of Sec. 49.6(g) of the 2000 QAP. The application has met the Threshold Criteria and has demonstrated consistency with the local consolidated plan. The Applicant has no outstanding material non-compliance issues with respect to its development experience.

Charles E. Nwaneri, Acting Program Manager Date David Burrell, Director of Housing Programs Date

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).____

Ruth Cedillo, Acting Executive Director Date

☐ **LIHTC Ad Hoc Committee's Approval and description of discretionary factors (if applicable).**

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Committee Chairperson Signature: ________________________________ ____________

Michael E. Jones, Attorney At Law Date

DATE: December 3, 2001 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01451

DEVELOPMENT NAME

Westchester Woods

APPLICANT

Name: Westchester Woods, Ltd.
Type: ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other
Address: 615 Crescent Executive Court, Suite 120
City: Lake Mary **State:** FL
Zip: 32746 **Contact:** Todd Borck **Phone:** (407) 333-3233 **Fax:** (407) 333-3919

PRINCIPALS of the APPLICANT

Name	(%)	Title
Weswoo, Inc.	.01	Managing General
Columbia Housing Partners L.P.	99.99	Initial Limited Partner
Todd Borck		Pres. & 33.3% owner of
Jonathan Wolf		V.P. & 33.3% owner of
Patrick Law		Sec./Treas. & 33.3% owner of G.P.

GENERAL PARTNER

Name: Weswoo, Inc.
Type: ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other
Address: 615 Crescent Executive Court, Suite 120
City: Lake Mary **State:** FL
Zip: 32746 **Contact:** Todd Borck **Phone:** (407) 333-3233 **Fax:** (407) 333-3919

PROPERTY LOCATION

Location: 1,800 ft. north of Wilke Lane ☐ QCT ☐ DDA
City: Pflugerville ETJ **County:** Travis **Zip:** 78660

REQUEST

Amount	Interest Rate	Amortization	Term
$662,104	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits
Proposed Use of Funds: New construction **Set-Aside:** ☒ General ☐ Rural ☐ Non-Profit

SITE DESCRIPTION					
Size:	20 acres	871,200 square feet	**Zoning/ Permitted Uses:**	No zoning (in ETJ)	
Flood Zone Designation:	Zone X		**Status of Off-Sites:**	Partially Improved	

DESCRIPTION of IMPROVEMENTS

Total Units: 250 **# Rental Buildings** 17 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
48	1	1	745
110	2	2	1,033
92	3	2	1,176

Net Rentable SF: 257,558 **Av Un SF:** 1,030 **Common Area SF:** 3,343 **Gross Bldg SF** 260,901

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 50% stucco/25% brick veneer/25% Hardiplank siding exterior wall covering,
drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower walls, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES

3,343 SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, daycare facility, central mailroom, swimming pool, equipped children's play area, sports courts, perimeter fencing with limited access gate, monitored security

Uncovered Parking: 500 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: First Union **Contact:** Rick Davis

Principal Amount: $16,000,000 **Interest Rate:** Variable, estimated blended rate of 7% for two series

Additional Information: Letter of credit

Amortization: N/A yrs **Term:** 2 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: ARCS Commercial Mortgage Co., L.P. **Contact:** Lloyd Griffin

Principal Amount: $16,000,000 **Interest Rate:** Variable, estimated blended rate of 7% for two series

Additional Information: Taxable ($1M) & tax-exempt ($15M) bond proceeds, interest rate defined as agreed-upon spread above the Bond Buyer 25 Index

Amortization: 30 yrs	**Term:** 30 yrs	**Commitment:**	☐ None	☐ Firm	☒ Conditional
Annual Payment: $1,277,381	**Lien Priority:** 1st	**Commitment Date**	10/	2/	2001

LIHTC SYNDICATION			
Source:	First Union Affordable Housing Development Corp.	**Contact:**	Rick Davis
Address:	201 College Street, CP-8	**City:**	Charlotte

State: NC **Zip:** 28288 **Phone:** (704) 383-9705 **Fax:** (704) 383-9525

Net Proceeds: $5,495,081 **Net Syndication Rate** **(per $1.00 of 10-yr LIHTC)** 83¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 11/ 27/ 2001

Additional Information: Commitment letter reflects proceeds of $5,495,081 based on credits of $6,620,579

APPLICANT EQUITY

Amount: $252,567 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land:	$71,080 (market value, prorated from 36.59-acre parcel)	**Assessment for the Year of:**	2001
Building:	N/A	**Valuation by:**	Travis Central Appraisal District
Total Assessed Value:	$71,080	**Tax Rate:**	2.016

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 1/ 31/ 2002 **Anticipated Closing Date:** 1/ 31/ 2002

Acquisition Cost: $ 1,625,000 **Other Terms/Conditions:** $5,000 earnest money

Seller: John S. Lloyd for Parmer Ridge Ltd. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Westchester Woods is a proposed new construction project of 250 units of affordable housing located in Pflugerville's ETJ north of the city. The project is comprised of 17 residential buildings as follows:

- Six Building Style I with eight one-bedroom/one-bathroom units and eight two-bedroom/two-bathroom units
- Seven Building Style II with eight two-bedroom/two-bathroom units
- Eleven Building Style III with eight three-bedroom/two-bathroom units
- One Building Style IV with six two-bedroom/two-bathroom units and four three-bedroom/two-bathroom units

Based on the site plan the apartment buildings are distributed fairly evenly throughout the site, with the community building, swimming pool, and maintenance building located near the entrance to the site and a stormwater detention basin in the southeastern corner. The 3,343-square foot community building is planned to have the management offices, a lounge and community room, business center, exercise room, kitchen, restrooms, central mailbox area, and laundry facilities. There is also to be a small freestanding maintenance

building next to the community building.
Supportive Services: The Applicant indicated that supportive services are to be offered at no cost to tenants but provided no information on service providers, programs and services, or estimated cost of services.
Schedule: The Applicant anticipates construction to begin in January of 2002, to be completed in January of 2002, and to be substantially leased-up in February of 2003.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although all (100%) of the units will be rent-restricted at 60% or less of AMGI. Two units will be reserved for use by project employees.
Special Needs Set-Asides: Thirteen units (5%) will be handicapped-accessible.
Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

A market feasibility study dated October 31, 2001 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:
Definition of Market/Submarket: "For this analysis, we defined the primary market area as a five-mile radius around the site" (p. 28)
Total Regional Market Demand for Rental Units: "The Austin MSA has experienced an explosion of employment growth over the past decade…in the long term, we expect the Austin labor market to continue to grow" (p. 73) "The site is located in close proximity to the cities of Pflugerville and Round Rock. Both of these cities have experienced explosive growth over the last decade." (p. 20)
Total Local/Submarket Demand for Rental Units: "The primary market area is projected to continue to grow well into the year 2006. This growth will result in the additional need for housing; and based upon the tenure profile of the area, 34.4% of this housing will be in rental units. Additionally, due to the economic base of the population and the average income levels of the area, there will be a strong need for more affordable rental housing" (p. 107)
Capture Rate: None provided, calculated by the Underwriter to be 25% (250 units plus 156 unit at Red Hills Villas/1,614 units of total income-qualified demand derived below).

ANNUAL SUBMARKET DEMAND SUMMARY

Type of Demand	Units of Demand	% of Total Demand
Household Growth	96*	6%
Turnover Demand**	1,518**	94%
TOTAL ANNUAL DEMAND	**1,614**	**100%**

Ref: p. 48, 69

*The analyst did not account for the income band specific for this project, therefore the 499 indicated by the Market Analyst was adjusted by the percentage of income eligible households in the area (19.3%) indicated on page 38.
** Turnover demand was not included specifically by the Market Analyst but calculated by the Underwriter based on 6,397 income eligible households (pg. 38) X 34.4% renters(appendix) X 69% turnover (pg. 40)

Local Housing Authority Waiting List Information: No information provided.
Market Rent Comparables: "The competitive submarket supply and demand analysis conducted…consisted of 2,487 units within the primary market area. (p. 8) The subject, in comparison to its proposed competition, is well positioned in regards to unit types, sizes, and rental rates." (p. 9)

RENT ANALYSIS (net tenant-paid rents)

	Proposed	Program Max	Differential	Market	Differential
1-Bedroom	$663	$663	$0	$728	-$65
2-Bedroom	$796	$797	-$1	$933	-$137
3-Bedroom	$916	$917	-$1	$1,031	-$115

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

Submarket Vacancy Rates: "The competitive submarket supply and demand analysis…consisted of 2,487 units within the primary market area. These projects were built primarily during the late 1990's and early 2000's, as new construction was limited in the early 1990's, hence the low occupancy rate since several of these properties are still in their initial lease-up phase…The occupancy rate for one-bedrooms is 76.7%, the occupancy for all two-bedrooms is 75.1%, the occupancy rate for three-bedrooms is 63.6%…and the overall average occupancy is 74.8%. The main reason the rates are not reflective of the overall market occupancy." (p. 87) "Today the overall occupancy rate is in excess of 95% (excluding projects in lease-up status)." (p.82)

Absorption Projections: "Absorption in the primary market area has been strong over the last decade, averaging 300+ units per year. However, the absorption rate has increased considerably over the last two years, with absorption rates of 80 units per month or +950 units per year...Based on the occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units " (p. 107) The analyst estimates that the project will achieve a lease rate of approximately 20 units per month, which would yield an occupancy rate of 93% twelve months after beginning lease-up.

Known Planned Development: The analyst listed three projects totaling 796 units currently under construction, five projects totaling currently in lease-up with 381 vacant units as of the report date, and one 233-unit project in planning. (p. 49). Only one of these projects, Red Hills Villas listed as 156 units, is known to be a tax credit project. It should be noted that when Red Hills Villas was underwritten it was believed to contain 168 units.

Effect on Existing Housing Stock: "…we assess that the primary market area could immediately absorb 170 rental units, without the overall occupancy of the market dropping below 93%" (p. 78)

The Underwriter found the market study to be generally acceptable, although the analyst's failure to provide conclusive demand and perform income banding on the growth demand estimate are significant omissions. Although the capture rate of income-qualified demand within the primary market area is at the maximum of the concentration policy guideline of 25%, the site's proximity to Austin is likely to provide adequate income-qualified demand pull from the larger metro area.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Pflugerville is located in central Texas, approximately five miles northeast of Austin in Travis County. The site is a roughly rectangular-shaped parcel located approximately two miles north of downtown Pflugerville, on the south side of the Travis-Williamson county boundary in the city's extraterritorial jurisdiction, approximately 17 miles from the central business district of Austin. The site is situated approximately one-quarter mile north of Wilke Lane.

Population: The estimated 2001 population of the primary market area is 95,029 and is expected to increase by 21.4%% to approximately 115,371 by 2006. Within the primary market area there were estimated to be 40,362 households in 2001.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly agricultural and suburban residential. Adjacent land uses include:

- **North:** Recently developed single-family residential and undeveloped single-family residential lots
- **South:** Undeveloped agricultural land
- **East:** Undeveloped land
- **West:** Single-family residential and associated stormwater retention area

Site Access: The site is not currently served by a road, but the Applicant states that direct site access will be provided by the seller's future extension of County Road 122 (Heatherwilde Boulevard). The project is to have one entry from the east from C.R. 122. Access to Interstate Highway 35 is three miles west, which provides connections to all other major roads serving the central Texas area.

Public Transportation: The availability of public transportation is unknown.
Shopping & Services: The site is within five miles of two major grocery/pharmacies and all the amenities of Pflugerville. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.
Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 2001 was prepared by Universal Engineering Services and contained the following findings and conclusion: "This assessment has revealed no evidence of recognized environmental conditions in connection with the property. In conclusion, based on the findings of this investigation, no further investigation is warranted at this time." (p. 13)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and the market study information suggests that the market could support these rents. The Applicant used the single unit utility allowances rather than the garden and highrise allowances, but when the Underwriter corrected the Applicant's net rents there was no net effect on potential gross rent. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.
Expenses: The Applicant's estimate of total operating expense is 5.2% lower than the Underwriter's TDHCA database-derived estimate. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($31K lower), utilities ($36K lower), water, sewer, and trash ($16K higher) and property taxes ($30K higher). The Applicant included only $115/unit in replacement reserves although $200/unit is required by the lender, which results in an understatement of $21,200. The Applicant did not include an estimated expense for the supportive services, which is offset to some degree by the Applicant's overstatement of compliance fees by $10K.
Conclusion: The Applicant's estimated net operating income is consistent with the Underwriter's expectations, however, total operating expenses exceed 5% of the database-derived estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the acceptable range of TDHCA underwriting guidelines of 1.10 to 1.25. The Underwriter's analysis suggests that compliance fees may cause the total debt service plus compliance fee to fall below a 1.10 DCR in the first year but remain above 1.10 in the 30 years thereafter.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $1,625,000 ($1.87/SF or $81,250/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.
Off-Site Costs: None indicated. The Applicant provided an executed agreement with the seller of the land stating that the cost of extending an access road to the site (C.R. 122) would be borne by the seller.
Sitework Cost: ***The Applicant's claimed sitework costs of $5,891 per unit are considered reasonable compared to historical sitework costs for multifamily projects.***
Direct Construction Cost: The Applicant's direct construction cost estimate is $281K or 3% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.
Fees: As submitted, the Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant listed $100K in field supervision and field general and administrative costs, however, which the Underwriter moved to contractor general and administrative costs. Consequently the Applicant's eligible fee in this area has been reduced with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $416,572.

Conclusion: The Applicant's total project cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing from three sources: a conventional interim to permanent loan based on bond proceeds, syndicated LIHTC equity, and deferred developer's fees.

Bonds and Permanent Financing: The bonds are tax-exempt and taxable private activity mortgage revenue bonds to be issued by the Travis County Housing Finance Corporation and placed with FNMA. As of the date of the underwriting analysis, there will be $15,000,000 in tax-exempt bonds and $1,000,000 in taxable bonds. The bonds will be amortized over 30 years at a variable "low floater" interest rate based upon an agreed-upon spread to the Bond Buyer 25 Bond Revenue Index. The Underwriter used a blended effective interest rate of 7%; the final interest rate and cost of interest rate caps will be made determined at the bond pricing date. The bonds will be credit enhanced by ARCS Commercial Mortgage Co. under the Fannie Mae DUS Forward Commitment Program.

Construction Financing: Because FNMA does not bear risk during the construction and lease-up period, it requires that a construction lender post a letter of credit in an amount equal to the credit enhancement amount plus 45 days interest. The Applicant intends to use First Union Bank for the interim construction letter of credit, and to fund the remainder of the construction phase with $3,414,133 in LIHTC syndication proceeds and $2,333,515 from internal sources.

LIHTC Syndication: First Union Affordable Housing Community Development Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $5,495,579 based on a syndication factor of 83%. The funds would be disbursed in a three-phased pay-in schedule:

1. 62% upon admission to the partnership;
2. 19% upon the later of: completion of construction or receipt of final certificate of occupancy;
3. 19% upon the later of: final closing of the permanent mortgage loan, receipt of IRS Forms 8609, or achievement of a DCR of 1.15 for three consecutive months.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $252,567 amount to 10% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, and a higher underwriting applicable percentage of 3.68 for December rather than the 3.61 used by the Applicant, the credit amount recommended is slightly higher than the amount requested. The recommended LIHTC allocation should not exceed $663,155 annually for ten years, resulting in syndication proceeds of approximately $5,503,632. Based on the underwriting analysis, the Applicant's deferred developer fee will be reduced to $244,018. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be used to fund those development cost overruns.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The exterior elevations are functional and attractive, with varied wall finishes and covered unit entry porches. All units are of average size for market rate and LIHTC units, and have utility closets with hookups for full-size appliances. The units are in two-story walk-up structures, and each unit has a semi-private exterior entry that is shared with another unit. The second-story units are accessed by private interior stairways.

Unit Floorplans:

1. Entry to the first-floor 1-BR/1-BA unit is directly into the living area, and the galley kitchen and designated dining area are beyond the living area. The stairway to the second-floor units lets out into the dining area/central hallway. The bathroom is accessible from the living area and has a linen closet. The bedroom and bathroom are off a short hall off the dining area, and the bathroom is accessible from the living area. The bedroom has a walk-in closet.
2. The 2- and 3-BR/2-BA units are arranged similarly to the 1-BR unit, with the additional bedrooms added on the opposite side of the living room and beyond the first bedroom.

IDENTITIES of INTEREST
The principals of Developer, Wendover Texas Development, Inc., the Property Manager, Wendover Management, Inc., and the General Partner are the same. These appear to be acceptable relationships.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights: The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Todd Borck, the president and 33.3% owner of the General Partner, listed participation as general partner and developer in six prior LIHTC housing projects totaling 1,228 units since 1996.
- Jonathan Wolf, the vice president and 33.3% owner of the General Partner, listed participation as general partner and developer in six prior LIHTC housing projects totaling 1,260 units since 1996.
- Patrick Law, the secretary treasurer and 33.3% owner of the General Partner, did not provide evidence of any previous experience in developing affordable or conventional housing.

SUMMARY OF SALIENT RISKS AND ISSUES

- The development would need to capture a majority of the projected market area demand (i.e., capture rate at 25% is at the maximum rate established by the Department's concentration policy.)

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $663,155 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS

CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report.

Credit Underwriting Supervisor:	Jim Anderson	**Date:**	December 6, 2001
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	December 6, 2001

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent pe
TC (60%)	48	1	1	745	$728	$663	$31
TC (60%)	109	2	2	1,033	873	796	86,
EO	1	2	2	1,033	873	0	0
TC (60%)	91	3	2	1,176	1,009	916	83,
EO	1	3	2	1,176	1,009	0	0
TOTAL:	250		AVERAGE:	1,030	$895	$808	$201

INCOME		Total Net Rentable Sq Ft:	257,558		TDHCA	APPLI
POTENTIAL GROSS RENT					$2,423,328	$2,
Secondary Income			Per Unit Per Month:	$10.00	30,000	
Other Support Income:					0	
POTENTIAL GROSS INCOME					$2,453,328	$2,
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(184,000)	(1
Employee or Other Non-Rental Units or Concessions					0	
EFFECTIVE GROSS INCOME					$2,269,328	$2,
EXPENSES		% OF EGI	PER UNIT	PER SQ FT		
General & Administrative		3.59%	$326	$0.32	$81,544	
Management		5.00%	454	0.44	113,466	
Payroll & Payroll Tax		7.30%	663	0.64	165,750	
Repairs & Maintenance		4.20%	381	0.37	95,261	
Utilities		2.72%	247	0.24	61,647	
Water, Sewer, & Trash		4.73%	430	0.42	107,400	
Property Insurance		1.82%	165	0.16	41,209	
Property Tax	2.016	6.66%	605	0.59	151,200	
Reserve for Replacements		2.20%	200	0.19	50,000	
Other: Compliance fees		0.00%	0	0.00	0	
TOTAL EXPENSES		38.23%	$3,470	$3.37	$867,477	$
NET OPERATING INC		61.77%	$5,607	$5.44	$1,401,851	$1,
DEBT SERVICE						
First Lien Mortgage		56.29%	$5,110	$4.96	$1,277,381	$1,
Compliance fees		0.28%	$25	$0.02	6,250	
Additional Financing		0.00%	$0	$0.00	0	
NET CASH FLOW		5.21%	$473	$0.46	$118,220	$
AGGREGATE DEBT COVERAGE RATIO					1.09	
ALTERNATIVE DEBT COVERAGE RATIO					1.10	

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLI
Acquisition Cost (site or bldg)		7.67%	$6,520	$6.33	$1,630,000	$1,
Off-Sites		0.00%	0	0.00	0	
Sitework		6.93%	5,891	5.72	1,472,820	1,
Direct Construction		44.82%	38,083	36.97	9,520,756	9,
Contingency	4.55%	2.35%	2,000	1.94	500,000	
General Requirements	5.00%	2.59%	2,200	2.14	550,000	

Contractor's G & A	2.00%	1.04%	879	0.85	219,872	
Contractor's Profit	5.00%	2.59%	2,200	2.14	550,000	
Indirect Construction		7.18%	6,100	5.92	1,524,950	1,
Ineligible Expenses		7.49%	6,361	6.17	1,590,195	1,
Developer's G & A	2.00%	1.45%	1,231	1.19	307,659	
Developer's Profit	13.00%	9.41%	7,999	7.76	1,999,783	2,
Interim Financing		4.92%	4,178	4.06	1,044,551	1,
Reserves		1.55%	1,320	1.28	329,949	
TOTAL COST		100.00%	$84,962	$82.47	$21,240,535	$21,
SOURCES OF FUNDS						
First Lien Mortgage		75.33%	$64,000	$62.12	$16,000,000	$16,
LIHTC Syndication Proceeds		25.87%	$21,980	$21.34	5,495,081	5,
Additional Financing		0.00%	$0	$0.00	0	
Deferred Developer Fees		1.19%	$1,010	$0.98	252,567	
Additional (excess) Funds Required		-2.39%	($2,028)	($1.97)	(507,113)	
TOTAL SOURCES					$21,240,535	$21,

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.28	$10,373,952
Adjustments				
Exterior Wall Finish	2.25%		$0.91	$233,414
9-Ft Wall Height	4.00%		1.61	414,958
Roofing			0.00	0
Subfloor			(1.96)	(252,407)
Floor Cover			1.82	468,756
Porches/Balconies	$28.10	7,046	0.77	197,993
Plumbing	$585	606	1.38	354,510
Built-In Appliances	$1,550	250	1.50	387,500
Stairs/Fireplaces	$1,175	125	0.57	146,875
Floor Insulation			0.00	0
Heating/Cooling			1.41	363,157
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$56.34	3,343	0.73	188,330
Fire Sprinkler System	$1.55	257,558	1.55	399,215
SUBTOTAL			50.57	13,023,845
Current Cost Multiplier	1.02		1.01	260,477
Local Multiplier	0.88		(6.07)	(1,562,861)
TOTAL DIRECT CONSTRUCTION COSTS			$45.51	$11,721,461
Plans, specs, survy, bld prmts	3.90%		($1.77)	($457,137)
Interim Construction Interest	3.38%		(1.54)	(395,599)
Contractor's OH & Profit	11.50%		(5.23)	(1,347,968)
NET DIRECT CONSTRUCTION COSTS			$36.97	$9,520,756

Prin / Int I / Secor / Int I / Addi / Int I / ## / $ / Prin / Int I / Secor / Int I / Addi / Int I

INCOME at	3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEA
POTENTIAL GROSS RENT		$2,423,328	$2,496,028	$2,570,909	$2,648,036	$2,727,477	
Secondary Income		30,000	30,900	31,827	32,782	33,765	

Other Support Income:	0	0	0	0	0
POTENTIAL GROSS INCOME	2,453,328	2,526,928	2,602,736	2,680,818	2,761,242
Vacancy & Collection Loss	(184,000)	(189,520)	(195,205)	(201,061)	(207,093)
Employee or Other Non-Rental Units or Concessions	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,269,328	$2,337,408	$2,407,530	$2,479,756	$2,554,149
EXPENSES at 4.00%					
General & Administrative	$81,544	$84,806	$88,198	$91,726	$95,395
Management	113,466	116,870	120,377	123,988	127,707
Payroll & Payroll Tax	165,750	172,380	179,275	186,446	193,904
Repairs & Maintenance	95,261	99,072	103,034	107,156	111,442
Utilities	61,647	64,113	66,677	69,344	72,118
Water, Sewer & Trash	107,400	111,696	116,164	120,810	125,643
Insurance	41,209	42,858	44,572	46,355	48,209
Property Tax	151,200	157,248	163,538	170,079	176,883
Reserve for Replacements	50,000	52,000	54,080	56,243	58,493
Other	0	0	0	0	0
TOTAL EXPENSES	$867,477	$901,042	$935,915	$972,148	$1,009,794
NET OPERATING INCOME	$1,401,851	$1,436,366	$1,471,616	$1,507,609	$1,544,355
DEBT SERVICE					
First Lien Financing	$1,277,381	$1,277,381	$1,277,381	$1,277,381	$1,277,381
Second Lien	6,250	6,250	6,250	6,250	6,250
Other Financing	0	0	0	0	0
NET CASH FLOW	$118,220	$152,736	$187,985	$223,978	$260,725
DEBT COVERAGE RATIO	1.09	1.12	1.15	1.17	1.20

LOW INCOME HOUSING TAX CREDIT PROGRAM

2001 LIHTC/TAX EXEMPT BOND

DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Fallbrook Apartments** TDHCA#: 01452

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Houston	QCT: N	DDA: N	TTC: N
Development Owner:	Fallbrook Apartments, L.P.			
General Partner(s):	TCR Fallbrook Partners, L.P., Chris Bergmann, 100%			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: TDHCA		
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $687,504 Eligible Basis Amt: 709,195 Equity/Gap Amt.: $945,988

Annual Tax Credit Allocation Recommendation: 709,195

Total Tax Credit Allocation Over Ten Years: $7,091,950

PROPERTY INFORMATION

Unit and Building Information

Total Units: 280 LIHTC Units: 280 % of LIHTC Units: 100%

Gross Square Footage: 288,042

Average Square Footage/Unit: 1,014

Number of Buildings: 24

Currently Occupied: N

Development Cost

Total Cost: 22,315,203 Total Cost/Net Rentable Sq. Ft.: $78.63

Income and Expenses

Effective Gross Income:[1] $2,238,928 Ttl. Expenses: $1,021,293 Net Operating Inc.: $1,217,635

Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	South Central RS, Inc.
Attorney:	Mike Ording	Architect:	HLM Architects, Inc.
Accountant:	Rezick, Fedder & Silverman	Engineer:	Edminister, Hinshaw, Russ & Assoc.
Market Analyst:	REVAC, Inc.	Lender:	
Contractor:	TCR Fallbrook Construction L.P.	Syndicator:	Sun America Affordable Housing

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: NC # in Opposition: NC	Sen. John Whitmire, District 15 - NC Rep. Sylvester Turner, District 139 - NC Judge Robert Eckels - NC Bruce Austin, Director, Harris County Community Development Dept. Consistent with the Consolidated Plan for Harris County.

CONDITION(S) TO COMMITMENT

3. Per §50.7(h)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
4. Receipt, review and acceptance of a supportive services contract with terms by Cost Certification.
5. Receipt, review and acceptance of a revised construction schedule.
6. Receipt, review and acceptance of a third party detailed cost estimate certified by an architect or engineer familiar with the site work costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS

Approved Tax Credit Amount: Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable). This project qualifies as a Tax Exempt Financed Project per the requirements of Sec. 50.7(h) of the 2001 QAP. The application has met the Threshold Criteria and has demonstrated consistency with the local consolidated plan. The Applicant has no outstanding material non-compliance issues with respect to its development experience.

______________________________ __________ ______________________________ ______

Charles E. Nwaneri, Acting Program Manager Date David Burrell, Director of Housing Programs Date

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).____

____

______________________________ __________

Ruth Cedillo, Acting Executive Director Date

☐ **LIHTC Ad Hoc Committee's Approval and description of discretionary factors (if applicable).**

____

____

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

____

____

Committee Chairperson Signature: ____ ___________

Michael E. Jones, Attorney At Law Date

DATE:	December 6, 2001	PROGRAM:	4% LIHTC MFB	FILE NUMBER:	01452 2001-056

DEVELOPMENT NAME

Fallbrook Apartments

APPLICANT

Name: Fallbrook Apartments LP **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 10333 Richmond Avenue, Suite 400 **City:** Houston **State:** TX

Zip: 77042 **Contact:** Chris Bergmann **Phone:** (713) 781-5775 **Fax:** (713) 781-8988

PRINCIPALS of the APPLICANT

Name	(%)	Title
TCR Fallbrook Partners LP	0.01	Managing General Partner
SunAmerica Affordable	99.99	Limited Partner
TCR 2001 Affordable	n/a	1% owner/GP of Managing GP
J Ronald Terwilliger	n/a	37% owner/Director of Managing
Kenneth J Valach	n/a	37% owner/President of
Christopher J Bergmann	n/a	15% owner/VP of Managing GP
Scott Wise	n/a	10% owner/Secretary of

GENERAL PARTNER

Name: TCR Fallbrook Partners LP **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 10333 Richmond Avenue, Suite 400 **City:** Houston **State:** TX

Zip: 77042 **Contact:** Chris Bergmann **Phone:** (713) 781-5775 **Fax:** (713) 781-8988

PROPERTY LOCATION

Location: E of Old Bammel N Houston, W of Champion Forest Drive ☐ QCT ☐ DDA

City: Houston **County:** Harris **Zip:** 77086

REQUEST

Amount	Interest Rate	Amortization	Term
① 687,504	n/a	n/a	n/a
② $13,500,000	6.06%	30 yrs	33 yrs
③ $1,200,000	6.78%	30 yrs	33 yrs

Other Requested Terms: ① Annual ten-year allocation of low-income housing tax credits; ② Tax-

Exempt Bonds;
③ Taxable Bonds

Proposed Use of Funds: New construction **Set-Aside:** ☒ General ☐ Rural ☐ Non-Profit

SITE DESCRIPTION

Size: 19.6669 acres 856,690 Square feet **Zoning/ Permitted Uses:** None (Houston)

Flood Zone Designation: Zone X **Status of Off-Sites:** Partially Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 280 **# Rental Buildings** 24 **# Common Area Bldngs** 3* **# of Floors** 2 **Age:** n/a yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
20	1	1	683
24	1	1	787
160	2	2	1,027
76	3	2.5	1,143

Net Rentable SF: 283,796 **Av Un SF:** 1,014 **Common Area SF:** 4,246* **Gross Bldng SF** 288,042

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

* Includes two separate laundry facilities

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 35% masonry/brick veneer/65% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, laminated counter tops, individual water heaters

ON-SITE AMENITIES

Furnished community/activity room, management offices, two laundry facilities, kitchen, restrooms, fitness room, swimming pool, equipped children's play area, perimeter fencing with limited access gate

Uncovered Parking: 548 spaces **Carports:** n/a* spaces **Garages:** n/a spaces

* Applicant indicates that there will be 24 carports included in the project, but this could not be verified on submitted site plan

OTHER SOURCES of FUNDS

INTERIM to PERMANENT FINANCING

Source: Bank of America, NA **Contact:** John Yochum

Principal Amount: $13,500,000 **Interest Rate:** 6.06% as of 12/3/2001

Additional Information: Tax-Exempt Bonds in two series, 2001A ($12,030,550) and 2001B ($1,469,450);
3 yr. interim period

Amortization: ______ **Term:** ______ **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

30 yrs 33 yrs

Annual Payment: $1,028,716 **Lien Priority:** 1st **Commitment Date** 11/ 19/ 2001

INTERIM to PERMANENT FINANCING

Source: Bank of America, NA **Contact:** John Yochum

Principal Amount: $1,635,000* **Interest Rate:** Tax-Exempt Rate + 184 bps; 6.78% as of 12/3/2001

Additional Information: Taxable Bonds; 3 yr. interim period *Reduced to $1,200,000 per 12/3 sources and uses

Amortization: 30 yrs **Term:** 33 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $121,574 **Lien Priority:** 1st **Commitment Date** 11 / 19/ 2001

LIHTC SYNDICATION			
Source: SunAmerica Affordable Housing		**Contact:** Dana Mayo	
Address: 1 SunAmerica Center, Century Center		**City:** Los Angeles	
State: CA	**Zip:** 90067	**Phone:** (310) 772-6831	**Fax:** (310) 772-6179
Net Proceeds: $5,532,139		**Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 80.5¢	
Commitment ☒ LOI ☐ Firm ☐ Conditional		**Date:** 11/ 15/ 2001	
Additional Information:			

APPLICANT EQUITY	
Amount: $2,051,642	**Source:** Deferred developer fee

VALUATION INFORMATION			
APPRAISED VALUE			
Land Only: 19.6669 acres	$1,300,000	**Date of Valuation:**	10/ 10/ 2001
Appraiser: CB Richard Ellis	**City:** Houston	**Phone:**	(713) 840-6676
ASSESSED VALUE			
Land: 19.6669 acres	$120,400	**Assessment for the Year of:**	2001
Building:	n/a	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$120,400	**Tax Rate:**	3.15702

EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Earnest money contract (19.6669 acres)		
Contract Expiration Date:	12/ 31/ 2001	**Anticipated Closing Date:**	12/ 31/ 2001
Acquisition Cost:	$ 1,310,736	**Other Terms/Conditions:**	$30K earnest money plus $100K by 9/2001; $1.53 per square foot purchase price
Seller:	SDC Northwest Park Partners LP	**Related to Development Team Member:**	No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Fallbrook Apartments is a proposed new construction project of 280 units of affordable housing located in northwest Harris County, in Houston. The subject project will consist of 24 residential buildings, as follows:

- Four Building Style I with two one-bedroom units, six two-bedroom units and two three-bedroom units;
- Seventeen Building Style II with eight two-bedroom units and four three-bedroom units; and
- Three Building Style III with four one-bedroom units and eight one-bedroom units.

Based on the site plan, the apartment buildings are distributed evenly across the site. A clubhouse building totaling 3,500 square feet will include space for leasing/management offices. This building will also have a clubroom with kitchen, a fitness room and maintenance shop. Even though each unit is equipped with washer/dryer connections, two common laundry facilities at 500 square feet each are also proposed. The site will have a swimming pool, a tot lot and sports court, two picnic areas with tables and barbeque pits, and perimeter fencing with limited access gates.

Supportive Services: The Applicant states that supportive services will be available in compliance with TDHCA's requirements. A particular service provider has not been selected as of application. Receipt, review and acceptance of a supportive services contract with terms by cost certification is a condition of this report.

Schedule: The Applicant anticipates construction to be completed in February of 2003. Although the Applicant has stated a construction commencement date of December 2001, the application will not be presented to the Board until December 12, 2001. Receipt, review and acceptance of a revised construction schedule is a condition of this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants earning 60% or less of AMGI.

Special Needs Set-Asides: None of the units were identified in the tax credit application to be specifically designated to be handicapped-accessible or equipped for tenants with hearing or visual impairments.

Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

A market feasibility study with an effective date of September 10, 2001, prepared by REVAC, INC., highlighted the following findings:

Regional Market Information: The regional apartment market (Houston MSA) includes the counties of Harris, and parts of Ft. Bend and Montgomery counties. There is a total of 486,993 existing units, in addition to 8,707 units under construction and 5,405 being proposed. Mid year 2001 net absorption of units is 4,608 with an occupancy rate of 95.3%; whereas, year-end 2000 had a net absorption of negative 844 with an occupancy rate of 95.3%. This apparent anomaly is attributed to the fact that while most of the new construction was being leased, older units were being removed from the market. Area rental rates have increased at a compounded annual average rate of 4.5% over the past 5.5 years. Of course much of this increase is attributable to newly constructed Class "A" apartments. If the newly built apartments are removed from the analysis, increases in rental rates are more on the order of 3% per year.

Definition of Submarket: Although it is likely that tenants from beyond three miles will reside at the subject property, a 3-mile radius was nevertheless deemed reasonable. There are a total of 5,262 existing units in the submarket.

Submarket Demand for Rental Units: Within a three-mile radius of the subject there are an estimated 24,369 households. REVAC, Inc.'s market study provides charts, which show that 5,931 households would qualify for the proposed subject LIHTC units. It is assumed that 80% of the target population will view the subject property as a housing option. Thus, the effective number of income and size qualified households in a position to rent the subject units is 4,745. Therefore, approximately 19.5% of the area households qualify as potential tenants for the 280 rent restricted LIHTC units and are likely to seek rental housing.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY

Type of Demand	Units of Demand	% of Total Demand
Household Growth	84	6.6%
Resident Turnover	1,186	93.4%
TOTAL ANNUAL DEMAND	**1,270**	**100%**

Ref: p. 52

Based on demographics, the number of households in the primary market area will increase by 2,145 or 429 per year over the next five years. Based on 19.5% of all additional households qualifying for the subject's LIHTC units, additional annual demand of 84 units is calculated. Based on information provided within the mid-year 2001 REVAC Apartment Occupancy & Rental Survey, typical turnover demand of around 25% is indicated. Applying turnover demand to the 4,745 existing qualified renter households results in demand for 1,186 units. Therefore, total annual income qualified demand for rental units is estimated at 1,270 units.

The Underwriter did not include the analyst's additional demand calculation based on employment growth and historic absorption rates because it is unclear if these sources double count demand from household growth.

Based on 4.9% of the general population between the ages of 18 and 64 (62.5% of the total) having a mobility or self care limitation, there are an estimated 746 households who qualify for the 14 accessible LIHTC units.

Penetration Rate: To absorb the 280 LIHTC units would require market penetration of 5.9% (280/4,745 Qualified Households). An addition of 280 rent restricted units represents only 5.1% of the area multifamily rental market (5,542 units-existing and proposed) and should be easily absorbed.

Capture Rate: Based on the subject's proposed 280 units, a capture rate of 23.6% would be needed.

Local Housing Authority Waiting List Information: The County and City Section 8 housing lists are frozen and there is a waiting list for people with disabilities who qualify under Federal Preference rules (living in substandard housing, homeless or paying more than 50% of their income in rent).

Market Rent Comparables: The market analyst surveyed 29 comparable apartment projects totaling 5,262 units in the market area.

The multifamily housing market within a 3-mile radius is somewhat dated with a weighted average year of construction being 1983. Competitive properties were considered those within a three-mile radius of the subject site. There are only 577 rent restricted housing units within a three-mile radius of the subject, of which 252 units are directly comparable.

Over the past three years rental rates have increased at a compounded annual average rate of 4.32% per year. Future increases in rent are likely to be around 3.0%.

RENT ANALYSIS (net tenant-paid rents)

	Proposed	Program Max	Differential	Market	Differential
683 SF 1-Bedroom (60%)	$588	$588	$0	$600	-$12
787 SF 1-Bedroom (60%)	$588	$588	$0	$670	-$82
2-Bedroom (60%)	$700	$700	$0	$815	-$115
3-Bedroom (60%)	$803	$803	$0	$960	-$157

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

Submarket Vacancy Rates: Occupancy rates within the subject's market area (3-mile radius) are 95.6%. Over the past three years occupancy rates have decreased slightly from around 97.13%.

Absorption Projections: Absorption data for the subject's delineated submarket was not available. However, the area apartment market has fared well since 1998 with stabilized occupancies in the mid-high 90's. A total of 252 units were added to the market in November 2000 and 216 have been absorbed, indicating absorption of 21.6 units per month. The market analyst indicates that, with the construction of more affordable housing, projected net absorption of 475 units per year is deemed reasonable and well supported.

Known Planned Development: The subject's 280 units are the only LIHTC units proposed. Only 252 units (Woodglen Apartments built in 2000) have been added over the past 17 years. This 252-unit complex is currently 85.7% occupied.

Effect on Existing Housing Stock: After construction, the subject property will be considered a Class "B" project in a Class "B" location and should compete near the middle-top end of the market.

Other Relevant Information: The number of two- and three-bedroom floorplans represents 84.0% of all units, as compared to the area market, which indicate 49.6% of all units are two- and three-bedroom floorplans. There is a higher than typical percentage of two- and three-bedroom units since this property is primarily targeting families. There is a fairly significant population under 17 years of age and the subject area has a fairly high concentration of 3+ person households. This bodes well for the subject property, which will be targeting families.

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located along the northwest corner of Bammel-North Houston Road and the proposed extension of Fallbrook Drive, approximately 1,000 feet north of SH-249, in Houston, Harris County. This location is approximately 15 miles from the Houston CBD.

Population: Demographicsnow.com provided demographic information within a 1-, 3-, and 5- mile radius. This data source provided demographic information based on the 1990 census. In addition, estimates were provided for 2000 and projections were made for the year 2005. The population for 2000 is 80,718, a growth of 27.30% from the previous year, with estimated households of 24,369, an increase of 26.57% from 1999. The area population is expected to increase by 7,319, or 1,464 per year over the next five years. Likewise, the increase from 1990 to 2000 was 17,312, or 1,731 per year. Overall, the projected population increases are expected to be slightly lower than historic population trends. The area households are expected to increase by 2,145, or 429 per year over the next five years.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed. Adjacent land uses include:

- **North:** Early 1980's era single family development generally representing three-bedroom homes totaling around 1,500 to 1,800 square feet;
- **South:** Vacant land and a 1980's era multi family complex in average overall condition through to commercial development along SH-249;
- **East:** Existing 1980's era single family homes and new single family housing currently under construction;
- **West:** Vacant land and the Seton Lake Park-N-Ride.

Site Access: The subject site has frontage along Bammel-North Houston and Old Bammel-North Houston with additional frontage to be provided by the proposed extension of Fallbrook Drive.

Public Transportation: METRO bus service is available within the area via the Park-N-Ride system. In fact, the Seton Lake Park-N-Ride is located to the west of the subject site. However, the typical neighborhood resident uses private transportation.

Shopping & Services: There are 65 shopping centers within a three-mile radius of the subject. Recreational and cultural opportunities are plentiful. Restaurants and movie theaters are located within close proximity. The subject neighborhood is served by the Methodist Hospital at SH-249, north of FM-1960. This facility was recently built and is located slightly more than 3-miles from the subject site.

Site Inspection Findings: TDHCA staff performed a site inspection on November 30, 2001 and found the location to be excellent for the proposed development. The inspector noted the site is in a new development area that shows good growth.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report effective January 11, 2001 was prepared by ENVIROTEST INC. Based on the site inspection, scope of work, and sources detailed in the report, the assessment reveals no evidence of negative environmental conditions in connection with the subject property.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's net rent estimates are equivalent to the Underwriter's estimates. Although the Applicant used a comparable vacancy and collection loss assumption, their secondary income estimate is overstated by $5 per unit per month as compared to the TDHCA standard of $10 per unit per month. The net result is an effective gross income estimate that is within 5% of the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of $3,566 per unit is within 5% of a TDHCA database-derived estimate of $3,647 per unit for comparably sized projects. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($25K lower), payroll ($49K higher), utilities ($44K lower), and water, sewer, and trash ($15K lower).

Conclusion: Overall, the Applicant's net operating income estimate is also within the 5% tolerance range. Therefore, the Applicant's proforma should be used to determine the project's debt service capacity.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $1,310,736 ($1.53 SF or $66,647 acre) is substantiated by the appraised of $1,300,000. The acquisition price is also assumed to be reasonable as the acquisition is an arm's-length transaction.

Off-Site Costs: The Applicant claimed off-site costs of $285,310 for detention basin excavation, fill existing drainage ditch, RCP outfall pipe, haul, spread and compact on site, etc. A preliminary construction cost estimate prepared by Trammell Crow Residential Services was provided, substantiating the estimate.

Site Work Cost: The Applicant claimed site work costs of $8.5K per unit without providing any specific justification regarding why these costs are so high. In addition, impact fees are included in indirect construction costs and, therefore, these fees cannot be the source of the higher site work costs. The TDHCA acceptable range of site work costs is $4.5K to $6.5K per unit. In the absence of any substantiation, the Underwriter lowered the TDHCA site work costs to $6.5K per unit for the purpose of estimating the project's total construction budget. A third party detailed cost estimate certified by an architect or engineer familiar with the site work costs of this proposed project is required as a condition of his report, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.

Direct Construction Cost: The Applicant's direct construction cost estimate is $1.54M, or 13%, lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. It is possible that a portion of the difference may be a result of the possible misallocation of site work costs.

Indirect Costs: The Applicant included $50K in marketing costs as eligible. These costs are typically associated with the operations of the project and, as such, are not eligible. The $50K has been moved to ineligible costs.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. However, the Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and, therefore, the eligible portion of the Applicant's developer fee must be reduced by $11,708.

Conclusion: The Applicant's total development cost estimate is $985K, or less than 5%, lower than the Underwriter's estimate. Because this difference is within the 5% tolerance range, the Applicant's total development cost estimate, adjusted for ineligible costs, should be used to determine the project's eligible basis and permanent financing needs.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing: a bond-financed interim to perm loan, syndicated LIHTC equity proceeds, and deferred developer's fees.

Bonds: The Applicant has provided a commitment letter for interim to permanent financing from Bank of America, N.A. The loan will be made on terms, which pass through to the Borrower the obligation to make payments of principal, interest and premium on the bonds. The loan will be structured to provide financing for a 36-month construction period and a 30-year term period. The loan will be the proceeds from tax-exempt and taxable bonds: denominated multifamily Housing Mortgage Revenue Bonds Tax-Exempt Series 2001A in the amount of $12,030,550, Tax-Exempt Series 2001B in the amount of $1,469,450, and the Taxable Series 2001C in the amount of $1,200,000. The Issuer of the Bonds will be the Texas Department of Housing and Community Affairs.

The interest rate on the tax-exempt bonds and taxable bonds will be a rate derived from the Bank's internal calculations, which equated to 6.06% for the tax-exempt bonds and 6.78% for the taxable bonds at the time of the Bank's loan underwriting. The Bank rate is not based on any rate index such as Treasury Bond rates.

The tax-exempt bonds and taxable bonds will provide for payments of interest-only for the period ending January 1, 2005. On January 1, 2005, the loan will be payable in full, and the bonds will be redeemed, unless the "Stabilized Occupancy" conditions are satisfied. If the Stabilized Occupancy conditions are satisfied, commencing on February 1, 2005, the bonds will be paid in semi-annual installments of principal and interest computed on a 30 year amortization schedule using a rate of interest derived as noted above and fixed for 30 years for both the tax-exempt bonds, and for the taxable bonds. Amortization (scheduled sinking fund redemption) will be applied first to the taxable bonds, and then to the tax-exempt bonds. Interest rates referenced above are indicative until execution of a rate lock agreement by both parties. It is projected that the taxable bonds should be paid 33 years from date of origination. There will be no reset on the interest rate for the tax-exempt bonds. The Underwriter has utilized a calculated blended interest rate of 6.12%, resulting in a term of approximately seven years for the taxable bonds.

LIHTC Syndication: SunAmerica Affordable Housing has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $5,533,854 based on a syndication factor of 80.5%. SunAmerica has also offered to provide a $4,483,235 bridge loan to be used to repay any outstanding predevelopment loan made by SunAmericia to the Partnership and the balance for project construction costs. No interest shall be charged on the principal balance of the bridge loan up to $3,320,312. Interest shall accrue on the portion above $3,320,312 at an interest rate equal to the then prevailing long-term AFR. The equity funds would be disbursed in a four-phased pay-in schedule:

4. 2.6% upon admission to the partnership to pay SunAmerica's legal fees, facility administration organization fee and bridge origination fee;
5. 81% upon receipt of the last Certificate of Occupancy for the project and project completion, to be used to repay the bridge loan;
6. 12.8% upon achievement of 90% and a DSCR of 1.15x or greater based on debt service on the Bonds for a period of 3 consecutive calendar months, achievement of the Stabilization Requirement under the Bond Indenture, and submission to the TDHCA of all documents necessary for TDHCA to process Forms 8609; and
7. 3.6% upon receipt of Forms 8609.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $2,051,642 amount to 64% of the total proposed fees.

Financing Conclusions: Based on the Applicant's proforma for the first year of stabilized operation, the project can support both the proposed permanent annual debt service of $1,073,956 and the Underwriter's calculated annual debt service of $1,070,985, while maintaining a debt coverage ratio within the Department's guideline of 1.10 to 1.25. Therefore, the proposed bond amounts and interest rates appear to be acceptable.

As stated above, the Applicant's total development cost estimate, adjusted for overstated fees, was used to calculate the project's eligible basis resulting in an eligible annual LIHTC allocation of $709,195, which is $21,691 more than the Applicant's request. The letter of interest for syndication of the tax credits indicates a rate of 80.5%, resulting in syndication proceeds of $5,708,446. The increase in anticipated syndication proceeds reduces the need for deferred developer fees to $1,906,757, or 76% of eligible developer fees. This amount is repayable from project cash flow within the first ten years of stabilized operation.

REVIEW of ARCHITECTURAL DESIGN

All units are of average size for market rate and LIHTC units and include adequate interior storage space and utility closets with hookups for full-size appliances. Each unit has a semi-private exterior entry and twenty of the one-bedroom units have covered patios. The units are in two-story walk-up structures with mixed brick veneer and Hardiboard exterior finish. The exterior elevations are functional, with varied rooflines. The common area buildings will have exterior designs similar to the residential buildings.

IDENTITIES of INTEREST

The developer, general contractor, and property manager are related entities. These are common identities of interest for LIHTC/Bond-financed projects.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:

- The Applicant and general partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and, therefore, have no material financial statements.
- The principals of the general partner, Kenneth J Valach, Christopher J Bergmann, Scott C Wise and J Ronald Terwilliger submitted unaudited Collateral Value Statements as of June 30, 2001.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- Kenneth Valach and Christopher J Bergmann, principals of the Applicant, have extensive experience in the development of affordable housing. Kenneth Valach and Christopher J Bergmann have been partners

in the participation of eight low-income apartment projects totaling 1,740 units between 1999 and 2000.

SUMMARY OF SALIENT RISKS AND ISSUES

- None noted.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $709,195 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS

CONDITIONS

2. Receipt, review and acceptance of a supportive services contract with terms by cost certification;
3. Receipt, review and acceptance of a revised construction schedule; and
4. Receipt, review and acceptance of a third party detailed cost estimate certified by an architect or engineer familiar with the site work costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.

Associate Underwriter:	*Marie Villarreal*	**Date:**	December 6, 2001
Underwriter:	**Lisa Vecchietti**	**Date:**	December 6, 2001
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	December 6, 2001

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative An

Fallbrook, Houston, LIHTC 01452/MFB 2001-056

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month
TC(60%)	20	1	1	686	$658	$588	$11,758
TC(60%)	24	1	1	787	658	588	14,110
TC(60%)	160	2	2	1,027	790	700	112,010
TC(60%)	76	3	2	1,143	912	803	61,028
TOTAL:	280		AVERAGE:	1,014	$802	$710	$198,905

					TDHCA	APPLICANT
INCOME	Total Net Rentable Sq Ft:		283,796			
POTENTIAL GROSS RENT					$2,386,862	$2,386,020
Secondary Income	Appl /Late fee		Per Unit Per Month:	$10.00	33,600	50,400
Other Support Income: (describe)					0	0
POTENTIAL GROSS INCOME					$2,420,462	$2,436,420
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(181,535)	(182,736)
Employee or Other Non-Rental Units or Concessions					0	0
EFFECTIVE GROSS INCOME					$2,238,928	$2,253,684
EXPENSES		% OF EGI	PER UNIT	PER SQ FT		
General & Administrative		3.55%	$284	$0.28	$79,488	$54,000
Management		4.00%	320	0.32	89,557	90,148
Payroll & Payroll Tax		8.96%	716	0.71	200,512	250,000
Repairs & Maintenance		5.64%	451	0.44	126,243	124,000
Utilities		3.53%	282	0.28	79,099	35,000
Water, Sewer, & Trash		3.82%	305	0.30	85,474	70,000
Property Insurance		1.77%	142	0.14	39,731	39,200
Property Tax	3.15702	11.84%	947	0.93	265,190	280,000
Reserve for Replacements		2.50%	200	0.20	56,000	56,000
Other:		0.00%	0	0.00	0	
TOTAL EXPENSES		45.62%	$3,647	$3.60	$1,021,293	$998,348
NET OPERATING INC		54.38%	$4,349	$4.29	$1,217,634	$1,255,336
DEBT SERVICE						
Entire Bond Debt Service		47.19%	$3,773	$3.72	$1,056,473	$1,073,956
Trustee Fee		0.16%	$13	$0.01	$3,500	0
TDHCA Admin. Fees		0.66%	$53	$0.05	14,700	0
Asset Oversight & Compliance Fees		0.63%	$50	$0.05	14,000	4,200
NET CASH FLOW		5.76%	$461	$0.45	$128,961	$177,180
AGGREGATE DEBT COVERAGE RATIO					1.12	1.16
BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					1.15	
BONDS-ONLY DEBT COVERAGE RATIO					1.15	

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT
Acquisition Cost (site or bldng)		5.90%	$4,913	$4.85	$1,375,736	$1,375,736
Off-Sites		1.22%	1,019	1.01	285,310	285,310
Sitework		7.81%	6,500	6.41	1,820,000	2,375,200
Direct Construction		49.81%	41,448	40.89	11,605,393	10,065,027

Contingency	2.65%	1.53%	1,270	1.25	355,570	355,570
General Requirements	5.56%	3.20%	2,666	2.63	746,414	746,414
Contractor's G & A	1.85%	1.07%	889	0.88	248,805	248,805
Contractor's Profit	5.56%	3.20%	2,666	2.63	746,414	746,414
Indirect Construction		3.72%	3,095	3.05	866,500	866,500
Ineligible Expenses		4.42%	3,677	3.63	1,029,632	1,029,632
Developer's G & A	1.23%	0.94%	781	0.77	218,794	0
Developer's Profit	13.00%	9.90%	8,238	8.13	2,306,600	2,525,394
Interim Financing		5.81%	4,836	4.77	1,353,978	1,353,978
Reserves		1.46%	1,219	1.20	341,223	341,223
TOTAL COST		100.00%	$83,216	$82.10	$23,300,369	$22,315,203

SOURCES OF FUNDS

Series 2001A Tax-Exempt	51.63%	$42,966	$42.39	$12,030,550	$12,030,550
Series 2001B Tax-Exempt	6.31%	$5,248	$5.18	1,469,450	1,469,450
Series 2001C Taxable	5.15%	$4,286	$4.23	1,200,000	1,200,000
LIHTC Syndication Proceeds	23.75%	$19,764	$19.50	5,533,854	5,533,854
Deferred Developer's Fee	8.81%	$7,327	$7.23	2,051,642	2,051,642
Additional (excess) Funds Required	4.36%	$3,625	$3.58	1,014,873	29,707
TOTAL SOURCES				$23,300,369	$22,315,203

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Fallbrook, Houston, LIHTC 01452/MFB 2001-056

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Townhouse Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$ 45.23	$12,837,458
Adjustments				
Exterior Wall Finish	2.20%		$1.00	$282,424
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(2.23)	(632,865)
Floor Cover			2.43	689,624
Porches/Balconies	$16.23	11,804	0.68	191,579
Plumbing	$675	300	0.71	202,500
Built-In Appliances	$2,000	280	1.97	560,000
Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	519,347
Garages/Carports	$7.53	4,800	0.13	36,144
Comm &/or Aux bldngs	$55.81	3,688	0.73	205,824
Other:	$1.55	198,657	1.09	307,919
SUBTOTAL			53.56	15,199,954
Current Cost Multiplier	1.02		1.07	303,999
Local Multiplier	0.92		(4.28)	(1,215,996)
TOTAL DIRECT CONSTRUCTION COSTS			$50.35	$14,287,956
Plans, specs, survy, bld prmts	3.90%		($1.96)	($557,230)
Interim Construction Interest	3.38%		(1.70)	(482,219)
Contractor's OH & Profit	11.50%		(5.79)	(1,643,115)
NET DIRECT CONSTRUCTION COSTS			$40.89	$11,605,393

PA

Primary
Int Rate

Secondary
Int Rate

Additional
Int Rate

ALTERNATIVE FINA

Primary Debt Service
Trustee Fee
TDHCA Fees
NET CASH FLOW

Primary
Int Rate

Secondary
Int Rate

Additional
Int Rate

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTU

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10
POTENTIAL GROSS RENT	$2,386,862	$2,458,468	$2,532,222	$2,608,189	$2,686,435	$3,114,314
Secondary Income	33,600	34,608	35,646	36,716	37,817	43,840
Other Support Income: (describe)	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,420,462	2,493,076	2,567,869	2,644,905	2,724,252	3,158,154
Vacancy & Collection Loss	(181,535)	(186,981)	(192,590)	(198,368)	(204,319)	(236,862)
Employee or Other Non-Rental Units or Concessions	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,238,928	$2,306,096	$2,375,278	$2,446,537	$2,519,933	$2,921,293
EXPENSES at 4.00%						
General & Administrative	$79,488	$82,667	$85,974	$89,413	$92,989	$113,136
Management	89,557	92,244	95,011	97,861	100,797	116,852
Payroll & Payroll Tax	200,512	208,533	216,874	225,549	234,571	285,391
Repairs & Maintenance	126,243	131,293	136,544	142,006	147,686	179,683
Utilities	79,099	82,263	85,553	88,975	92,534	112,582
Water, Sewer & Trash	85,474	88,893	92,448	96,146	99,992	121,656
Insurance	39,731	41,321	42,974	44,692	46,480	56,550
Property Tax	265,190	275,797	286,829	298,302	310,234	377,448
Reserve for Replacements	56,000	58,240	60,570	62,992	65,512	79,705
Other	0	0	0	0	0	0
TOTAL EXPENSES	$1,021,293	$1,061,250	$1,102,777	$1,145,938	$1,190,797	$1,443,003
NET OPERATING INCOME	$1,217,634	$1,244,846	$1,272,501	$1,300,599	$1,329,136	$1,478,290
DEBT SERVICE						
First Lien Financing	$1,070,985	$1,070,985	$1,070,985	$1,070,985	$1,070,985	$1,070,985
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees	14,700	14,523	14,336	14,136	13,924	12,646
Asset Oversight & Compliance Fees	14,000	14,560	15,142	15,748	16,378	19,926
Cash Flow	114,450	141,278	168,538	196,230	224,349	371,233
AGGREGATE DCR	1.10	1.13	1.15	1.18	1.20	1.34

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY CREDIT UNDERWRITING ANALYSIS

LOW INCOME HOUSING TAX CREDIT PROGRAM
2001 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **The Oaks at Boggy Creek** TDHCA#: 01453

DEVELOPMENT AND OWNER INFORMATION

Development Location: Austin QCT: N DDA: N TTC: N
Development Owner: S. Congress I Apartments, L.P.
General Partner(s): S. Congress I, L.L.C., Steve Ford, 100%
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Austin Housing Finance Corp.
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $446,935 Eligible Basis Amt: 344,053 Equity/Gap Amt.: $214,358
Annual Tax Credit Allocation Recommendation: 214,358
Total Tax Credit Allocation Over Ten Years: $2,143,580

PROPERTY INFORMATION

Unit and Building Information
Total Units: 150 LIHTC Units: 150 % of LIHTC Units: 100%
Gross Square Footage: 130,041
Average Square Footage/Unit: 842
Number of Buildings: 10
Currently Occupied: N

Development Cost
Total Cost: 11,014,693 Total Cost/Net Rentable Sq. Ft.: $87.19

Income and Expenses
Effective Gross Income:[1] $1,261,537 Ttl. Expenses: $545,581 Net Operating Inc.: $715,956
Estimated 1st Year DCR: 1.06

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Orion Real Estate Services
Attorney:	Locke, Liddell & Sapp	Architect:	Hill & Frank Associates
Accountant:	Rezick, Fedder & Silverman	Engineer:	Unknown
Market Analyst:	Steven L. Adams	Lender:	Sun America Affordable Housing
Contractor:	G. G. MacDonald, Inc.	Syndicator:	Sun America Affordable Housing Partners, Inc.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: NC # in Opposition: NC	Sen. Gonzalo Barrientos, District 14 - NC Rep. Ann Kitchen, District 48 - NC Mayor Kirk Watson - NC Paul Hiligers, City of Austin Community Development Officer Consistent with Consolidated Plan.

CONDITION(S) TO COMMITMENT

1. Per §50.7(h)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
2. Receipt, review and acceptance of an executed loan/bond acquisition commitment reflecting proceeds and terms consistent with those included in the application and evaluated in this report.
3. Receipt, review and acceptance of an executed syndication commitment reflecting proceeds and terms consistent with those included in this report.
4. Receipt, review and acceptance of a third party detailed cost estimate certified by an architect or engineer familiar with the site work costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.
5. Receipt, review and acceptance of a satisfactory TDHCA site inspection report.
6. Receipt, review and acceptance of revisions to the market study which provide sufficient quantifiable income-eligible targeted demand for the subject property from the primary market established by the market analyst and consistent with the Departments market study guidelines.
7. Should the amount or terms of the proposed debt be altered or additional sitework or direct construction costs be satisfactorily documented, the recommended credit amount should be re-evaluated.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS

Approved Tax Credit Amount: Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable). This project qualifies as a Tax Exempt Financed Project per the requirements of Sec. 49.6(g) of the 2000 QAP. The application has met the Threshold Criteria and has demonstrated consistency with the local consolidated plan. The Applicant has no outstanding material non-compliance issues with respect to its development experience.

______________________________ __________ ______________________________ ______

Charles E. Nwaneri, Acting Program Manager Date David Burrell, Director of Housing Programs Date

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).______________________________

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______________________________ __________

Ruth Cedillo, Acting Executive Director Date

☐ **LIHTC Ad Hoc Committee's Approval and description of discretionary factors (if applicable).**

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☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

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Committee Chairperson Signature: ____ ____________
Michael E. Jones, Attorney At Law Date

CREDIT UNDERWRITING ANALYSIS

DATE: December 3, 2001 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01453

DEVELOPMENT NAME

Oaks at Boggy Creek Apartments

APPLICANT

Name: S. Congress I Apartments, L.P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 1800 Bering Drive, Suite 850 **City:** Houston **State:** TX

Zip: 77057 **Contact:** J. Steve Ford **Phone:** (713) 334-5514 **Fax:** (713) 334-5614

PRINCIPALS of the APPLICANT

Name	(%)	Title
S. Congress I, L.L.C.	.01	Managing General
SunAmerica Affordable Housing	99.99	Initial Limited Partner
J. Steve Ford		47.5% owner of G.P.
G. Granger MacDonald		47.5% owner of G.P.
Sally Gaskin		5% owner of G.P.

GENERAL PARTNER

Name: S. Congress I, L.L.C. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 1800 Bering Drive, Suite 850 **City:** Houston **State:** TX

Zip: 77057 **Contact:** Steve Ford/Sally Gaskin **Phone:** (713) 334-5514 **Fax:** (713) 334-5614

PROPERTY LOCATION

Location: 7408 S. Congress Avenue ☐ **QCT** ☐ **DDA**

City: Austin **County:** Travis **Zip:** 78745

REQUEST

Amount	Interest Rate	Amortization	Term
$446,935	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New construction **Set-Aside:** ☒ General ☐ Rural ☐ Non-Profit

SITE DESCRIPTION

Size: 11.637 acres 506,907 square feet **Zoning/ Permitted Uses:** MF-2-CO, Multifamily Residence (Low Density)-

			Conditional Overlay Combining District
Flood Zone Designation:	3.229 acres located in Zone AE	**Status of Off-Sites:**	Partially Improved

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 150 **# Rental Buildings** 10 **# Common Area Bldngs** 1 **# of Floors** 3 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathrooms	Size in SF
64	1	1	647
56	2	2	916
30	3	2	1,121

Net Rentable SF: 126,334 **Av Un SF:** 842 **Common Area SF:** 3,707 **Gross Bldng SF** 130,041

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 25% masonry veneer/75% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower walls, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES

3,707 SF community building with community room, management offices, fitness facilities, kitchen, restrooms, computer/business center, central mailroom, swimming pool, equipped children's play area, perimeter fencing

Uncovered Parking: 227 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION TO PERMANENT FINANCING

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Dana Mayo

Principal Amount: $6,540,000 **Interest Rate:** Estimated at 5.5%

Additional Information: Series A1 tax-exempt bond proceeds

Amortization: N/A yrs **Term:** 33 yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: Unknown **Lien Priority:** 1st **Commitment Date** / /

INTERIM CONSTRUCTION TO PERMANENT FINANCING

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Dana Mayo

Principal Amount: $900,000 **Interest Rate:** Estimated at 7.5%

Additional Information: Series A2 taxable bond proceeds

Amortization: N/A yrs **Term:** 33 yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: Unknown **Lien Priority:** 1st **Commitment Date** / /

INTERIM CONSTRUCTION To PERMANENT FINANCING

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Dana Mayo

Principal Amount: $1,860,000 **Interest Rate:** Estimated at 5.91%

Additional Information: Series B tax-exempt bond proceeds

Amortization: N/A yrs **Term:** 33 yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: Unknown **Lien Priority:** 1st **Commitment Date** / /

LIHTC SYNDICATION

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Dana Mayo

Address: One SunAmerica Center, Century City **City:** Los Angeles

State: CA **Zip:** 90067 **Phone:** (310) 772-6000 **Fax:** (310) 772-6179

Net Proceeds: $3,575,121 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 80¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 9/ 12/ 2001

Additional Information: Commitment letter reflects proceeds of $3,113,384 based on credits of $3,892,120

APPLICANT EQUITY

Amount: $257,737 **Source:** Deferred developer fee (construction stage only)
$422,177 NOI projected during lease-up

VALUATION INFORMATION

ASSESSED VALUE

Land: $319,352 **Assessment for the Year of:** 2001

Building: N/A **Valuation by:** Travis County Appraisal District

Total Assessed Value: $319,352 **Tax Rate:** 2.5043

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 12/ 31/ 2001 **Anticipated Closing Date:** 1/ 15/ 2002

Acquisition Cost: $ 850,000 **Other Terms/Conditions:** $5,000 earnest money

Seller: Brickyard Venture **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Oaks at Boggy Creek Apartments is a proposed new construction project of 150 units of affordable housing located in south Austin. The project is to be comprised of ten residential buildings as follows:

- One two-story Building Style A with 16 one-bedroom/one-bathroom units;
- Two three-story Building Style A with 24 one-bedroom/one-bathroom units;
- Two two-story Building Style B with 16 two-bedroom/two-bathroom units;
- One three-story Building Style B with 24 two-bedroom/two-bathroom units;
- Three two-story Building Style C with eight three-bedroom/two-bathroom units; and
- One two- and three-story Building Style C with six three-bedroom/two-bathroom units.

Based on the site plan the apartment buildings are distributed throughout the northern and northeastern portions of the site, with the community building and swimming pool located near the entrance to the site. A 499-square foot laundry and maintenance building is be located at the western end of the developed area. The 3,707-square foot community building is planned to have the management offices, community room, learning center, exercise room, kitchen, restrooms, and a computer room.

Supportive Services: The Applicant has contracted with the Texas Inter-Faith Housing Management Company to provide the following supportive service programs to tenants: personal growth opportunities, family skills development, education, fun and freedom activities, neighborhood advancement. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, to pay a one-time startup fee of $1,000, plus $1,195.50 per month for these support services.

Schedule: The Applicant anticipates construction to begin in February of 2002, to be completed in February of 2003, and to be substantially leased-up in July of 2003.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although all of the units (100% of the total) will be reserved for low-income tenants earning 60% or less of AMGI.

Special Needs Set-Asides: Eight units (5%) will be handicapped-accessible.

Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

A market feasibility study dated October 23, 2001 was prepared by Steven L. Adams Real Estate & Consulting and highlighted the following findings:

Definition of Market/Submarket: "The physical and geographic boundaries for the subject project are considered to be south central Austin, more specifically defined as the 78745 and 78748 zip codes and the year 2000 Census Tract 24.22." (p. 40)

Total Regional Market Demand for Rental Units: "The Austin economy has had a ten-year expansion since 1990 and since the "Tech Wreck" of 2000, both the national and local economies have started to slow down. Population growth continues in Austin and should continue for the foreseeable future, however, employment growth is slowing with an accompanying rise in the unemployment rate…It is the professional opinion of the consultant that upper end Class A and A+ space has reached a full level of supply and is starting to move into oversupply. Well-located Class B and C space is nearing a balanced state of supply and demand, depending upon location. For well-located B and C space in specific submarkets that lack new competition, there appears to be some room for growth for small projects, under 200 units, which are absorbed by the market much faster than 300-500-unit large Class A projects." (p. 14)

Total Local/Submarket Demand for Rental Units: The Market Analyst did not quantify demand in a mane consistent with the Department's market study guidelines. The Underwriter requested clarification of the amount income-eligible targeted demand in the proposed primary market but has not, as of the date of this report, received a conclusive response from the Analyst. Receipt, review and acceptance of revisions to the market study that quantifies sufficient demand for the subject property is a condition of this report. The underwriting division is currently evaluating a second project in the vicinity of the subject (within ½ mile). The market study for this nearby project, Circle S Apartments, included the subject in its evaluation of a much larger primary market area. The Underwriter was able to conclude from that study that sufficient demand exists to support both projects with a concentration ratio below 25% if two years of household growth was included.

Market Rent Comparables: The market Analyst used an unspecified number of market comparables to determine the market rents in the following chart:

RENT ANALYSIS (net tenant-paid rents)

	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	$658	$658	$0	$653	+$5
2-Bedroom (60%)	$775	$775	$0	$847	-$72
3-Bedroom (60%)	$888	$888	$0	$1,165	-$277

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

Submarket Vacancy Rates: "City-wide occupancy is currently at just over 90% and occupancy in the area of the subject ranges from 90-100%. Although the current trend is for lower future occupancy, most economists…believe that the economy will rebound within the next year or two." (p. 49)
Absorption Projections: "From June 2000 to June 2001, the South Central market absorbed 891 units, which represents 33% of the total Austin area absorption of 2,661 units. The proposed subject's 150 units represents only 17% of this South Central absorption rate, which is considered relatively low and shows that the subject represents only a small portion of the subject submarket absorption and is supportive of project feasibility." (p. 40) "Assuming market conditions hold until the subject project is completed and in lease-up, the subject project should achieve an occupancy rate in the mid-to-high 90% range within 12 months of starting lease-up." (p. iii)
Known Planned Development: "There are no known nearby planned restricted rent apartment projects, no known market rate projects on South Congress near the subject, and other proposed market rate projects in the area should be able to compete against the lower restricted rent schedule to be charged by the subject project." (p. 49)
Effect on Existing Housing Stock: "Due to the lower rents of the subject, there may be some lateral movement from market rate projects to the subject project from other existing apartment projects in the area." (p. 48)

The Underwriter found the market study provided insufficient information on demand and this report is conditioned upon revisions or addendum to the market study that quantifies income-eligible market demand for the proposed units. However, combined with market study information provided for a nearby but unrelated project the Underwriter believes there is sufficient information available to the Department on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the south central area of Austin, approximately seven miles from the central business district. The site is situated on the northwest corner of the intersection of Congress Avenue and Dittmar Road.
Population: The estimated 2001 population of Austin is 655,854 and is expected to increase by 9% to approximately 720,414 by 2005.
Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly vacant land and single- and multifamily residential, with some light industrial and manufacturing uses. Adjacent land uses include:

- **North:** Underground gasoline pipeline easement, with vacant land beyond
- **South:** Dittmar Road, with undeveloped land and Boggy Creek beyond
- **East:** Congress Avenue, with undeveloped land beyond (a small frame structure in poor condition is located across Congress Avenue)
- **West:** Single-family residential

Site Access: Access to the property is currently from the east or west along Dittmar Road or the north or south from Congress Avenue. The project is to have one entry from the east from Congress Avenue, and is prohibited from accessing Dittmar Road or Loganberry Court on the west by zoning restrictions. Access to Interstate Highway 35 is one mile northeast, which provides connections to all other major roads serving the Austin area as well as San Antonio and the Metroplex.

Public Transportation: Public transportation to the area is provided by the Capital Metro bus system.

Shopping & Services: The site is within two miles of two major grocery/pharmacy-anchored neighborhood shopping centers, two multi-screen theaters, a library, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics:

- The Longhorn Pipeline, which is to transport gasoline, is located along the northern boundary of the site.
- Another petroleum product pipeline easement traverses the property.
- The improvements are to be constructed directly adjacent to the 100-year floodplain of Boggy Creek. Any flooding above this level will result in flooding of the improved areas.

Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated July 1, 2001 was prepared by TriCo Inspecting Service, Inc. and contained the following conclusion: "Based on the findings of this report, no obvious misuse of subject or surrounding property was noted, and no further environmental investigation is needed, in my opinion. Subject property appeared environmentally clean and no potential risk or contamination was observed."

OPERATING PROFORMA ANALYSIS

Income: The Applicant's originally submitted rent projections were \$25-\$35 in excess of the 2001 maximum rents allowed under LIHTC guidelines, which resulted in an overstatement of potential gross rent of \$52K. The Applicant subsequently submitted a revised rent schedule based on the maximum LIHTC 60% AMGI rents, and the market study information suggests that the market could support rents at the rent limit maximums. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's estimate of total operating expense is 4.5% lower than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly payroll (\$7K lower), repairs and maintenance (\$17.7K higher), utilities (\$29K lower), water, sewer, and trash (\$15.8K lower), and property tax (\$14.8K higher). The Underwriter moved TDHCA compliance fees "below the line" outside the operating expense budget.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is insufficient net operating income to service the proposed first lien permanent mortgage, based on the 6.5% interest rate estimated by the Applicant, at a debt coverage ratio that is in excess of 1.10 as required by TDHCA underwriting guidelines. Therefore, the debt service for this project may need to be limited by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. The Underwriter recalculated the anticipated blended rate based on the specific component rates provided in the application and concluded a lower blended interest rate of 6.01%. At this lower interest rate the Applicant's estimated NOI appears to be sufficient to reach a 1.10 DCR. As final commitments for the bond/loan rates have not been provided, there remains a high risk that the proposed debt amount will be reduced.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of \$850,000 (\$1.68/SF or \$73K/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant claimed sitework costs of $10,597 per unit without providing any specific justification regarding why these costs are so high. The TDHCA acceptable range of sitework costs is $4.5K to $6.5K per unit. In the absence of any such substantiation, the Underwriter lowered the TDHCA sitework costs to $6.5K per unit for the purpose of estimating the project's total construction budget. A third party detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project is required as a condition of his report, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis. Should such an estimate verify the need for such high sitework costs, a modification to the allocation of tax credits could be made.

Direct Construction Cost: The Applicant's costs are $910K (18%) higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are significantly overstated.

Ineligible Costs: The Applicant incorrectly included $5K in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis. The Underwriter prorated the eligibility of $69K in tax/bond counsel fees and $226,323 in underwriting and issuance costs to reflect the portions attributable to the construction phase of the project.

Interim Financing Fees: The Underwriter reduced the Applicant's interim financing fees by $197,167 to reflect the net effect of the Applicant's projection of a similar amount in income from a guaranteed investment contract, which results in an equivalent reduction in eligible basis as only net interest costs should be included in eligible basis.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. The Underwriter moved $35K in housing consultant fees, $75K in construction loan broker fees, $75K in permanent loan broker fees, and $15K in other broker fees to developer fees as these are legitimate development activities and the brokerage fees are listed as payable to one of the members of the Developer. As adjusted, the Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the adjusted total developer fee must be reduced by $254,648.

Conclusion: Due to the Applicant's higher direct construction and sitework costs and the subsequently overstated developer's and contractor's fees compared to the Underwriter's estimate, the Applicant's total development cost is significantly more than 5% higher than the Underwriter's costs, and at $105 per net rentable square foot, is considered to be overstated. Therefore, the Underwriter's cost estimate is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $9,349,261 is used to determine a credit allocations of $344,988 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from two sources: a conventional interim to permanent loan based on bond proceeds, syndicated LIHTC equity, a construction phase bridge loan, and cash flow from operations during the lease-up period. The Applicant also included interest income from a guaranteed investment contract as a source of funds, which the Underwriter has netted out from interim financing costs.

Bonds and Interim to Permanent Loan: The bonds are tax-exempt and taxable private activity mortgage revenue bonds to be issued by the Austin Housing Finance Corporation and placed privately with SunAmerica Affordable Housing Partners, Inc. The proceeds of the bonds will provide an interim to permanent loan from SunAmerica with a three-year interest-only period followed by a 30-year amortization period. As of the date of the underwriting analysis, there will be $6,540,000 in tax-exempt Series A bonds, $900,000 in taxable Series A2 bonds, and $1,860,000 in tax-exempt Series B bonds. The interest rates are estimated to be 5.91% on the Series A1 and B bonds and 7.91% on the Series A2 bonds, inclusive of credit enhancement, issuer, and trustee fees. The Underwriter calculated a blended interest rate of 6.01%. Commitments for the acquisition of the bonds and loan terms were not provided though they were discussed in the unsigned syndication commitment. Receipt, review and acceptance of executed commitments consistent with the assumptions in the application are a condition of this report.

LIHTC Syndication and Bridge Loan: SunAmerica has also offered terms for syndication of the tax credits. Although the Applicant's sources and uses of funds statement indicates net syndication proceeds are expected to be $3,575,121 based on a syndication factor of 80%, the commitment letter shows net proceeds of $3,113,384 based on credits of only $389,212 annually. Receipt, review, and acceptance of an executed syndication commitment or agreement reflecting the potential for net syndication proceeds to be consistent with this syndication factor is a condition of this report. The syndication funds would be disbursed in a three-phased pay-in schedule:

8. 4% upon admission to the partnership;
9. 71% upon completion of construction;
10. 25% upon receipt of final eligible basis cost certification, IRS Forms 8609, and achievement of 90% physical occupancy and a DCR of 1.15 or greater for three consecutive months.

The bridge loan of $2,212,691 will be made at the closing of the partnership and bonds, and be used for project construction. The loan balance will be interest-free up to $1,868,030, with interest accruing at the prevailing prime rate on any principal exceeding that amount.

Cash Flow from Operations: The Applicant included $521,952 in rental income as a construction phase source of funds, and $422,177 during the permanent phase. Since this is the developer/owners risk, the underwriter reclassified it as potentially deferred developer fee.

Financing Conclusions: Since the Applicant's total development costs were approximately 21% more than the Underwriter's estimate, the Underwriter's development costs were used to determine eligible basis. The applicable percentage rate was adjusted in order to reflect the current underwriting rate of 3.68%. These adjustments decreased the recommended tax credit allocation to $344,053 per year, resulting in syndication proceeds of approximately $2,752,147. However, this is $1,037,453 more than the gap requirement based on the Underwriter's analysis of total development costs. Therefore, the maximum potential tax credit allocation for this project should be reduced to not more than $214,358 or $232,577 less than requested. Based on the Underwriter's analysis it is anticipated there will not be a need to defer a portion of the developer fee. In the event costs exceed the Underwriter's expectations, there will be $1.2M in developer fee available to defer to fund potential shortfalls. Should the Applicant provide additional satisfactory substantiation of sitework and or direct costs or should the final bond amounts be reduced, an increase in the recommended credit amount may be warranted.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The exterior elevations are simple and attractive and typical of current affordable and market rate apartment design. All units are of average size for market rate and LIHTC units, and have covered patios or balconies with small outdoor storage closets and indoor utility closets with hookups for full-size appliances. The units are in two- and three-story walk-up structures with mixed masonry and cement fiber siding exterior finish and hipped and gabled roofs.

Unit Floorplans:

3. Entry to the 1-BR/1-BA unit is directly into the living area. The designated dining area adjoins the living area and the galley kitchen is beyond the dining area. The patio/balcony and bedroom are off the living area. The bathroom is only accessible through the bedroom, and adjoins a large walk-in closet.
4. The 2-BR/1-BA unit is arranged similarly to the 1-BR unit, except the bedrooms and bathrooms are accessed from a hallway off the living area. In this plan one bathroom is accessible from the living areas, and the sec0ondary bedroom has a conventional closet.
5. Entry into the 3-BR/2-BA unit is again into the living room, with the dining area and galley kitchen beyond. The master bedroom and bath are located off the living space, and the secondary bedrooms and bathroom are located off a hallway at the other end of the unit. The secondary bedrooms feature large conventional closets.

IDENTITIES of INTEREST

Resolution Real Estate Services, L.L.C. and G.G. MacDonald, Inc. each own 47.5% of the General Partner and will be members of the to-be-formed development entity. G.G. MacDonald, Inc. is also the General

Contractor. These are typical LIHTC relationships.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Resolution Real Estate Services, L.L.C., 47.5% owner of the General Partner, submitted an unaudited financial statement as of 12/31/00 reporting total assets of $543K and consisting of $72K in cash, $390K in receivables, $45K in stocks and securities, and $36K in machinery, equipment, and fixtures. Liabilities totaled $86K, resulting in a net equity of $457K.
- GG MacDonald, Inc., 47.5% owner of the General Partner, submitted an unaudited financial statement as of 8/31/01 reporting total assets of $5.6M and consisting of $91K in cash, $848K in receivables, $4.5K in construction in progress, $139K in machinery, equipment, and fixtures, and ($27K) in investments. Liabilities totaled $5.4M, resulting in a net equity of $184K.
- SGI Ventures, Inc., 5% owner of the General Partner, submitted an unaudited financial statement as of 10/31/00 reporting total assets of $754K and consisting of $5K in cash, $744K in receivables, and $5K in machinery, equipment, and fixtures. Liabilities totaled $2.5K, resulting in a net equity of $751K.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- J. Steve Ford and Resolution Real Estate Services, L.L.C. listed participation as general partner, developer, and/or general contractor in three LIHTC housing projects totaling 596 units since 1999.
- G. Granger MacDonald and G.G. MacDonald, Inc., have completed nine affordable and conventional housing projects totaling 975 units since 1994.
- Sally Gaskin and SGI Ventures, Inc. listed participation as majority member of the general partner, co-developer, and general contractor in five LIHTC housing projects totaling 403 units since 1997.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant locational risks exist regarding proximity to the 100-year floodplain and several operational pipelines.
- The development would may need to capture a majority of the projected market area demand (i.e., capture rate may exceed 25%).
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $214,358 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS

CONDITIONS

5. Receipt, review, and acceptance of an executed loan/bond acquisition commitment reflecting proceeds and terms consistent with those included in the application and evaluated in this report
6. Receipt, review, and acceptance of an executed syndication commitment reflecting proceeds and terms consistent with those included in this report;
7. Receipt, review, and acceptance of a third party detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis;
8. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
9. Receipt, review and acceptance of revisions to the market study which provide sufficient quantifiable income-eligible targeted demand for the subject property from the primary market

established by the market analyst and consistent with the Departments market study guidelines;

10. Should the amount or terms of the proposed debt be altered or additional sitework or direct construction costs be satisfactorily documented, the recommended credit amount should be re-evaluated.

Credit Underwriting Supervisor: ______________________ **Date:** December 6, 2001

Jim Anderson

Director of Credit Underwriting: ______________________ **Date:** December 6, 2001

Tom Gouris

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	R
TC (60%)	64	1	1	647	$728	$658	$42,112	
TC (60%)	56	2	2	916	873	775	43,400	
TC (60%)	30	3	2	1,121	1,009	888	26,640	
TOTAL:	150		AVERAGE:	842	$838	$748	$112,152	

INCOME		Total Net Rentable Sq Ft:	126,334		TDHCA	APPLICANT	$
POTENTIAL GROSS RENT					$1,345,824	$1,345,824	
Secondary Income			Per Unit Per Month:	$10.00	18,000	18,000	
Other Support Income:					0	0	
POTENTIAL GROSS INCOME					$1,363,824	$1,363,824	
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(102,287)	(102,288)	
Employee or Other Non-Rental Units or Concessions					0	0	
EFFECTIVE GROSS INCOME					$1,261,537	$1,261,536	
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			
General & Administrative		3.71%	$312	$0.37	$46,778	$43,000	($
Management		5.00%	421	0.50	63,077	65,480	
Payroll & Payroll Tax		7.41%	623	0.74	93,487	85,900	($
Repairs & Maintenance		4.35%	366	0.43	54,837	72,550	$
Utilities		3.30%	277	0.33	41,610	12,500	($2
Water, Sewer, & Trash		5.30%	446	0.53	66,883	51,100	($1
Property Insurance		1.73%	146	0.17	21,870	18,900	($
Property Tax	2.5043	8.93%	751	0.89	112,694	127,500	$
Reserve for Replacements		2.38%	200	0.24	30,000	30,000	
Other: Support services		1.14%	96	0.11	14,346	14,320	
TOTAL EXPENSES		43.25%	$3,637	$4.32	$545,581	$521,250	($2
NET OPERATING INC		56.75%	$4,773	$5.67	$715,956	$740,286	$
DEBT SERVICE							
First Lien Mortgage		53.10%	$4,465	$5.30	$669,816	$709,512	$
Compliance Fees		0.30%	$25	$0.03	3,750	3,750	
Additional Financing		0.00%	$0	$0.00	0	0	
NET CASH FLOW		3.36%	$283	$0.34	$42,390	$27,024	($1
AGGREGATE DEBT COVERAGE RATIO					1.06	1.04	
ALTERNATIVE DEBT COVERAGE RATIO						1.10	

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	
Acquisition Cost (site or bldg)		7.72%	$5,667	$6.73	$850,000	$850,000	
Off-Sites		0.00%	0	0.00	0	0	
Sitework		8.85%	6,500	7.72	975,000	1,589,500	$6
Direct Construction		45.95%	33,744	40.07	5,061,589	5,971,500	$9
Contingency	4.97%	2.72%	2,000	2.37	300,000	300,000	
General Requirements	6.00%	3.29%	2,415	2.87	362,195	459,660	

Contractor's G & A	2.00%	1.10%	805	0.96	120,732	253,220	
Contractor's Profit	6.00%	3.29%	2,415	2.87	362,195	459,660	
Indirect Construction		2.60%	1,907	2.26	286,000	286,000	
Ineligible Expenses		5.73%	4,206	4.99	630,886	630,886	
Developer's G & A	2.00%	1.48%	1,084	1.29	162,596	204,639	
Developer's Profit	13.00%	9.60%	7,046	8.37	1,056,873	1,530,152	1
Interim Financing		6.01%	4,414	5.24	662,081	662,081	
Reserves		1.68%	1,230	1.46	184,546	100,000	($8
TOTAL COST		100.00%	$73,431	$87.19	$11,014,693	$13,297,298	###
SOURCES OF FUNDS							
First Lien Mortgage		84.43%	$62,000	$73.61	$9,300,000	$9,300,000	
LIHTC Syndication Proceeds		32.46%	$23,834	$28.30	3,575,121	3,575,121	###
Deferred Developer Fees		3.83%	$2,815	$3.34	422,177	422,177	###
Additional Sources		0.00%	$0	$0.00	0	0	
Additional (excess) Funds Required		-20.72%	($15,217)	($18.07)	(2,282,605)	0	
TOTAL SOURCES					$11,014,693	$13,297,298	###

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.48	$5,240,350
Adjustments				
Exterior Wall Finish	2.75%		$1.14	$144,110
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.96)	(247,615)
Floor Cover			1.82	229,928
Porches/Balconies	$28.10	18,599	4.14	522,626
Plumbing	$585	258	1.19	150,930
Built-In Appliances	$1,550	150	1.84	232,500
Stairs/Fireplaces	$1,550	44	0.54	68,200
Floor Insulation			0.00	0
Heating/Cooling			1.41	178,131
Sprinkler System	$1.55	126,334	1.55	195,818
Comm &/or Aux Bldngs	$55.81	3,707	1.64	206,884
Other: Fireplace	$2,100	1	0.02	2,100
SUBTOTAL			54.81	6,923,961
Current Cost Multiplier	1.02		1.10	138,479
Local Multiplier	0.88		(6.58)	(830,875)
TOTAL DIRECT CONSTRUCTION COSTS			$49.33	$6,231,565
Plans, specs, survy, bld prmts	3.90%		($1.92)	($243,031)
Interim Construction Interest	3.38%		(1.66)	(210,315)
Contractor's OH & Profit	11.50%		(5.67)	(716,630)
NET DIRECT CONSTRUCTION COSTS			$40.07	$5,061,589

Primary
Int Rate

Secondary
Int Rate

Additional
Int Rate

ALTERNATIVE

Primary Debt Service
Secondary Debt Serv
Additional Debt Servi
NET CASH FLOW

Primary
Int Rate

Secondary
Int Rate

Additional
Int Rate

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10
POTENTIAL GROSS RENT	$1,345,824	$1,386,199	$1,427,785	$1,470,618	$1,514,737	$1,755,995

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

Secondary Income	18,000	18,540	19,096	19,669	20,259	23,486
Other Support Income:	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,363,824	1,404,739	1,446,881	1,490,287	1,534,996	1,779,481
Vacancy & Collection Loss	(102,287)	(105,355)	(108,516)	(111,772)	(115,125)	(133,461)
Employee or Other Non-Rental Units or Concessions	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,261,537	$1,299,383	$1,338,365	$1,378,516	$1,419,871	$1,646,020
EXPENSES at 4.00%						
General & Administrative	$46,778	$48,649	$50,595	$52,619	$54,724	$66,580
Management	63,077	64,969	66,918	68,926	70,994	82,301
Payroll & Payroll Tax	93,487	97,227	101,116	105,160	109,367	133,061
Repairs & Maintenance	54,837	57,030	59,311	61,684	64,151	78,050
Utilities	41,610	43,274	45,005	46,805	48,678	59,224
Water, Sewer & Trash	66,883	69,558	72,341	75,234	78,244	95,195
Insurance	21,870	22,745	23,655	24,601	25,585	31,128
Property Tax	112,694	117,201	121,889	126,765	131,835	160,398
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699
Other	14,346	14,920	15,517	16,137	16,783	20,419
TOTAL EXPENSES	$545,581	$566,774	$588,795	$611,677	$635,455	$769,055
NET OPERATING INCOME	$715,956	$732,610	$749,570	$766,838	$784,416	$876,965
DEBT SERVICE						
First Lien Financing	$669,979	$669,979	$669,979	$669,979	$669,979	$669,979
Second Lien	3,750	3,750	3,750	3,750	3,750	3,750
Other Financing	0	0	0	0	0	0
NET CASH FLOW	$42,227	$58,881	$75,841	$93,109	$110,687	$203,236
DEBT COVERAGE RATIO	1.06	1.09	1.11	1.14	1.16	1.30

LOW INCOME HOUSING TAX CREDIT PROGRAM
2001 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Circle S Apartments** TDHCA#: 01458

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Austin	QCT: N	DDA: N	TTC: N
Development Owner:	One SDI, Ltd.			
General Partner(s):	One Circle S Management, LLC, 100%			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond Bond Issuer: Travis County HFC			
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $484,433 Eligible Basis Amt: 475,897 Equity/Gap Amt.: $321,164

Annual Tax Credit Allocation Recommendation: 321,164

Total Tax Credit Allocation Over Ten Years: $3,211,640

PROPERTY INFORMATION

Unit and Building Information

Total Units: 200 LIHTC Units: 200 % of LIHTC Units: 100%

Gross Square Footage: 171,651

Average Square Footage/Unit: 843

Number of Buildings: 9

Currently Occupied: N

Development Cost

Total Cost: 14,052,995 Total Cost/Net Rentable Sq. Ft.: $83.37

Income and Expenses

Effective Gross Income:[1] $1,704,960 Ttl. Expenses: $742,317 Net Operating Inc.: $962,643

Estimated 1st Year DCR: 1.12

DEVELOPMENT TEAM

Consultant:	Madhouse Development Services, Inc.	Manager:	Picerne Management Corp.
Attorney:	Coats, Rose, Yale, Ryman & Lee , P. C.	Architect:	Chiles Architects, Inc.
Accountant:	Rezick, Fedder & Silverman	Engineer:	Urban Design Group
Market Analyst:	The Siegel Group, Inc.	Lender:	Charter Municipal Mortgage Acceptance Co.
Contractor:	Picerne Construction Corp.	Syndicator:	First Union Affordable Housing Community Development Corp.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: NC # in Opposition: NC	Sen. Gonzalo Barrientos, District 14 - NC Rep. Ann Kitchen, District 48 - NC Mayor Kirk Watson - NC Paul Hiligers, City of Austin Community Development Officer Consistent with Consolidated Plan.

CONDITION(S) TO COMMITMENT

8. Per §50.7(h)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."
9. Receipt, review, and acceptance of an acceptable site inspection report completed by TDHCA.
10. Should the existence of any structures and or slabs be noted on the site (as mentioned in the submitted ESA), receipt, review and acceptance of a revised cost schedule with a line-item cost for demolition.
11. Receipt, review and acceptance of a revised commitment for permanent financing, indicating the correct bond issuer and terms.
12. Receipt, review and acceptance of a commitment for a letter of credit under the terms stated in the submitted and/or revised commitment for permanent financing.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS

Approved Tax Credit Amount: Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable). This project qualifies as a Tax Exempt Financed Project per the requirements of Sec. 50.7(h) of the 2001 QAP. The application has met the Threshold Criteria and has demonstrated consistency with the local consolidated plan. The Applicant has no outstanding material non-compliance issues with respect to its development experience.

Charles E. Nwaneri, Acting Program Manager Date David Burrell, Director of Housing Programs Date

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Ruth Cedillo, Acting Executive Director Date

☐ **LIHTC Ad Hoc Committee's Approval and description of discretionary factors (if applicable).**

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Committee Chairperson Signature:
Michael E. Jones, Attorney At Law Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

DATE: December 6, 2001 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01458

DEVELOPMENT NAME

Circle S Apartments

APPLICANT

Name: One SDI, Ltd. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 247 N Westmonte Drive **City:** Altamonte Springs **State:** FL

Zip: 32714 **Contact:** Robert M Picerne **Phone:** (407) 772-0200 **Fax:** (407) 772-0220

PRINCIPALS of the APPLICANT

Name	(%)	Title
One Circle S Management, LLC	0.01	Managing General
First Union Affordable Housing CDC	99.99	Limited Partner
Robert M Picerne	n/a	50% owner of MGP
Picerne Development Corporation	n/a	50% owner of MGP
K Nicole Flores	n/a	Consultant

GENERAL PARTNER

Name: One Circle S Management, LLC **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 350 N Saint Paul Street **City:** Dallas **State:** TX

Zip: 75201 **Contact:** CT Corporation System **Phone:** ( ) **Fax:** ( )

PROPERTY LOCATION

Location: 7201-7401 S Congress Avenue ☐ **QCT** ☐ **DDA**

City: Austin **County:** Travis **Zip:** 78745

REQUEST

Amount	Interest Rate	Amortization	Term
$484,433	n/a	n/a	n/a

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits;

Proposed Use of Funds: New construction **Set-Aside:** ☒ General ☐ Rural ☐ Non-Profit

SITE DESCRIPTION

Size: 8.71 acres 379,408 square feet **Zoning/ Permitted Uses:** MF3-CO/Multifamily

Flood Zone Designation:	Zone X	**Status of Off-Sites:**	Partially Improved

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 200 **# Rental Buildings** 9 **# Common Area Bldngs** 2* **# of Floors** 3 **Age:** n/a yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
76	1	1	700
100	2	2	880
24	3	2	1,140

Net Rentable SF: 168,560 **Av Un SF:** 843 **Common Area SF:** 3,091* **Gross Bldng SF** 171,651

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

* Includes separate laundry facility/maintenance room

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 30% masonry/brick veneer/70% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, laminated counter tops, individual water heaters

ON-SITE AMENITIES

Furnished community activity room, management offices, laundry facilities, restrooms, computer/business center, swimming pool, perimeter fencing

Uncovered Parking: 363 spaces **Carports:** n/a spaces **Garages:** n/a spaces

OTHER SOURCES of FUNDS

INTERIM to PERMANENT FINANCING

Source: Charter/MAC **Contact:** James Spounds

Principal Amount: $9,300,000 **Interest Rate:** 7.9% interim; 7.25% permanent

Additional Information: Tax-Exempt Bonds to be issued by Travis County HFC; Interim period of up to 16 months

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $714,240 **Lien Priority:** 1st **Commitment Date** 11/ 05/ 2001

INTERIM to PERMANENT FINANCING

Source: Charter/MAC **Contact:** James Spounds

Principal Amount: $2,200,000 **Interest Rate:** 9.25%

Additional Information: Taxable Bonds to be issued by Travis County HFC

Amortization: 40 yrs **Term:** 18 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $208,824 **Lien Priority:** 1st **Commitment Date** 11 / 05/ 2001

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

LIHTC SYNDICATION

Source: First Union Affordable Housing CDC (Wachovia Securities) **Contact:** Dan Metz

Address: 201 South College Street, 8th Floor **City:** Charlotte

State: NC **Zip:** 28288 **Phone:** (704) 715-1307 **Fax:** (704) 383-9525

Net Proceeds: $3,851,243 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 79.5¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 11/ 05/ 2001

Additional Information:

APPLICANT EQUITY

Amount: $455,249 **Source:** Deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only: 8.71 ac $1,300,000 **Date of Valuation:** 10/ 25/ 2001

Appraiser: The WF Smith Company **City:** Dripping Springs **Phone:** (512) 328-4330

ASSESSED VALUE

Land: 6 ac + 7 lots	$421,932	**Assessment for the Year of:**	2001
Building: SFR	$12,379	**Valuation by:**	Travis County Appraisal District
Total Assessed Value:	$434,311	**Tax Rate:**	2.5319

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract (7201-7401 S Congress - 8.71 acres)

Contract Expiration Date: 02/ 15/ 2002 **Anticipated Closing Date:** 01/ 30/ 2002

Acquisition Cost: $ 1,200,000 **Other Terms/Conditions:** $1K earnest money

Seller: 7400 Congress, Ltd. **Related to Development Team Member:** Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Circle S Apartments is a proposed new construction project of 200 units of affordable housing located in south Austin. The project is comprised of nine residential buildings as follows:

- Six Building Style I with twelve one-bedroom units and twelve two-bedroom units;
- Two Building Style II with twelve two-bedroom units and twelve three-bedroom units; and
- One Building Style III with four one-bedroom units and four two-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, separate laundry facility and swimming pool located in the southern portion of the site. The 2,500-square foot community building will include a common room with kitchen, a second large room with a separate exterior entrance, public restrooms and leasing/management offices.

Supportive Services: The Applicant has submitted a supportive services program agreement. The proposed provider, Picerne Management Corporation, will offer the following supportive services to tenants: an after school youth program, resident support group meetings, community resources, adult resident services, and health and well-being programs. These services will be provided at no cost to tenants. Although signed, the five-year contract is not complete as it indicates that the provider will be paid a "to be determined" community services fee. In addition, the provider is related to the owner and is the proposed management company.

Schedule: The Applicant anticipates construction to begin in February of 2002, to be completed in April of 2003, to be placed in service in February of 2003, and to be substantially leased-up in November of 2003.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants earning 60% or less of AMGI.

Special Needs Set-Asides: None of the units are specifically designated in the tax credit application to be handicapped-accessible or equipped for tenants with hearing or visual impairments.

Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

A market feasibility study dated October 23, 2001 was prepared by The Siegel Group and highlighted the following findings:

Definition of Market/Submarket: The Primary Market Area (PMA) is defined as a five-mile radius around the subject property. Boundaries include Barton Hill Drive to the north, FM 1327 to the south, Shaw Lane to the east and Idalia Drive to the west. The Secondary Market Area is defined as a ten-mile radius. (p. 3)

Total Regional Market Demand for Rental Units: According to the City of Austin Consolidated Plan, there is a need for an additional 1,306 affordable multifamily rental units in the City of Austin between 2000 and 2004. (p. 88) 53.6% of households in the SMA are renters. (p. 34) There are 33,225 total income qualified renter households located within the SMA. (p. 91)

Total Local/Submarket Demand for Rental Units: The target market consists primarily of one- to six-person households in the Austin area who earn at or below 60% of the area median income, adjusted for size. This income range is estimated to be from a minimum of $21,840 for a one-person household to a maximum income of $45,060 for a six-person household. (p. 3) 58.3% of the households in the PMA are renters. (p. 34) There are 19,410 total income qualified renter households in the PMA. (p. 90)

Penetration Rate: The PMA has 33,293 income qualified households, inclusive of one year of growth, and the SMA has 61,987 households, inclusive of one year of growth. Given the above approximations, the subject units require a penetration rate in the PMA of 0.60% and 0.32% for the SMA. (p. 90)

Capture Rate: There are 19,410 total income qualified renter households in the PMA, resulting in a capture rate of 1.03%. If the 380 proposed units currently under construction and in the planning phase within two-miles of the subject site are added to the market, a more refined capture rate of 2.99% would result. (p. 90) There are 33,225 total income qualified renter households located within the SMA, resulting in a capture rate of 0.60%. If all existing and proposed income restricted units in the PMA and the SMA are deducted from the market, an effective capture rate of 0.67% would result. (p. 91) If the proposed additional 280 units known as Blunn Creek are incorporated into the capture rate, a more refined capture rate of 4.43% (860 units/19,410 income eligible renter households) would result. If the proposed units to be developed at Blunn Creek are incorporated into the effective capture rate, there would be 17,853 effective income qualified renter households, resulting in an effective capture rate of 1.12% (200 units/17,853 income eligible renter households).

Local Housing Authority Waiting List Information: The Austin Housing Authority reports there are 2,200 Section 8 vouchers and certificates currently in use, with an additional 5,000 families on a waiting list. (p. 88)

Market Rent Comparables: There were 14 apartment communities surveyed in the area. The survey included federally subsidized as well as market-rate properties. Constructed from one to 25 years ago, the properties surveyed ranged from "A" to "C" in grading. Statistical data for the comparable properties' rent restricted units was not incorporated in the comparable property market averages to avoid skewing the market rent estimates. (p. 47) For every four jobs created, only one housing unit was created in the 1990s. The resulting demand for rental housing caused rents to increase an average of 7% every year with increases that exceeded 10% between 1992 and 1993. (p. 43)

RENT ANALYSIS (net tenant-paid rents)

	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	$662	$664	-$2	$794	-$132
2-Bedroom (60%)	$789	$792	-$3	$996	-$207
3-Bedroom (60%)	$910	$914	-$4	$1,285	-$375

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

While many economic pundits now argue that the Austin apartment market is overbuilt, the new product in the market has created primarily high-end renters with Class A, highly "amenitized," units. The Crossing Apartment Homes, located in the PMA, was completed in 2000 and reached 100% within six months of the completion of construction. With rents ranging from $750 for a one-bedroom to $1,425 for a four-bedroom, the development catered to upper-end renters and, thereby, was not designed to meet the needs of low-income households. With recent downturns in the economy that have disproportionately affected upper-end renters, The Crossing is now offering discounts of up to $145 off monthly rents. However, even with discounted rents ranging between $685 and $1,280, the proposed maximum rents allowable under the LIHTC Program are still below the concessions currently offered in the market. However, if the high tech industry does not recover quickly, market rents will continue to drop. As a result, the subject will experience increased competition with market properties. If so, the proposed amenities such as social services, the business center and clubhouse will be crucial components of attracting and maintaining eligible tenants. (p. 88)

Submarket Vacancy Rates: While apartment managers surveyed in the PMA admit that occupancy rates have dropped 2-3% within the last 12-months, they are currently at 94%. Housing units in the PMA are 89.7% occupied. Of the occupied units in the market, 41.7% are owner occupied and 58.3% are renter occupied. (p. 43)

Absorption Projections: Although vacancies averaged 6% among 14 projects surveyed, the persistent need for affordable housing, the projected rental rate, newer units and competitive amenities contemplated should further enhance the attractiveness of the development and sustain the proposed lease-up rate of 15 units per month. (p. 88)

Known Planned Development: According to the City of Austin, developers within the Austin city limits currently have nearly 11,000 units under construction and more than 14,000 additional units in the planning phase. (p. 44) There are two other affordable housing properties in the PMA coming online in 2002. Spring Valley Townhomes, an LIHTC development, is a 230-unit development and Oaks at Boggy Creek is a 150-unit LIHTC/Bond development. Together with the subject development, they will infuse an additional 530 units of affordable housing into the market over a 12 to 24 month period. According to the City of Austin Consolidated Plan, there is a need for an additional 1,306 affordable multifamily rental units in the City of Austin between 2000 and 2004. The three developments address approximately 40.5% of that documented need. (p. 88)

Upon request, the analyst also took into consideration a proposed 280 unit LIHTC/Bond-financed project known as Blunn Creek, located in the defined primary market area. Altogether, the four developments will infuse an additional 860 units of affordable housing into the market over a 12 to 14 month period, addressing approximately 65.8% of the need documented by the City of Austin Consolidated Plan (which is not specific to the primary market area defined by the analyst).

Effect on Existing Housing Stock: Not discussed in submitted market study.

Other Relevant Information: The rapid growth combined with the desire of developers to cater to upper-income households, has put average housing prices and rents out of the reach of many Austin middle class residents and places burdens on the poor and those on fixed incomes. Based on a comparison of cost of living differences among urban areas, produced by the American Chamber of Commerce Research Association, assuming the US average is 100, the metropolitan area has a cost of living rate of 1.17. As a result, according to the Housing Affordability Index, only 56% of area households can afford a median priced home. Further, the PMA has experienced an increase in property values, evidenced by the rise in average home value from $75,897 in 1990 to $129,347 in 2000, an annual increase of 7.0%. Values in the area are expected to continue increasing at a rate of approximately 4.4% annually, to a level of $157,894 by the year 2005. (p. 34)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

The Underwriter has also independently calculated demand based on the information derived from the submitted market study. The 2000 population for the defined primary market area (five mile radius) is estimated at 201,008 persons in 83,140 households. The number of households in 2005 is projected at 92,013 households indicating an annual growth of approximately 1,775 households.

The market analyst's income band calculator included households with up to six members with an income range from $21,840 to $45,060. Because household size per unit is limited to 1.5 persons per bedroom, the largest household qualified for this project, based on the largest unit including only three bedrooms, is a five-member household. This reduces the maximum income to $41,940. The market analyst's 2000 Projected Income Estimates chart indicates that 29%, or 24,102 households, fall within this range (information on household size within the income band was not available at completion of this report). Applying the 29% to the projected annual household growth results in an additional 515 income qualified households.

The market analyst has indicated that 58.3% of households in the primary market area are renter households. Therefore, the projected income qualified renter household growth is 300 households per year through 2005 based on the 2000 projected existing income qualified renter households in the primary market area of 14,052. However, only a portion of the existing households in the primary market area will turnover and contribute to the demand for new supply. Assuming a conservative turnover rate of 25% for the market area, the Underwriter has calculated a demand of 3,626 units from existing income qualified renter households. Adding demand from one year of household growth of 300 units results in a total income qualified demand for 3,926 rental units.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY

Type of Demand	Units of Demand	% of Total Demand
Household Growth	300	8%
Resident Turnover	3,626	92%
TOTAL ANNUAL DEMAND	**3,926**	**100%**

The Underwriter has calculated capture rate by dividing the number of units proposed for the subject project (200 units) plus comparable units proposed for the primary market area (230 + 150 + 280 = 660) by total annual income eligible demand (3,926 units including one year of growth). The calculation resulted in a capture rate of 28%, which points to a concentration concern as it exceeds the Department's 25% maximum guideline. As the project is slated for completion and lease-up in early 2003, it is reasonable to include an additional year of household growth to total demand. This would increase the demand by 300 units for a total of 4,226 units and reduce the capture rate to 20%, which would alleviate the Underwriter's concerns about possible concentration issues.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject property is located between 7201 and 7401 South Congress in Austin, Travis County. Specifically it is located on the east side of South Congress, between William Cannon Drive and Dittmar Road. The Austin metropolitan area is located along the Interstate 35 corridor, a major north-south thoroughfare.

Population: The PMA, a five-mile radius surrounding the subject property, contains approximately 201,008 people in 83,140 households. The SMA, a ten-mile radius surrounding the subject property, contains approximately 426,153 people in 171,157 households. Year 2005 projections indicate a population of 221,057 persons in the PMA and 467,940 persons in the SMA.

Adjacent Land Uses: The immediate neighborhoods surrounding the subject property are low to moderate-income communities of single-family homes and older multifamily developments. Adjacent land uses include:

- **North:** vacant land, Centennial Place Apartments beyond
- **South:** Longhorn Pipeline right of way and vacant lots, KL Motors beyond
- **East:** vacant lots and a cemetery, Circle S Drive and Commemorative Brands, Inc. Plant beyond
- **West:** South Congress Avenue, moderate-income single-family subdivision and public storage beyond

Site Access: The subject property will be accessed through two points of egress and ingress, with the primary entrance on South Congress, 0.5 miles south of William Cannon and 1.0 mile west of Interstate 35. Major arteries in the PMA include Loop 1 (Mopac), US Highway 290 West and Interstate 35. In addition, the SMA includes US Highway 183 and Loop 360 (Capital of Texas Highway).

Public Transportation: Public transportation needs are served by Capital Metro, which provides service to as far north as Cedar Park and Pflugerville and as far south as Manchaca. There is a Capital Metro bus stop at the corner of South Congress and William Cannon, approximately 0.5 miles north of the subject.

Shopping & Services: The Austin metropolitan area is home to seven area colleges and universities. Primary schools are located within 0.5 miles, while a high school is located within 2 miles of the subject. With eleven major hospitals and one children's hospital, recent medical center expansions bring the total number of hospital beds to more than 2,500. A convenience and major grocery stores are located within 2 miles of the subject. The Dittmar Recreation Center and Pleasant Hill Branch Library are located within 0.5 miles.

Special Adverse Site Characteristics: The title commitment indicates a vendor's lien retained in Deed dated October 3, 2000 securing payment of one promissory note in the principal sum of $325,000. It appears that there will be adequate proceeds from the sale of the property to clear this lien.

Site Inspection Findings: The site has not been inspected by a TDHCA staff member, and receipt, review, and acceptance of an acceptable site inspection report is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 2001 was prepared by Horizon Environmental Services, Inc. and contained the following findings and recommendations:

"Based upon a review of regulatory literature, historical information, and a site reconnaissance, the subject site was found to have a low probability for environmental risk or liability from hazardous materials and Horizon recommends no additional investigations, studies, or sampling efforts for any hazardous substances or materials." (Executive Summary)

The ESA also noted the existence of an abandoned single family home and sheds as well as slabs for a demolished service station and duplex. In addition, a pipeline right of way (ROW) is immediately adjacent to the southern boundary of the site with three pipelines: an 18-inch abandoned Longhorn pipeline, a 24-inch crude oil Rancho pipeline, and a 10.75-inch natural gas pipeline operated by Phillips 66. Longhorn plans to use its line to transport refined products from the Gulf Coast to El Paso. Segments of the pipeline are currently undergoing construction to replace and upgrade portions of the line within Travis County. These pipeline ROWs appear to be in good condition and Horizon observed no soil staining or stressed vegetation along the ROWs.

OPERATING PROFORMA ANALYSIS

Income: The Applicant has assumed comparable net rents, secondary income, and vacancy and collection loss assumptions for an effective gross income estimate that is less than 1% lower than the Underwriter's estimate.

Expenses: In contrast, the Applicant's total annual expense estimate is 10%, or $71K, lower than the Underwriter's TDHCA database-derived estimate. Several significant line-item differences include: general and administrative ($27K lower), management fee ($27K lower), repairs and maintenance ($8.5K lower), and water, sewer and trash ($34K lower).

Conclusion: Overall, the Applicant's net operating income estimate is 7%, or $65K, higher than the Underwriter's estimate. Because this difference exceeds the 5% tolerance range, the Underwriter's proforma should be used to determine the project's permanent financing structure.

DEVELOPMENT COST ESTIMATE EVALUATION

Land Value: The principles of the current owner of the proposed site are related to the principles of the Applicant. The submitted Project Cost Schedule (E.102) indicates that the properties composing the site will be purchased for $1,200,000 and closing costs are estimated at $26,000 for a total acquisition cost of $1,226,000. According to a letter, dated November 1, 2001 and signed by a principle of both the seller and the Applicant, the properties were purchased in October of 2000 for $435,000. Holding costs noted include $150,000 spent for architectural and engineering services to design and permit a 200-unit complex on the site and other administrative costs in excess of $50,000. Architectural and engineering fees of $134,500 are included in the proposed project's current cost schedule and no documentation for the other holding costs of $50,000 was submitted.

An appraisal of the subject property, prepared by The WF Smith Company, indicates an "As Is" market value as of October 25, 2001 of $1,300,000, which supports the proposed sale price of $1,200,000. Inconsistencies were noted in the body of the appraisal report including misidentification of the location of the subject site. In addition, the adjustments to the sale price of the comparable land sales are questionable as is the use of a per dwelling unit sale price comparison rather than a per acre/square foot comparison for land valuation. For instance, all four sales were adjusted upward to the amount of $500 per dwelling unit to indicate the potential market value for the subject property, with its "entitlements" in place.

This underwriting analysis includes only the October 2000 sale price of $435,000 plus the Applicant's estimated closing costs of $26,000 for a total acquisition cost of $461,000. Although the difference of $765,000 will not affect eligible basis, it will play a role in the project's gap-driven need for syndication proceeds.

Site Work Cost: Although, the ESA noted the existence of an abandoned single family home and sheds as well as slabs for a demolished service station and duplex, the Applicant's cost schedule does not include demolition costs, which would be considered an ineligible cost for basis purposes. Upon request, a principle of both the Applicant and current owner of the site submitted a letter stating, "At the time of acquisition in October 2000, the old house on the property was vacant and in uninhabitable condition and has since been removed for liability reasons." This statement does not account for the slabs mentioned in the ESA. As noted earlier, receipt, review and acceptance of a site inspection by TDHCA staff is a condition of this report. Should the existence of any structures and or slabs be noted on the site, receipt, review and acceptance of a revised cost schedule with a line-item cost for demolition is a condition of this report.

Otherwise, proposed site work costs of $5,129 per unit appear to be reasonable based on costs for similarly sized projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is 9%, or $653K, higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. As a result of conversations with the Applicant, the underwriting analysis of direct costs includes allowances for nine-foot ceilings, a fire sprinkler system, upgraded heating/cooling systems, and upgraded water-heating units.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs. The Applicant's developer fees plus housing consultant fees of $90,000 also exceed 15% of the Applicant's adjusted eligible basis and, therefore, the eligible potion of the

Applicant's developer fee must be reduced by $111,095.

Conclusion: As a result of a higher acquisition cost and direct construction costs, the Applicant's total development cost estimate is 13%, or $1.75M, higher than the Underwriter's estimate. Because this difference exceeds the 5% tolerance range, the Underwriter's total development cost estimate will be used to calculate the project's eligible basis and permanent financing needs.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing: mortgage revenue bonds, syndicated LIHTC equity and deferred developer fees.

Bonds: The bonds are private activity mortgage revenue bonds to be issued by Travis County Housing Finance Corporation and purchased by Charter/MAC. The commitment letter, dated October 3, 2001, from Charter/MAC indicates that the issuer will be TDHCA. As this is incorrect, receipt, review and acceptance of a revised commitment for permanent financing, indicating the correct bond issuer and terms, is a condition of this report. As of the date of the underwriting analysis, there will be $9,300,000 in tax-exempt Series A bonds and $2,200,000 in taxable Series B bonds.

The taxable bonds will amortize based upon an accelerated special sinking fund schedule, whereby principal payments, as calculated from the level monthly debt service on the bonds, will be applied to redeem the taxable bonds first. The tax-exempt bonds and taxable bonds shall mature 40 years and approximately 18 years, respectively, after the conversion date. From the closing date to the completion date, the interest rate on the tax-exempt bonds shall be 7.90% and, thereafter, the rate shall be 7.25%. The interest rate on the taxable bonds shall be set at 9.25%. The stated interest rates reflect all-in rates, including loan servicing, but excluding annual trustee fees, issuer fees or other trust indenture expenses. The Underwriter used a blended interest rate of 6.94%, resulting in a term of approximately 21 years for the taxable bonds.

Charter shall arrange for a direct pay letter of credit to be issued for the benefit of the Bond Trustee by a Charter-approved financial institution. Obtaining the letter of credit shall be a condition precedent to Charter's obligation to provide the Financing Facility. The letter of credit shall remain outstanding during and for fifteen days following the expiration of the construction period and shall at all times have a face amount equal to at least one hundred percent of the outstanding amount of the bonds. The construction period shall not exceed 16 months. Receipt, review and acceptance of a commitment for a letter of credit under the above stated terms is a condition of this report.

LIHTC Syndication: First Union Housing Development Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $3,851,243 based on a syndication factor of 79.5%. The funds would be disbursed in a three-phased pay-in schedule:

11. 65% upon admission to the partnership;
12. 17.5% upon lien free project completion and final certificate of occupancy; and
13. 17.5% upon permanent loan closing, attainment of 1.10 debt coverage ratio for 90 consecutive days and receipt of forms 8609.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $455,249 amount to 24% of the proposed total fees.

Financing Conclusions: Based on the Underwriter's and the Applicant's proformas for the first year of stabilized operation, the project can support both the proposed permanent annual debt service of $923,064 and the Underwriter's calculated annual debt service of $852,005, while maintaining a debt coverage ratio within the Department's guideline of 1.10 to 1.25. Therefore, the proposed bond amounts and interest rates appear to be acceptable.

As stated above, the Underwriter's total development cost estimate was used to calculate the project's eligible basis resulting in an eligible annual LIHTC allocation of $475,897. However, based on the proposed total bond amount and the Underwriter's total development cost estimate, the project has a gap-driven need of only $2,552,995 in syndication proceeds. This amount is $1,298,248 less than anticipated by the Applicant, with $765,000, or 59%, attributable to the overstatement of land cost for the identity of interest transfer. The letter of interest for syndication of the tax credits indicates a rate of 79.5%, resulting in a need for an annual LIHTC allocation of only $321,164. This figure is $154,733 less than the eligible annual allocation and $163,269 less than the Applicant's request.

It should be noted that no deferred developer fees are required under the recommended permanent financing structure. Should the project's total development cost mirror the Applicant's estimate, the difference of $1.75M can be financed through the deferral of a portion of the proposed developer fees and a reduction in the transfer price of the land. This amount would be repayable from project cash flow within the first ten years of stabilized operation.

REVIEW of ARCHITECTURAL DESIGN

The submitted elevation drawings indicate attractive combination siding/stone veneer exteriors. The individual floorplans appear to be well designed with adequate storage, private decks/patios and utility closets with hook-ups for full-sized appliances. The common area buildings will have exteriors similar to the residential buildings.

IDENTITIES of INTEREST

The seller of the proposed site and the principles of the Applicant are related entities. The identity of interest land sale was discussed in detail in the development cost estimate evaluation section of this report. In addition, the principles of the Applicant, the developer, the general contractor, the property manager, cost estimator and supportive services provider are related entities. These are common identities of interest for LIHTC/Bond-financed projects.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights: The Applicant and general partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and, therefore, have no material financial statements. An audited financial statement was provided for Picerne Investment Corporation, 50% owner of the general partner, and an interim financial statement was provided for Robert M. Picerne, 50% owner of the general partner.

As of year ended March 31, 2001, Picerne Investment Corporation had total assets of $633M comprised of cash, real estate, receivables, and prepaid expenses. Total liabilities equaled $628M for owner's equity of $5M. Ron Picerne owns 100% of voting stock in Picerne Investment Corporation, but in the past, he has declined to provide a personal financial statement based on his passive investment in the general partner.

Background & Experience: Picerne Investment Corporation has participated in numerous affordable housing projects, including LIHTC-funded projects, throughout the US since 1969.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $321,164 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS

CONDITIONS

11. Receipt, review, and acceptance of an acceptable site inspection report completed by TDHCA staff;
12. Should the existence of any structures and or slabs be noted on the site (as mentioned in the submitted ESA), receipt, review and acceptance of a revised cost schedule with a line-item cost for demolition;
13. Receipt, review and acceptance of a revised commitment for permanent financing, indicating the correct bond issuer and terms; and

14. Receipt, review and acceptance of a commitment for a letter of credit under the terms stated in the submitted and/or revised commitment for permanent financing.

Underwriter:	*Lisa Vecchietti*	**Date:**	December 6, 2001
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	December 6, 2001

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

LIHTC Allocation Calculation -Circle S Apartments, Austin, LIHTC 01458/MFB 2001-

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPL REHA ELIGIB
(1) Acquisition Cost					
Purchase of land	$1,226,000	$461,000			
Purchase of buildings					
(2) Rehabilitation/New Construction Cost					
On-site work	$1,025,760	$1,025,760			
Off-site improvements					
(3) Construction Hard Costs					
New structures/rehabilitation hard costs	$7,543,200	$6,889,957			
(4) Contractor Fees & General Requirements					
Contractor overhead	$174,379	$158,314			
Contractor profit	$523,138	$474,943			
General requirements	$523,138	$474,943			
(5) Contingencies	$150,000	$150,000			
(6) Eligible Indirect Fees	$294,150	$294,150			
(7) Eligible Financing Fees	$1,777,146	$1,777,146			
(8) All Ineligible Costs	$160,000	$160,000			
(9) Developer Fees					
Developer overhead		$224,904			
Developer fee	$1,909,582	$1,461,878			
(10) Development Reserves	$500,000	$500,000			
TOTAL DEVELOPMENT COSTS	$15,806,493	$14,052,995			

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS				
High Cost Area Adjustment				
TOTAL ADJUSTED BASIS				
Applicable Fraction				
TOTAL QUALIFIED BASIS				
Applicable Percentage			3.76%	
TOTAL AMOUNT OF TAX CREDITS				

Syndication Proceeds 0.7949

Gap-Driven Need for

Gap-Dri

AGENDA ITEM 3D
Approval of Possible Reduction in Qualified Units for 01058, Highland Gardens, Harlingen, Texas

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

M E M O R A N D U M

TO: Board Members

FROM Ruth Cedillo
Acting Executive Director

CC: David Burrell, Director of Housing Programs
Executive Award and Review Committee Members

DATE: December 5, 2001

SUBJECT: Decrease of Units and Tax Credits on Highland Gardens Apartments - Harlingen

On July 31, 2001 the developer's of Highland Gardens Apartments, Harlingen, Texas was awarded tax credits of $831,340 by the board of the Texas Department of Housing and Community Affairs (TDHCA). The developer's originally requested tax credits of $944,128 in their application for the construction of 174 units; however, the TDHCA Underwriting Division recommended the reduction of credits from $944,128 to $831,340 based upon their construction cost analysis

Since the allocation of credits for Highland Gardens Apartments in July, the developer has contacted TDHCA and states that the apartments cannot be constructed as originally presented without additional credits above the $831,340. TDHCA informed the developer that there are no additional credits that can be awarded for their project, because all available eligible credits were committed on July 31, 2001. The developer has now requested that they be allowed to reduce the number of units to be constructed from 174 to 156 in the project in order to make it feasible.

Since receiving the request for a reduction of units, we have re-underwritten the project and recommend that the reduction of units to 156 be approved with tax credits in the amount of $782,107.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

DATE: December 5, 2001 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 01058

DEVELOPMENT NAME

Highland Gardens Apartments

APPLICANT

Name: Highland Gardens, L. P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 2010 Kessler Parkway **City:** Dallas **State:** TX

Zip: 75208 **Contact:** Linda Brown **Phone:** (214) 941-0090 **Fax:** ( )

PRINCIPALS of the APPLICANT

Name	(%)	Title
Highland Gardens Development L.L.C	.01	Managing General
Casa Linda Development Corporation	N/A	100% owner of GP
Linda Brown	N/A	100% owner of owner of
Bill Fisher	N/A	VP of GP (in documents)
Related Capital Company	99.99	Initial Limited Partner

GENERAL PARTNER

Name: Highland Gardens Development LLC **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 2010 Kessler Parkway **City:** Dallas **State:** TX

Zip: 75208 **Contact:** Linda Brown **Phone:** (214) 941-0090 **Fax:** ( )

PROPERTY LOCATION

Location: South side of E. Tyler Street between 19th & 21st Streets ☐ **QCT** ☒ **DDA**

City: Harlingen **County:** Cameron **Zip:** 78550

REQUEST

Amount	Interest Rate	Amortization	Term
$831,340	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits previously approved

Proposed Use of Funds: New construction **Set-Aside:** ☒ General ☐ Rural ☐ Non-Profit

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 156 **# Rental Buildings** 24 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathrooms	Size in SF
62	2	2	900
78	3	2	1100
16	4	2	1250

Net Rentable SF: 161,600 **Av Un SF:** 1,036 **Common Area SF:** 3,725 **Gross Bldng SF** 165,325

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: American Mortgage Acceptance Company **Contact:** Steven Wendel

Principal Amount: $6,700,000 **Interest Rate:** 330 basis points over 15 year treasury (estimated at 8.09%)

Additional Information: Two 3 month extensions are available,

Amortization: N/A yrs **Term:** 18 mos **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: American Mortgage Acceptance Company **Contact:** Steven Wendel

Principal Amount: $3,997,000 **Interest Rate:** 255 basis points over 15 year treasury (estimated at 7.34%)

Additional Information: Interest rate fixed at construction closing

Amortization: 30 yrs **Term:** 18 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $336,660 **Lien Priority:** 1st **Commitment Date** 03/ 19/ 2001

APPLICANT EQUITY

Amount: $870,846 **Source:** Deferred developer fee

ADDENDUM

Subsequent to the Department's reservation and commitment of a tax credit allocation for this project the Applicant indicated that the significant reduction in tax credits from their original request of $944,128 would make their transaction infeasible. The Applicant made several attempts to identify and explain the differences in cost assumptions made by the Department. However, the Underwriter was unable to concur that these differences provided sufficient support for a significant adjustment to the recommended credit allocation. The Applicant fulfilled conditions 1 through 4 of the original underwriting report. The Applicant revised the site plan to reflect an increased number of buildings (24 instead of 21) and significantly changed the building type mix. The Applicant provided revised floor plans for each of the units that reflect that each bedroom be at least 10' by 10' in area. The floor plans also reflect that each of the units would have a rear patio and a front porch. The Applicant provided a revised clubhouse floor plan, which reflected a slightly larger 3,725 square foot building.

In an effort to salvage the project the Applicant subsequently made a request to adjust the unit mix and reduce the number of tax credit and total units by 18 (10.3%) but maintain the full awarded tax credit amount. The remainder of this addendum will evaluate the changes to the original proposal and the feasibility of the project based on those proposed changes. This addendum should be reviewed with the original credit underwriting analysis report, as it will only address areas that have been changed or need further modification.

Eight of the units removed from the revised project are two-bedroom units and ten are three-bedroom units. All 16 four-bedroom units will be maintained as originally planned. The Applicant has provided a revised cost schedule and operating budget as well as a revised construction and permanent loan commitment to support the revised request. The Applicant has indicated that the project would maintain the same number of buildings but reduce the number of interior units, however, a revised site plan and building unit mix was not available at the time of underwriting. Receipt, review, and acceptance of a revised site plan consistent with the proposed changes is a condition of this report.

Populations Targeted: 112 (72%) of the units will now be reserved for low-income tenants. 56 of the units (36% of the total) will be reserved for households earning 50% or less of AMGI, 56 units (36%) will be reserved for households earning 60% or less of AMGI, and the remaining 44 units will be offered to qualified prospects at market rents.

Operating Proforma Analysis: The Applicant's revised income, expenses, and NOI are all within 5% of the Underwriter's TDHCA database-derived estimate and therefore are acceptable as presented. With the reduction in units, the Applicant's NOI has decreased by $32K. Fortunately, the reduction in interest rates over the course of the past year has allowed the project's lower debt service to support roughly the same amount of permanent debt as originally anticipated in the original underwriting report at above a minimum acceptable 1.10 DCR.

Construction Costs: The conditions regarding the extension of the land purchase contract and the inclusion of the costs of the road extension were not reviewed as part of this addendum and will remain a condition of this report. The Applicant's sitework costs have increased $227,000 in absolute terms and increased from $4,500 to $6,474 on a per unit basis. While the reasons for this increase have not been specifically documented, the increased amounts are still considered reasonable compared to historical sitework costs for multifamily projects and would not trigger an independent justification if they had been proposed originally at this level. The Applicant's direct construction cost estimate has decreased by 13% but is still $459K, or 8%, higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's adjustments are considered. The remainder of the Applicant's revised budget did not change significantly except for the decreases in fees that are limited by Department guidelines and an increase in interest expense. The Applicant explained this increase of $116K is as a result of a slightly pushed back construction schedule and a reduction in the syndication equity to be provided up front, necessitating a larger construction loan than originally anticipated. Overall, the Applicant's total development cost estimate is still outside the 5% tolerance range compared to the Underwriter's total revised budget. Therefore, the Underwriter's total development cost estimate will be used to calculate the project's eligible basis of $9,916,823 and recommend a reduced tax credit allocation of $782,107 from the eligible basis method.

Financing: The Applicant provided a new commitment for interim to permanent financing through American Mortgage Acceptance Company (AMAC) in the amount of $6,700,000 during the interim period and up to $3,977,000 at conversion to permanent. The Applicant's revised proforma anticipated a slightly lower permanent loan amount of $3,775,000 and a lower interest rate of 7.25% instead of the 7.34% currently estimated by the lender. The Underwriter utilized the lower amount but the current interest rate to determine the feasibility of the DCR because the lender has not completed its due diligence. The final interest rate will be set at the construction loan closing and set at 255 basis points over the interpolated 15-year US Treasury rate. The final loan amount will depend on a 1.15 DCR and a maximum LTV of 80% based on the tax credit rents. A revised syndication commitment/agreement evidencing the change in pay-in structure was not provided and would now have to be amended to acknowledge the proposed reduction in tax credits. Receipt review and acceptance of a revised syndication agreement is a condition of this report. The Applicant's proposed deferred developer's fees of $870,846 without the higher potential debt amount but would be reduced by $202K if the full debt amount can be achieved.

Conclusions: As stated above, the Underwriter's total development cost estimate was used to determine the project's eligible basis and recommended annual tax credit allocation. Based on the current underwriting applicable percentage rate of 8.45%, the project appears to be eligible for $782,107 annually in tax credits, or

$49,233 less than previously recommended. The recommended tax credit per tax credit unit has increased from $6,395 to $6,983 but is less than the originally requested $7,262.

The Underwriter's analysis also indicates that the deferred developer fees will be $655,550. This represents 51% of total eligible developer fees and appear to be repayable from project cash flow by the tenth year of stabilized operation. Should actual total development costs mirror the Applicant's estimate, sufficient developer fees exist to cover that difference. Moreover, if the Applicant locks in the applicable percentage today the cushion of the underwriting applicable percentage of 40 basis points provides nearly the same eligible basis (within 1%) as currently claimed by the Applicant.

The concerns raised in the original report regarding developer experience and identity of interest remain. The owner (Brian Potashnick) and controller (Bill Fisher) of the originally proposed general contractor have interceded on behalf of the freshman developer and provide significant technical assistance in revising this application. The final formal role Mr. Potashnick will play remains unclear according to the Applicant, however, the Underwriter feels it is very likely that he or his firm will ultimately be called upon to guarantee the construction loan and orchestrate the project construction if not formally act as the general contractor.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant environmental/locational risks exist regarding the lack of an easement or right of way providing access to the property.
- The principals of the Applicant do not appear to have the development experience/ financial capacity to support the project if needed.
- The significant financing structure changes being proposed have not been reviewed accepted by the Applicant, lenders and syndicators, and acceptable alternative structures may exist..

RECOMMENDATION

☑ RECOMMEND APPROVAL OF A REDUCTION IN THE LIHTC ALLOCATION TO NOT MORE THAN $782,107 ANNUALLY FOR TEN YEARS SUBJECT TO CONDITIONS

CONDITIONS

15. Receipt review, and acceptance of a revised site plan consistent with the rent schedule and unit mix contained herein;
16. Receipt, review, and acceptance of an amendment extending the termination date of the contract;
17. Receipt, review, and acceptance of documentation from the seller for the easement to Tyler Avenue and clarification of the cost of the offsite road development that will be required; and,
18. Receipt review, and acceptance of a revised syndication agreement consistent with the assumptions in this report

Director of Credit Underwriting: ______________________________ **Date:** December 6, 2001
Tom Gouris

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analys

Highland Gardens Apartments, Harlingen, LIHTC, #01058

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month
LIHTC (50%)	22	2	2	900	402	$317	$6,974
LIHTC (60%)	22	2	2	900	483	$398	8,756
MR	18	2	2	900	650	$650	11,700
LIHTC (50%)	28	3	2	1,100	465	$359	10,052
LIHTC (60%)	28	3	2	1,100	558	$452	12,656
MR	22	3	2	1,100	720	$720	15,840
LIHTC (50%)	6	4	2	1,250	518	$384	2,304
LIHTC (60%)	6	4	2	1,250	622	$488	2,928
MR	4	4	2	1,250	775	$775	3,100
TOTAL:	156		AVERAGE:	1,036	$549	$476	$74,310

INCOME & EXPENSE					TDHCA	APPLICANT
POTENTIAL GROSS RENT					$891,720	$891,600
Secondary Income			Per Unit Per Month:	$10.00	18,720	18,720
Other Support Income: (describe)					0	0
POTENTIAL GROSS INCOME					$910,440	$910,320
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(68,283)	(68,274)
Employee or Other Non-Rental Units or Concessions					0	0
EFFECTIVE GROSS INCOME					$842,157	$842,046
EXPENSES		% OF EGI	PER UNIT	PER SQ FT		
General & Administrative		6.04%	$326	$0.31	$50,883	$42,300
Management		5.00%	270	0.26	42,108	42,102
Payroll & Payroll Tax		6.11%	330	0.32	51,435	104,400
Repairs & Maintenance		7.90%	427	0.41	66,565	66,000
Utilities		6.70%	362	0.35	56,455	31,300
Water, Sewer, & Trash		9.71%	524	0.51	81,736	50,500
Property Insurance		3.07%	166	0.16	25,856	28,800
Property Tax	2.436684	9.03%	487	0.47	76,025	78,000
Reserve for Replacements		3.70%	200	0.19	31,200	31,200
Other Expenses: Compliance Fees / Supportive Services		1.44%	78	0.07	12,100	12,100
TOTAL EXPENSES		58.70%	$3,169	$3.06	$494,363	$486,702
NET OPERATING INC		41.30%	$2,229	$2.15	$347,794	$355,344
American Mortgage Acceptance Company		37.02%	$1,999	$1.93	$311,796	$309,026
Asset Management Fees		0.89%	$48	$0.05	7,500	7,500
Additional Financing		0.00%	$0	$0.00	0	
NET CASH FLOW		3.38%	$183	$0.18	$28,498	$38,818
AGGREGATE DEBT COVERAGE RATIO					1.09	1.12
ALTERNATIVE DEBT COVERAGE RATIO					1.12	

CONSTRUCTION COST							
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	Original
Acquisition Cost (site or bldng)		3.82%	$2,619	$2.53	$408,558	$408,558	
Off-Sites		0.00%	0	0.00	0	0	
Sitework		9.45%	6,474	6.25	1,010,000	1,010,000	
Direct Construction		54.30%	37,200	35.91	5,803,151	6,262,587	
Contingency	1.60%	1.02%	699	0.68	109,089	109,089	

General Requirements	6.00%	3.83%	2,620	2.53	408,789	436,355
Contractor's G & A	2.00%	1.28%	873	0.84	136,263	145,452
Contractor's Profit	6.00%	3.83%	2,620	2.53	408,789	436,355
Indirect Construction		3.52%	2,413	2.33	376,400	376,400
Ineligible Expenses		1.07%	735	0.71	114,686	114,686
Developer's G & A	2.00%	1.61%	1,106	1.07	172,466	0
Developer's Profit	13.00%	10.49%	7,186	6.94	1,121,032	1,378,911
Interim Financing		3.47%	2,377	2.29	370,843	370,843
Reserves		2.31%	1,581	1.53	246,662	246,662
TOTAL COST		100.00%	$68,505	$66.13	$10,686,729	$11,295,898
SOURCES OF FUNDS						
American Mortgage Acceptance Company		35.32%	$24,199	$23.36	$3,775,000	$3,775,000
LIHTC Syndication Proceeds		62.23%	$42,629	$41.15	6,650,051	6,650,051
Additional Financing		0.00%	$0	$0.00	0	
Deferred Developer Fees		8.15%	$5,582	$5.39	870,846	870,846
Additional (excess) Funds Required		-5.70%	($3,905)	($3.77)	(609,168)	1
TOTAL SOURCES					$10,686,729	$11,295,898

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MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Highland Gardens Apartments, Harlingen, LIHTC, #01058

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Townhouse Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$ 45.73	$7,390,768
Adjustments				
Exterior Wall Finish	0.25%		$0.11	$18,477
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.12)	(180,184)
Floor Cover			2.43	392,688
Porches/Balconies	$13.17	4,029	0.33	53,062
Plumbing	$675	174	0.73	117,450
Built-In Appliances	$2,000	156	1.93	312,000
Stairs/Fireplaces		0	0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	295,728
Garages/Carports		0	0.00	0
Comm &/or Aux Bldngs	$55.81	3,725	1.29	207,889
Other:			0.00	0
SUBTOTAL			53.27	8,607,877
Current Cost Multiplier	1.01		0.53	86,079
Local Multiplier	0.82		(9.59)	(1,549,418)
TOTAL DIRECT CONSTRUCTION COSTS			$44.21	$7,144,538
Plans, specs, survy, bld prmts	3.90%		($1.72)	($278,637)
Interim Construction Interest	3.38%		(1.49)	(241,128)
Contractor's OH & Profit	11.50%		(5.08)	(821,622)
NET DIRECT CONSTRUCTION COSTS			$35.91	$5,803,151

PAYME

Primary	
Int Rate	

Secondary	
Int Rate	

Additional	
Int Rate	

ALTERNATIVE

Primary Debt Service

Secondary Debt Service

Additional Debt Service

NET CASH FLOW

Primary	
Int Rate	

Secondary	
Int Rate	

Additional	
Int Rate	

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10
POTENTIAL GROSS RENT	$891,720	$918,472	$946,026	$974,407	$1,003,639	$1,163,492
Secondary Income	18,720	19,282	19,860	20,456	21,070	24,425
Other Support Income: (describe)	0	0	0	0	0	0
POTENTIAL GROSS INCOME	910,440	937,753	965,886	994,862	1,024,708	1,187,918
Vacancy & Collection Loss	(68,283)	(70,331)	(72,441)	(74,615)	(76,853)	(89,094)
Employee or Other Non-Rental Units or Concessions	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$842,157	$867,422	$893,444	$920,248	$947,855	$1,098,824
EXPENSES at 4.00%						
General & Administrative	$50,883	$52,919	$55,035	$57,237	$59,526	$72,423
Management	42,108	43,371	44,672	46,012	47,393	54,941
Payroll & Payroll Tax	51,435	53,492	55,632	57,857	60,171	73,207
Repairs & Maintenance	66,565	69,228	71,997	74,877	77,872	94,743
Utilities	56,455	58,713	61,062	63,504	66,045	80,353
Water, Sewer & Trash	81,736	85,005	88,405	91,942	95,619	116,336
Insurance	25,856	26,890	27,966	29,084	30,248	36,801
Property Tax	76,025	79,066	82,228	85,517	88,938	108,207
Reserve for Replacements	31,200	32,448	33,746	35,096	36,500	44,407
Other	12,100	12,584	13,087	13,611	14,155	17,222
TOTAL EXPENSES	$494,363	$513,716	$533,831	$554,738	$576,467	$698,641
NET OPERATING INCOME	$347,794	$353,706	$359,613	$365,510	$371,388	$400,183
DEBT SERVICE						
First Lien Financing	$310,398	$310,398	$310,398	$310,398	$310,398	$310,398
Second Lien	7,500	7,500	7,500	7,500	7,500	7,500
Other Financing	0	0	0	0	0	0
NET CASH FLOW	$29,896	$35,807	$41,715	$47,612	$53,490	$82,285
DEBT COVERAGE RATIO	1.09	1.11	1.13	1.15	1.17	1.26

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

DATE:	December 6, 2001	**PROGRAM:**	9% LIHTC	**FILE NUMBER:**	01058

DEVELOPMENT NAME

Highland Gardens Apartments

APPLICANT

Name: Highland Gardens, L. P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 2010 Kessler Parkway **City:** Dallas **State:** TX

Zip: 75208 **Contact:** Linda Brown **Phone:** (214) 941-0090 **Fax:** ( )

PRINCIPALS of the APPLICANT

Name	(%)	Title
Highland Gardens Development L.L.C	.01	Managing General
Casa Linda Development Corporation	N/A	100% owner of GP
Linda Brown	N/A	100% owner of owner of
Bill Fisher	N/A	VP of GP (in documents)
Related Capital Company	99.99	Initial Limited Partner

GENERAL PARTNER

Name: Highland Gardens Development LLC **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 2010 Kessler Parkway **City:** Dallas **State:** TX

Zip: 75208 **Contact:** Linda Brown **Phone:** (214) 941-0090 **Fax:** ( )

PROPERTY LOCATION

Location: South side of E. Tyler Street between 19th & 21st Streets ☐ **QCT** ☒ **DDA**

City: Harlingen **County:** Cameron **Zip:** 78550

REQUEST

Amount	Interest Rate	Amortization	Term
$944,128	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of low-income housing tax credits

Proposed Use of Funds: New construction **Set-Aside:** ☒ General ☐ Rural ☐ Non-Profit

SITE DESCRIPTION

Size:	12.3	acres	535,788	square feet	**Zoning/ Permitted Uses:**	M-2
Flood Zone Designation:			Zone C	**Status of Off-Sites:**	Partially improved	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 174 **# Rental Buildings** 21 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
70	2	2	900
88*	3	2	1100
16*	4	2	1250

Net Rentable SF: 179,800 **Av Un SF:** 1,033 **Common Area SF:** 8,990* **Gross Bldng SF** 188,790

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

*Site plan reflects 87 3-bedroom units and 17 4- bedroom units, and the clubhouse square footage could not be verified

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 75% stucco and 25% Hardiplank siding exterior wall covering with wood trim

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections and laminated counter tops.

ON-SITE AMENITIES

Community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, mechanical and storage rooms and perimeter fencing with limited access gate.

Uncovered Parking: 435 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Kasper Mortgage Capital, LLC **Contact:** Tom Kasper

Principal Amount: $5,100,000 **Interest Rate:** 7.7%

Additional Information:

Amortization: N/A yrs **Term:** 2 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: Kasper Mortgage Capital, LLC **Contact:** Tom Kasper

Principal Amount: $3,935,000 **Interest Rate:** 7.7%

Additional Information: Final interest rate will be based upon Fannie Mae's pricing for an 18-year Tier 2 enhanced standard loan with 15-year maintenance.

Amortization: 30 yrs **Term:** 18 yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $336,660 **Lien Priority:** 1st **Commitment Date** 03/ 19/ 2001

CREDIT UNDERWRITING ANALYSIS

LIHTC SYNDICATION

Source: Related Capital Company **Contact:** Justin Ginsberg

Address: 625 Madison Avenue, Suite 101 **City:** New York

State: NY **Zip:** 10022 **Phone:** (212) 521-6363 **Fax:** (212) 751-3550

Net Proceeds: $7,552,267 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) .80¢

Commitment ☐ None ☒ Firm ☐ Conditional **Date:** 03/ 19/ 2001

Additional Information: Commitment letter reflects proceeds of $7,552,267 based on credits of $9,441,280

APPLICANT EQUITY

Amount: $682,913 **Source:** Deferred developer fee

ASSESSED VALUE

Land: 12.69 ac / $424,546
5.00 ac / $50,000 **Assessment for the Year of:** 2001

Total: 17.69 ac / $474,546
1.0 ac = $26,826 **Valuation by:** Cameron County Appraisal District

Prorated portion -Subject: 12.3 ac = $329,960 **Tax Rate:** 2.4367

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Unimproved property contract

Contract Expiration Date: 07/ 01/ 2001 **Anticipated Closing Date:** 07/ 31/ 2001

Acquisition Cost: $ 408,557.50 **Other Terms/Conditions:** $10,000 earnest money

Seller: Juan A. Duecjm / Gloria Dieck & JaMa II, a TX Limited Partnership. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Highland Gardens Apartments is a proposed new construction project of 174 units of affordable housing located in east Harlingen. According to the site plan, the project is comprised of 21 residential buildings as follows:

Building Type Summary

Building Type	# of Buildings	# of Floors	Unit B 2-BR/2-BA	Unit C 3-BR/2-BA	Unit D 4-BR/2-BA	Total Units
I	2	2	10	0	0	10
II	6	2	8	0	0	8
III	1	2	0	10	0	10
IV	8	2	0	8	0	8
V	1	2	0	7	0	7
VI	1	2	0	0	9	9
VII	1	2	2	0	8	10
VIII	1	2	0	6	0	6
Total	21		70	87	17	174

This unit mix is slightly inconsistent with the rent schedule unit mix, as there is one less three-bedroom unit and one extra four-bedroom unit listed on the site plan than on the rent schedule. Receipt, review, and acceptance of a revised site plan consistent with the rent schedule and unit mix contained herein is a condition of this report. In addition, the submitted floor plans each have indicated square footage per floor that when totaled is 22 to 49 square feet less than the total unit square footage listed on the floor plan and rent schedule and used in this report. Receipt, review, and acceptance of revised floor plans for each of the units that are consistent with the rent schedule is a condition of this report. Based on the site plan the apartment buildings are distributed evenly throughout the site and arranged in rectangular shape separated by a circular parking area, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 8,990-square foot (unverified) community building will include a business center, library, fitness center, laundry facility, kitchen and public restrooms as well as management/leasing offices. The floor plan provided by the Applicant does not appear to be consistent with the one shown on the site plan. The floor plan appears to show all of the amenities listed in the application, but appears to reflect only 3,630 square feet. No other common area buildings are evident. Therefore, receipt, review, and acceptance of a revised floor plan, if applicable, is required. Upon receipt of a revised floor plan, an adjustment to the Underwriter's direct construction cost estimate may take place.

Supportive Services: The Applicant has contracted with Housing Services of Texas, Inc. to provide the following supportive services to tenants: social, recreational computer lab, language lab, and agency referrals. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services, and to pay $1,333 per month for these support services.

Schedule: The Applicant anticipates construction to begin in February of 2002, to be completed and placed in service in December of 2002, and to be substantially leased-up in June of 2003.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 130 (75%) of the units will be reserved for low-income tenants. 65 of the units (37% of the total) will be reserved for households earning 50% or less of AMGI, 65 units (37%) will be reserved for households earning 60% or less of AMGI, and the remaining 44 units will be offered to qualified prospects at market rents.

Special Needs Set-Asides: Nine units (5%) will be handicapped-accessible.

Compliance Period Extension: The Applicant has also elected to extend the compliance period an additional ten years.

MARKET HIGHLIGHTS

A market feasibility study dated March 20, 2001 was prepared by Butler Burgher, LLC and a summary is attached. The following tables reflect information extracted by the Underwriter:

INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY

Type of Demand	Units of Demand	% of Total Demand
Household Growth	119	15%
Existing Pent up Demand	673	85%
TOTAL ANNUAL DEMAND	**792**	**100%**

(Pg. 38)

RENT ANALYSIS (net tenant-paid rents)

	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (50%)	$304	$402	-$98	$650	-$346
2-Bedroom (60%)	$382	$483	-$101	$650	-$268
2-Bedroom (market)	$650	N/A	N/A	$650	$0
3-Bedroom (50%)	$345	$465	-$120	$720	-$375
3-Bedroom (60%)	$435	$558	-$123	$720	-$285
3-Bedroom (market)	720	N/A	N/A	720	$0
4-Bedroom (50%)	$369	$518	-$149	$760	-$391
4-Bedroom (60%)	$470	$622	-$152	$760	-$290
4-Bedroom (market)	$775	N/A	N/A	$760	+$15

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Harlingen is located in south Texas, approximately 25 miles northwest of Brownsville in Cameron County. The site is a rectangularly-shaped parcel located in the east area of Harlingen, approximately one mile from the central business district. The site is situated on the south side of East Tyler Avenue.

Population: The estimated 2000 population of Harlingen was 83,400 and is expected to increase by 1.9% per year. Within the primary market area there were estimated to be 27,401 households in 2000.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed with vacant land, commercial buildings, and single family. Adjacent land uses include:

- **North:** A vacant strip of retail zoned land, E. Tyler Ave., and various free-standing commercial buildings across E. Tyler.
- **South:** An irrigation canal and an older, well established SFR subdivision.
- **East:** Vacant land.
- **West:** Vacant land.

Site Access: Access to the property is from the north from Tyler Avenue. The project is to have one main entrance. Access to loop 499 is one mile east, which provides good access to other parts of the city.

Public Transportation: Public transportation to the area is provided by Valley Transit Authority. The proximity to the nearest bus stop is unknown.

Shopping & Services: The site has ample retail facilities in the subject neighborhood. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: A TDHCA staff member performed a site inspection on May 2, 2001 and found the location to be acceptable for the proposed development. The inspector noted the site is currently in agricultural production.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 21, 2001 was prepared by Butler Burgher, LLC and a summary is attached.

OPERATING PROFORMA ANALYSIS

Income: The 2001 gross rent limits and utility allowances for Harlingen produce net rents of $317 for the two-bedroom units affordable at 50% of AMGI, $398 for the two-bedroom units affordable at 60% of AMGI, $359 for the three-bedroom units affordable at 50% of AMGI, $452 for the three-bedroom units affordable at 60% of AMGI, $384 for the four-bedroom units affordable at 50% of AMGI, and $488 for the four-bedroom units affordable at 60% of AMGI. According to the market analyst, these rents are achievable in the market area. Because the 2001 rent limits were not available at the application deadline, the Applicant used the lower 2000 LIHTC rent limits in calculating potential gross rent. The Applicant's market rents are slightly higher than the average market rents for four-bedroom units, but there is at least one comparable unit in this submarket with a higher rent. Therefore, the Underwriter accepts the Applicant's market rents as proposed. The Applicant's slightly higher secondary income assumption of $11.60 per unit per month rather than the standard of $10 per unit per month was netted out to result in a net operating income estimate that is $19K, or 2%, less than the Underwriter's estimate.

Expenses: The Applicant's total annual operating expense estimate is $53K, or 9%, less than the Underwriter's TDHCA database-derived estimate. Despite adjustments to reflect information provided in the submitted market study, several of the Applicant's line items differed significantly from the Underwriter's estimates. The Applicant's general and administrative, utilities and water, sewer and trash are lower by $14K, $31K, and $41K, respectively. The Underwriter increased the utility expense to compensate for water heating costs the project will bear due to the use of a boiler system, however, this does not appear to have been considered in the Applicant's estimate. The Applicant's payroll is also higher by $47K.

Conclusion: Overall, the Applicant's net operating income is $34K, or 10% higher than the Underwriter's estimate. While the Applicant's year one proforma and a debt service of $336,660 results in a debt coverage ratio (DCR) of 1.15, the Underwriter's forecast and an equivalent debt service result in a DCR of 1.05. Since the Applicant's estimated net operating income is inconsistent with the Underwriter's expectations, the Underwriter's NOI will be used to evaluate debt service capacity. Therefore, the maximum debt service for this project should be limited to $321,523 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. This will be discussed further in the financing section conclusions below.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The submitted earnest money contract indicates a sale price of $408,558 for the 12.3-acre site. The land sale is not an identity of interest transaction and therefore is considered reasonable. While the anticipated closing date is written in as July 31, 2001, the contract specifically indicates that it will terminate on July 1, 2001. Receipt, review, and acceptance of an amendment extending the termination date of the contract is a condition of this report.

Off-Site Costs: Though no offsite costs were listed in the application, it is clear that an easement and access road will be required to gain access to Tyler Avenue. This easement and the cost of such an access road were also not contemplated in the unimproved property contract. Receipt, review, and acceptance of documentation from the seller for the easement to Tyler Avenue and clarification of the cost of the offsite road development that will be required is a condition of this report.

Site Work Cost: The Applicant's claimed site work costs of $4.5K per unit are considered reasonable compared to historical site work costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $981K, or 16%, higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's adjustments are considered. This would suggest that the Applicant's direct construction costs are overstated.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. However, because the Applicant's hard costs are so much higher than the Underwriter's costs, these fees appear considerably higher as well.

Conclusion: Overall, the Applicant's total development cost estimate is outside the 5% tolerance range and, therefore, the Underwriter's total development cost estimate of $10,883,759 will be used to calculate the project's eligible basis of $10,069,829 and recommend a tax credit allocation of $831,340 from this method. This will be used to determine syndication proceeds that will be compared to the gap method for a final credit recommendation.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing from three sources: a conventional interim to permanent loan, syndicated LIHTC equity, and deferred developer's fees.

Interim to Permanent: There is a commitment for interim to permanent financing through Kasper Mortgage

Capital – DUS Lender in the amount of $5,100,000 during the interim period and $3,935,000 at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 18 years for the permanent at a fixed rate. The interim interest rate is estimated to be 7.7%. The permanent interest rate will be based upon Fannie Mae's pricing for an 18-year Tier 2 enhanced standard loan with 15-year yield maintenance. As of March 19, 2001, such rate would be 7.7% for an immediate funding.

LIHTC Syndication: Related Capital Company has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $7,552,267 based on a syndication factor of 79.99%. The funds would be disbursed in a four-phased pay-in schedule:

14. 30% upon admission to the partnership;
15. 30% upon completion of construction;
16. 20% upon final closing of the permanent mortgage loan;
17. 20% upon attainment of breakeven operating status.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $682,913 amount to 46% of the total fees.

Financing Conclusions: As stated above, the Underwriter's total development cost estimate was used to determine the project's eligible basis and recommended annual tax credit allocation. Based on the current underwriting applicable percentage rate of 8.51%, the project appears to be eligible for $831,340 annually in tax credits, or $112,788 less than requested.

The Underwriter's analysis also indicates that the serviceable debt on the project will be $176,920 less than the Applicant has projected. Therefore, the total development cost estimate of $10,883,759, less the permanent financing of $3,758,080 and the anticipated syndication proceeds of $6,650,052, result in a need for deferred developer fees of $475,627. The recommended deferred developer fees amount to 36% of total proposed developer fees and appear to be repayable from project cash flow by the ninth year of stabilized operation. Should actual total development costs mirror the Applicant's estimate, insufficient developer fees exist to cover the additional $603,508 difference so that such an increase would require the deferral of developer fees as well as approximately $280K of contractor fees. While it is recommended that the Applicant pursue a fixed price contract and attempt to reduce the hard construction costs to a level consistent with the Underwriter's estimate, an increase and deferral of contractor fees may be plausible because of the close relationship between the Principal of the Applicant and the contractor. In addition, the total deferred fees in such a situation could be predicted to be repayable, albeit in a little over 20 years.

REVIEW of ARCHITECTURAL DESIGN

The preliminary elevation for the residential buildings indicates combination stucco/siding exteriors in bright shades of coral. It appears that the majority of the bedrooms in the townhome units may offer less than a 10' x 10' area. Therefore, receipt, review, and acceptance of floor plans that offer at least 10' x 10' bedrooms is a condition of this report. Otherwise, all of the units include a bedroom and full bathroom on the ground floor, washer/dryer connections, and adequate storage.

The proposed stucco and stone exterior of the clubhouse differs significantly from the residential buildings. The design of the building, with details such as dormers on the roof and columns for the porches, is not in line with the more "tropical" design of the residential buildings. The building will house many tenant-accessible areas as well as management/leasing offices. An accurate scale was not provided with the floor plan and, therefore it is impossible to verify the building's square footage. As discussed above, receipt, review, and acceptance of a revised clubhouse floor plan with a legible and accurate scale is a condition of this report.

IDENTITIES of INTEREST

The cost estimator, Affordable Housing Construction, is also the general contractor; this is a typical relationship. Bill Fisher is represented on several documents as the vice president of the managing general partner and is known to be the controller for Southwest Housing Development, a significant tax credit developer controlled by Brian Potashnick. Mr. Potashnick is also the president of Affordable Housing Construction, the general contractor. Mr. Fisher has also signed as the authorized representative and controller of the supportive service provider, Housing Services of Texas, and Ms. Brown, the principal of the Applicant, is listed as a director of this non-profit entity. While these may be somewhat unusual extended relationships, they appear to be acceptable.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:
The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
Background & Experience:
- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has never received a tax credit allocation.
- The General Contractor, Affordable Housing Construction, has completed six LIHTC housing projects totaling 1,199 units since 1994, and has five projects currently under construction. No disclosures or defaults were listed.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The Applicant's development costs differ from the Underwriter's verifiable estimate by more than 5%.
- Significant inconsistencies in the Application could affect the financial feasibility of the project.
- Significant environmental/locational risks exist regarding the lack of an easement or right of way providing access to the property.
- The principals of the Applicant do not appear to have the development experience/ financial capacity to support the project if needed.
- The significant financing structure changes being proposed have not been reviewed accepted by the Applicant, lenders and syndicators, and acceptable alternative structures may exist..

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $831,340 ANNUALLY FOR TEN YEARS SUBJECT TO CONDITIONS

CONDITIONS

19. Receipt review, and acceptance of a revised site plan consistent with the rent schedule and unit mix contained herein;
20. Receipt review, and acceptance of revised floor plans for each of the units that are consistent with the rent schedule;
21. Receipt, review, and acceptance of a revised clubhouse floor plan with a legible and accurate scale and a possible reevaluation of the tax credit amount if the revised plan indicates more than 3,630 square feet;
22. Receipt, review, and acceptance of revised floor plans reflecting that each bedroom is at least 10' x 10' in area;
23. Receipt, review, and acceptance of an amendment extending the termination date of the contract; and
24. Receipt, review, and acceptance of documentation from the seller for the easement to Tyler Avenue and clarification of the cost of the offsite road development that will be required.

AGENDA ITEM 3E

Approval for Acting Executive Director to Execute 2001 Tax Credit Carryover Allocations Before the Department's December 31, 2001 Carryover Deadline Subject to Re-Underwriting and Board Ratifications for 01005, Chaparral Townhomes, Allen, Texas and 01004, Fulton Village, Houston, Texas and any Other Developments That May Have Proposed Adjustments to their Original Allocation

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

M E M O R A N D U M

TO: Board of Directors

FROM: Ruth Cedillo
Acting Executive Director

CC: David Burrell, Director of Housing Programs
Executive Award and Review Committee Members

DATE: December 5, 2001

SUBJECT: Approvals for Conditional Carryovers

The Executive Award and Review Committee recommends that the board grant approval to the Acting Executive Director to execute the 2001 Tax Credit Carryover allocations before the Department's December 31, 2001 Carryover deadline subject to re-underwriting and Board ratifications for No. 01005 Chapperal Townhomes, Allen, Texas, No. 01004 Fulton Village, Houston, Texas and any other developments that may have proposed adjustments to their original allocation.

The recommendation is being made so that developers and department staff can meet the Department's December 31, 2001 Tax Credit Carryover deadline. By allowing the Acting Executive Director to execute Carryover's with conditional approvals, we will be able to work out problems that may occur in documentation or proposed revisions by developers without losing substantial tax credits.

AGENDA ITEM 4

PROGRAMS COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Capitol Extension, 1400 Congress, Room E1.028, Austin, Texas
December 12, 2001 8:30 a.m.

AGENDA

CALL TO ORDER, ROLL CALL Shadrick Bogany
CERTIFICATION OF QUORUM Chair

PUBLIC COMMENT

The Programs Committee of the Board of the Texas Department of Housing and Community Affairs will solicit Public Comm beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by departmen motions made by the Committee.

The Programs Committee of the Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly the following:

Item 1 Presentation, Discussion and Possible Approval of Minutes of Programs Committee Meeting of August 21, 2001 and November 14, 2001 — Shadrick Bogany

Item 2 Presentation, Discussion and Possible Approval of 2001 HOME Program CHDO Set Aside Rental Housing Development Recommendations for Award — Ruth Cedillo
20010149, East Austin Economic Dev. Corp., Region 7, Score 212,
20 Units, Award of $999,890
20010151, St. John Colony Neighborhood, Region 7, Score 211,
36 Units, Award of $324,000
20010189, Foundation Communities Inc., Region 7, Score 158,
85 Units, Award of $1,000,000

e)
f) Item 3 Presentation, Discussion and Possible Approval of 2002 State of Texas Low Income Housing Plan and Annual Report — Ruth Cedillo

g)
h) Item 4 Presentation, Discussion and Possible Approval of 2002 State of Texas Consolidated Plan - One Year Action Plan — Ruth Cedillo

i)
j) Item 5 Presentation, Discussion and Possible Approval of 2002 TDHCA Regional Allocation Formula — Ruth Cedillo

ADJOURN Shadrick Bogany
Chair

Individuals who require auxiliary aids, services or translators for this meeting should contact Gina Esteves, ADA Responsible Employ 475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be mad
To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact t Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

PROGRAMS COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
1400 Congress, State Capitol Extension, Room E1.012, Austin, Texas 78701
August 21, 2001 8:30 a.m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Programs Committee Meeting of the Texas Department of Housing and Community Affairs of August 21, 2001 was called to order by Chairman Robert Brewer at 8:32 a.m. It was held at the State Capitol Extension, Room E1.012, Austin, Texas. Roll call certified a quorum was present.

Members present:
Robert Brewer --Chair
James Daross -- Member
Shadrick Bogany -- Member

Staff of the Texas Department of Housing and Community Affairs was also present.

PUBLIC COMMENT
Mr. Brewer called for public comment and no one wished to give any comments.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of Programs Committee Meeting of May 19, 2000 and May 30, 2001
Motion made by James Daross and seconded by Shadrick Bogany to approve the minutes of the May 19, 2000 Programs Committee Meeting.
Passed Unanimously

Motion made by James Daross and seconded by Shadrick Bogany to approve the minutes of the May 30, 2001 Programs Committee Meeting.
Passed Unanimously

Item 2 Presentation, Discussion and Possible Approval of FY2001 Housing Trust Fund Predevelopment Program Award for Ark-Tex Council of Governments, Texarkana, Texas
Ms. Stacy Higgins, Senior Planner for the Housing Trust Fund, stated the Department issued a request for proposals in June, 2001, looking for up to two administrators for the predevelopment loan program in the Housing Trust Fund. These funds are available to nonprofits and units of local government for all predevelopment type activities. The goal is to help prepare these groups to eventually apply for predevelopment type funds. The Department received seven proposals in July 2001. Of these seven, Ark-Tex Council of Governments was the only group to score a perfect 100. Staff is recommending the full amount of $840,000 for actual loans and $100,000 for administrative fees to go to Ark-Tex COG. All proceeds from the loans, including interest, will be transferred back to the trust fund for future programs. Ark-Tex COG proposal had the most expansive marketing program of all the proposals received.

Motion made by James Daross and seconded by Shadrick Bogany to approve the Predevelopment Program Award for Ark-Tex Council of Governments, Texarkana, Texas in the amount of $940,000 and to recommend approval to the full Board.
Passed Unanimously

Item 3 Presentation, Discussion and Possible Approval of Funding in the Amount of $10,200 for Habitat for Humanity of El Paso, Inc. To Resolve an Incorrect Amount Award Approved for the 2001 Housing Trust Fund Capacity Building Program

Ms. Stacy Higgins stated a situation was created where 64 proposals were received and staff had to input about ten different pieces of data for these proposals. One of the numbers was put in the system incorrectly and this action requested today is to correct this mistake and have the correct amount funded to Habitat for Humanity of El Paso, Inc. The additional amount of $10,200 is to be added to the contract.

Motion made by James Daross and seconded by Shadrick Bogany to approve the funding in the amount of $10,200 for Habitat for Humanity of El Paso, Inc. to resolve an incorrect amount award approved for the 2001 Housing Trust Fund Capacity Building Program and to recommend approval to the full Board.
Passed Unanimously

Item 4 Presentation, Discussion and Possible Approval of the Letter of Endorsement for the Housing Bond and Credit Modernization and Fairness Act (S.677)

Mr. Michael Lyttle, Director of Communications, stated the Department is a member of the National Council of State Housing Agencies, which is a national group of state housing and finance agencies across the country. NCSHA is actively involved in raising the awareness of this piece of legislation that is being considered by Congress. NCSHA is actively endorsing this legislation and they have asked the State of Texas to also support it.

This legislation will repeal the 10-year limit on bond yields and will save Texas approximately $160 million per year in bond authority for the calculations received from NCSHA. According to information received, Texas could have as many as 2,200 additional home loans for qualified Texas in addition to what TDHCA now offers. Staff is requesting to send this letter to the Texas delegation and follow up with phone calls and raise the legislators awareness on this legislation.

The Governor's Office has no objection to the letter and they have elected to yield the matter to the TDHCA Board.

Motion made by Shadrick Bogany and seconded by James Daross to approve the Letter of Endorsement for the Housing Bond and Credit Modernization and Fairness Act (S.677) and for the Board Chairman to sign the letter and to recommend approval to the full Board.
Passed Unanimously

Item 5 Presentation, Discussion and Possible Approval of HOME Program Award in the Amount of $500,000 United Cerebral Palsy for Homebuyer Assistance and Rehabilitation

Ms. Pam Morris, Director of Housing Finance Programs, stated in the Department's 2001 Consolidated Plan the language was added to endorse and support the initiative of the Home of Your Own Coalition. The partnership is comprised of state and local direct service providers, state government agencies, disability advocacy groups, community groups and statewide lending institutions. The funds are used for home ownership and for down payment assistance for people with disabilities. Parts of the funds are also used for the architect barrier removal program. Staff is recommending the $500,000 award to be a 18-month contract, which includes an administrative fee of 6%. They will be serving about 20 households of persons with disabilities.

Motion made by Shadrick Bogany and seconded by James Daross to approve the HOME Program Award in the amount of $500,000 for United Cerebral Palsy for Homebuyer Assistance and Rehabilitation and to recommend approval to the full Board.
Passed Unanimously

Item 6 Presentation and Discussion of Appeals Policy

Chairman Robert Brewer asked that the Committee table this item and present it directly to the Board.

Motion made by James Daross and seconded by Shadrick Bogany to table this item for the Committee and to present it directly to the Board.
Passed Unanimously

REPORTS

There were no report items presented.

ADJOURN

The meeting adjourned at 8:43 a.m.

Respectfully submitted,

___________________________________, Board Secretary

pcminaug/dg

PROGRAMS COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
1400 Congress, State Capitol Extension, Room E1.028, Austin, Texas 78701
November 14, 2001 8:30 a.m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Programs Committee Meeting of the Texas Department of Housing and Community Affairs of November 14, 2001 was called to order by Chairman Shadrick Bogany at 8:40 a.m. It was held at the State Capitol Extension, Room E1.028, Austin, Texas. Roll call certified a quorum was present. Norberto Salinas was absent.

Members present:
Shadrick Bogany --Chair
Elizabeth Anderson -- Member

Staff of the Texas Department of Housing and Community Affairs was also present.

PUBLIC COMMENT
Mr. Bogany called for public comment and no one wished to give any comments.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of Programs Committee Meeting of August 21, 2001
Motion made by Elizabeth Anderson and seconded by Shadrick Bogany to table this item until the next meeting.
Passed Unanimously

(2) Presentation, Discussion and Possible Approval of Appointment of Members to the Advisory Committee for the Support of Individuals with Disabilities: Ann Denton, Austin, Texas; Jean Langendorf, Cottonwood Shores, Texas; Jonas E. Schwartz, Austin, Texas; Wilma Crain, Amarillo, Texas; David Wood, Houston, Texas
Ms. Ruth Cedillo, Acting Executive Director, stated the Department collected information from the various advocacy groups for people with disabilities and staff is recommending that the following be appointed as members of the Advisory Committee for the Support of Individuals with Disabilities: Ann Denton, Jean Langendorf, Jonas Schwartz, Wilma Crain and David Wood. This committee is to advise the Board on the needs of people with disabilities.

She stated the policies and procedures for this committee have not been adopted but they will be developed and presented to the board for adoption.

Motion made by Elizabeth Anderson and seconded by Shadrick Bogany to approve the Appointment of Members to the Advisory Committee for the Support of Individuals with Disabilities and these members are: Ann Denton, Jean Langendorf, Jones Schwartz, Wilma Crain and David Wood and to recommend approval to the full Board.
Passed Unanimously

(3) Presentation, Discussion and Possible Approval of Award Resulting From an Appeal of Staff Recommendations in the 2001 HOME Funding Cycle for Twin City Mission, No. 20010117, TBRA Activity, Score of 218, Region 7 for an Award of $335,700 With 45 Units
Ms. Pam Morris, Director of Single Family Housing Finance Programs stated the 2001 HOME awards were presented and approved at the previous board meeting. An applicant contacted the Department and stated they thought the Department made an error in the set-aside that the applicant was placed in. Staff did the research and found that the applicant applied for the special needs set aside category and staff made an error and placed the applicant in the non-special needs category. The applicant would have received an award if they had been placed in the correct category. She requested that the committee approve this item and ask the full Board to make an award to Twin City Mission in the amount of $335,700 for 45 units. A four percent administrative fee goes with the project funds award.

Motion made by Elizabeth Anderson and seconded by Shadrick Bogany to approve the award in the amount of $335,700 with a 4% administrative fee for Twin City Mission, No. 200010117 and to recommend approval to the full Board.
Passed Unanimously

REPORTS

There were no report items presented.

ADJOURN

Motion made by Elizabeth Anderson and seconded by Shadrick Bogany to adjourn the meeting. The meeting adjourned at 8:48 a.m.

Respectfully submitted,

___________________________________, Board Secretary

pcminnov/dg

AGENDA ITEM 4A

2001 HOME Program CHDO Rental Housing Development Applicants and Recommendations

Staff is pleased to present the award recommendations for the 2001 HOME Investment Partnerships Program CHDO Rental Housing Development Set Aside.

- HOME received a total of twelve (12) CHDO Rental Housing Development applications. Three (3) applications were denied for failure to meet the minimum score[1] of 180 points, three (3) applications are being recommended for funding, four (4) applications were disqualified for not submitting audit certification forms, and the remaining two (2) applications still require further review and documentation to complete the evaluation of an award recommendation.
- The four (4) applicants disqualified for not submitting audit certification forms were provided the opportunity to submit audit certification forms by October 31, 2001. All four applicants submitted audit certification forms by the deadline and none were subject to the Single Audit Act. However, these applications require additional review to complete the evaluation of an award recommendation.
- *During the program and underwriting review of the CHDO Rental Housing Development applications, it was determined by both the Underwriting staff and HOME management that all of the CHDO Rental Housing Development applications lack a general readiness-to-proceed and commitment of funding sources. Therefore, HOME staff and the Executive Award and Review Advisory Committee considers these to be potentially high risk projects and will require more Department oversight.*

Recommendations:

- ***HOME management requests approval of the 2001 HOME Program CHDO Rental Housing Development Recommendations as detailed on the attached summaries.***

- **HOME management recommends additional time be allowed for further Department review and analysis, to provide applicants a deficiency period to submit necessary documentation and verification, and for the potential formation of a recommendation for funding for the six (6) remaining CHDO Rental Housing Development applications as described above.**

A detailed summary and an Underwriting Report for each of the CHDO Rental Housing Development applications being recommended are attached.

[1]The minimum score requirement for CHDO Rental Housing Development applications serving a participating jurisdiction is 132 points. This was based on the maximum number of total points available for this category of applicant being limited to 220 points since the participating jurisdiction data was excluded from the AHN Scoring Component (up to 80 points). These applications were assigned 0 points for the AHN Scoring Component to ensure priority funding to CHDO applicants serving non-participating jurisdictions. As a result, the minimum score requirement is lower for these applications since CHDO RHD applications serving a participating jurisdiction were allowable. Additionally, since the CHDO set-aside is typically under-subscribed this also allows additional eligible applications to be considered for recommendation and may facilitate the commitment and expenditure requirements regarding the HUD-mandated CHDO set aside.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

Project:	**Lockhart Senior Housing**
Application Number:	**2001-0149**
Average Score:	212 points
Applicant:	East Austin Economic Development Corporation
City/County Location of Project:	Lockhart, Caldwell County
Region:	Region 7; Non-PJ
Total # Units in Project:	20 Units
Income Targeting:	2 Units restricted to 61% - 80% AMFI 10 Units restricted to 51% - 60% AMFI 4 Units restricted to 31% - 50% AMFI 4 Units restricted to 30% AMFI and below
Rent Restrictions:	12 Units restricted to High HOME rents (80%) 4 Units restricted to Low HOME rents (50%) 2 Units restricted to 30% Low HOME rents
Special Needs:	***20 Units set aside for elderly tenants***
Affordability Term:	30 years

Application Request

Award Amount:	$999,890
Interest Rate:	1%
Loan Term:	40 years fully amortizing
TDHCA Lien Position:	1st Lien Position
CHDO Operating Expense Award:	$49,995
Other Funding Sources:	None

Staff Recommendation

Award Amount:	$999,890
Interest Rate:	1%
Loan Term:	30 years fully amortizing with an additional 18 month construction period at 0% interest
TDHCA Lien Position:	1st Lien Position
CHDO Operating Expense Award:	$49,995
Other Funding Sources:	None

RECOMMEND APPROVAL SUBJECT TO THE FOLLOWING CONDITIONS:

25. Receipt, review and acceptance of an extension of the purchase contract for the same amount as proposed in the original application.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

Project:	**St. John Colony Park**
Application Number:	**2001-0151**
Average Score:	211 points
Applicant:	St. John Colony Neighborhood Association
City/County Location of Project:	Dale, Caldwell County
Region:	Region 7; Non-PJ
Total # Units in Project:	36 Units
Income Targeting: :	10 Units restricted to 30% AMFI and below
Rent Restrictions:	10 Units restricted to 30% Low HOME rents
Special Needs: ***None***	
Affordability Term:	20 years

Application Request

Award Amount:	$324,000
Interest Rate:	n/a
Loan Term:	n/a
TDHCA Lien Position:	n/a
Administrative Expense Award:	$12,000
CHDO Operating Expense Award:	$15,200
Other Funding Sources:	$150,000 Interim lot development loan from The McAuley Institute; $268,000 Affordable Housing Program grant from the Federal Home Loan Bank of Dallas; and, $100,000 interim financing in the form of proposed deferred developer fees

Staff Recommendation

Award Amount:	$324,000
Interest Rate:	0%
Loan Term:	20 years fully amortizing (see conditions below)
TDHCA Lien Position:	Priority Lien Position (see conditions below)
CHDO Operating Expense Award:	$16,200
Other Funding Sources:	$150,000 Interim lot development loan from The McAuley Institute; $268,000 Affordable Housing Program grant from the Federal Home Loan Bank of Dallas; and, $100,000 interim financing in the form of proposed deferred developer fees

Due to the number and degree of conditions and the necessity to restructure the proposed project to meet HOME rules and regulations, it should be noted that this recommendation is considered a high risk project by the Executive Award and Review Advisory Committee.

RECOMMEND APPROVAL SUBJECT TO THE FOLLOWING CONDITIONS:

1. **The HOME loan should begin repayment after the 40th month and the completion of the McAuley Institute first lien repayment and continue for 200 months thereafter in equal monthly payments of $1,620. The HOME loan shall have a priority lien over all other liens except the**

McAuley Institute first lien for $150,000 but allow priority repayment of up to $100,000 of deferred developer fee at a maximum 6.6% interest amortized over a full 20 years;

2. **Receipt, review, and acceptance of a LURA that limits the rents of the 10 units proposed to not more than the calculated 30% of AMI rent;**
3. **Receipt, review, and acceptance of a revised and complete site plan and clarification of the location of the leasing and management offices;**
4. **Receipt, review, and acceptance of a current metes and bounds survey;**
5. **Receipt review and acceptance of a revised title commitment for the proposed site showing the ability to pass clear title to the Applicant;**
6. **Receipt review and acceptance of documentation of the acceptance of tax exemption or the terms of a payment in lieu of taxes by the local taxing authorities;**
7. **Receipt, review and acceptance of a third party engineers detailed budget for the offsite water, electric and any other required offsite utility, and a similar detailed breakdown of the estimated costs for all of the site work costs;**
8. **Receipt, review and acceptance of a fixed price contract for the acquisition and installation of the 10 proposed units and evidence that the units are in conformance with the accessibility requirements of the Fair Housing Act and Section 504 of the Rehabilitation Act of 1973;**
9. **Receipt review and acceptance of a revised development budget that ensures the developer's fee including the proposed housing consultant fee does not exceed 15% of the projects other development costs (i.e. total development costs less developer and housing consultant fees); and,**
10. Should any of the financing terms of costs be inconsistent with the assumptions a review and re-evaluation of the feasibility of the project should be conducted.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

Project:	**Garden Terrace Single Room Occupancy (SRO)**
Application Number:	**2001-0189**
Average Score:	158 points
Applicant:	Foundation Communities, Inc. (FCI)
City/County Location of Project:	Austin, Travis County
Region:	Region 7; PJ
Total # Units in Project:	85 Units
Income Targeting: :	50 Units restricted to 31% - 50% AMFI 35 Units restricted to 30% AMFI and below
Rent Restrictions:	All Units rents restricted to no more than 75% of Fair Market Rent for a 0-bedroom unit
Special Needs:	***85 Units set aside for homeless tenants*** 13 Units set aside for persons with disabilities
Affordability Term:	20 years

Application Request

Award Amount:	$1,000,000
Interest Rate:	n/a
Loan Term:	n/a
TDHCA Lien Position:	n/a
CHDO Operating Expense Award:	$0
Other Funding Sources:	Applicant has applied for a $500,000 Affordable Housing Program forgivable loan from the Federal Home Loan Bank of Dallas; Applicant is conducting a capital campaign to raise $1,000,000 from foundations, corporations and individuals; Applicant has applied for a $1,000,000 forgivable loan from the City of Austin's Affordable Housing Corporation; and, $200,000 donation from applicant in the form of in-kind staff development services. Ultimately, the applicant has committed to providing funds from $5.2M in cash reserves to accomplish this project.

Staff Recommendation

Award Amount:	$1,000,000
Interest Rate:	0%
Loan Term:	5 year non-amortizing loan 18 month construction period at 0% interest
TDHCA Lien Position:	1st Lien Position
CHDO Operating Expense Award:	$0
Other Funding Sources:	Applicant has applied for a $500,000 Affordable Housing Program forgivable loan from the Federal Home Loan Bank of Dallas;

Applicant is conducting a capital campaign to raise $1,000,000 from foundations, corporations and individuals;
Applicant has applied for a $1,000,000 forgivable loan from the City of Austin's Affordable Housing Corporation; and,
$200,000 donation from applicant in the form of in-kind staff development services.
Ultimately, the applicant has committed to providing funds from $5.2M in cash reserves to accomplish this project.

RECOMMEND APPROVAL SUBJECT TO THE FOLLOWING CONDITIONS:

1. At the end of the five-year term, the performance of the project should be reviewed and the potential for repayment or debt forgiveness should be re-evaluated;
2. Receipt, review, and acceptance of a LURA that restricts all units as HOME units with the a minimum of 35 units restricted to income eligible tenants earning at or below 30% of the AMI, and rents for all of the units shall be restricted based upon the HUD Section 8 Moderate Rehabilitation Single Room Occupancy Program at not more than 75% of the Section 8 Existing Housing FMR for a 0-bedroom unit;
3. Receipt, review, and acceptance of firm final commitments and/or verification of funds from all proposed or alternative funding sources;
4. Receipt, review, and acceptance of a third party scope of rehabilitation work/needs assessment; and,
5. Receipt, review, and acceptance of verification from the City of Austin that the zoning of the site has been changed and is in conformance with the proposed development.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

DATE: December 6, 2001 **PROGRAM:** HOME **FILE NUMBER:** 2001-0149

DEVELOPMENT NAME

Lockhart Senior Housing

APPLICANT

Name: East Austin Economic Development Corp **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 1010 E. 10th Street **City:** Austin **State:** Texas

Zip: 78702 **Contact:** Van Johnson **Phone:** (512) 472-1472 **Fax:** (512) 457-1237

PRINCIPALS of the APPLICANT

Name:	East Austin Economic Development	**(%):**		**Title:**	Managing General
Name:	Van Johnson	**(%):**		**Title:**	Executive Director of GP
Name:	Mike S. Harms	**(%):**		**Title:**	Consultant

GENERAL PARTNER

Name: East Austin Economic Development Corp **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 1010 E. 10th Street **City:** Austin **State:** Texas

Zip: 78702 **Contact:** Van Johnson **Phone:** (512) 472-1472 **Fax:** (512) 457-1237

PROPERTY LOCATION

Location: Lot 32, Block 3, Huntington Pointe Subdivision ☒ **QCT** ☐ **DDA**

City: Lockhart **County:** Caldwell **Zip:** 78644

REQUEST

Amount	Interest Rate	Amortization	Term
❶$999,890	1%	40 yrs	40 yrs
❷$49,995	N/A	N/A	N/A

Other Requested Terms: ❶HOME Loan ❷CHDO Operating Expense Grant

Proposed Use of Funds: New construction **Set-Aside:** ☒ CHDO

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

SITE DESCRIPTION

Size:	3.4	acres	148,104	square feet	**Zoning/ Permitted Uses:**	Residential-Heavy Density	
Flood Zone Designation:			Zone X	**Status of Off-Sites:**	Partially Improved		

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 20 **# Rental Buildings** 5 **# Common Area Bldngs** 1 **# of Floors** 1 **Age:** N/A yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
20	1	1	672

Net Rentable SF: 13,440 **Av Un SF:** 672 **Common Area SF:** 1,140 **Gross Bldng SF** 14,580

Property Type: ☒ Multifamily ☐ SFR Rental ☒ Elderly ☐ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab, 100% brick veneer exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES

1,140 SF community building with public restrooms, laundry room, community room and perimeter fencing

Uncovered Parking: 28 spaces **Carports:** N/A spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

None indicated

APPLICANT EQUITY

Amount: None **Source:**

VALUATION INFORMATION

APPRAISED VALUE

Land Only: $52,000 **Date of Valuation:** 3/ 10/ 2001

Appraiser: Steve Flynn **City:** San Marcos **Phone:** (512) 396-8440

ASSESSED VALUE

Land: $45,380 **Assessment for the Year of:** 2001

Building: N/A **Valuation by:** Caldwell County Appraisal District

Total Assessed Value: $45,380 **Tax Rate:** Not provided

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Purchase Option

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

Contract Expiration Date: 11/ 21/ 2001 **Anticipated Closing Date:** 10/ 15/ 2001

Acquisition Cost: $ 52,000 **Other Terms/Conditions:** $500 option

Seller: James W. Smith, Jr. **Related to Development Team Member:** Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Lockhart Seniors Housing is a proposed new construction project of 20 units of affordable housing located in Lockhart. The project is comprised of 5 residential buildings with four units in each building. All units are one-bedroom/one-bath with 672 square feet.

Based on the site plan the apartment buildings are distributed evenly throughout the site with the community building located near the center of the site. The site plan identifies plans for future expansion of this project with the addition of three residential buildings and expansion of the community building. The 1,140 -square foot community building is planned to have a management office, small laundry room with one washer and dryer and a folding table, a public restroom and a large community area. The community building will be connected to one of the residential structures via a covered walkway to minimally meet the HUD/ HOME requirement to be attached to a residential unit in order to be funded with HOME funds. There are additional storage areas located on the outside of the building off the back patio.

Supportive Services: The Applicant is not contracting with any particular agency to provide supportive services to the tenants. However, they will be posting notices in the community building, arranging meetings of residents and service providers in the community, assisting individual residents in accessing local services, and providing support to the tenants by "ensuring that the quality of life is at the highest possible level". The property manager will assume the role of activities manager by coordinating services. Some of the activities planned are Meals on Wheels service, congregate meals through a local agency and transportation to local service providers. There is no fee to the tenants for these services. Based on the facts that the existing competition in the subject market area is more conveniently located to the central business district for needed services and shopping, it is suggested that more concrete supportive services be provided to the residents of the subject property.

Schedule: The Applicant anticipates construction to begin in November of 2001, to be completed in August of 2002, and to be placed in service in September of 2002. Due to the delay in the HOME allocation it is likely that this entire schedule will be shifted back two to three months.

POPULATIONS TARGETED

Income Set-Aside: The Applicant is applying for funding under the HOME Investment Partnership Program which requires 20% of the assisted units to be set aside at 50% income and rent limits. All of the units will be reserved for low-income/elderly tenants. Four of the units (20%) will be reserved for households earning 30% or less of AMGI, four units (20%) will be reserved for households earning 50% or less of AMGI, ten units (50%) will be reserved for households earning 60% or less of AMGI, and the remaining two units (10%) will be reserved for households earning 80% or less of AMGI.

Special Needs Set-Asides: Although not applying under the Special Needs Set-Aside, all units are considered special needs with two units (10%) being designated as handicapped-accessible and all units set-aside for the elderly population, 62 years old and older.

MARKET HIGHLIGHTS

Market information was provided by the Applicant.

RENT ANALYSIS (net tenant-paid rents)

	Proposed	Program Max	Differential	Market	Differential

1-Bedroom (30%)	$300	$314	-$14	$450	-$150
1-Bedroom (Low)	$450	$556	-$106	$450	-0-
1-Bedroom (High)	$450	$595	-$145	$450	-0-

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

The market information provided by the Applicant compared the proposed development with four elderly housing projects in Lockhart. All of the four comparables have only 2-bedroom units and have a 100% occupancy level. Market rent at two of the comparables range from $800 to $875 per month for a 2-BR unit. The third comparable charges 30% of the tenant's income level. The Applicant provided no information for the fourth comparable, Lockhart Seniors Apartments. Therefore, the Underwriter contacted the manager at this comparable on August 16, 2001. The manager indicated that this project contains 16 2-BR units and is owned by the same non-profit agency as The Vintage Apartments. It was built in 1980 and is currently at 100% occupancy with a waiting list. Rents range from $235/mo for basic rent and $375 for market rent. She indicated that they always maintain a waiting list of elderly tenants needing affordable housing. In questioning the rent for the above two comparables of $800+/month, the manager reports that these two projects provide additional amenities such as free housecleaning and social services which aren't available in the typical market for this area. She concluded by confirming that there is demand for additional affordable elderly units in the area.

The Underwriter also visited Sweetbriar Apartments and JF Estates Apartments while in Lockhart conducting the property site inspection on October 2, 2001 and found that these two apartments both had one-bedroom units renting for $450 and $440, respectively. Neither of the properties had any vacancies at the present time. While these were the highest priced one-bedroom units in the market they were older units and did not include more modern amenities. Therefore, the Underwriter has concluded that the Applicant's proposed rents, though lower than the rent restrictive rent are the rents that are achievable in this market.

The Applicant indicates that "the only other affordable elderly housing available is in Section 8 housing scattered throughout the community with Section 8 certificates" and that "there is a waiting list" in this program". (Tab 33) The Applicant proposes there is a need for this project through the support letters submitted, a 1994 Lockhart Affordable Housing Survey and the 1997 TDHCA State of Texas Low Income Housing Plan information, which provides information on the elderly in Texas. In general, the market information provided fails to justify the need for affordable elderly housing in the market area. The market information is based on secondary sources of information, which are between 4-11 years old. For example, the Applicant references information from the 1997 TDHCA plan that there are "over 350,000 elderly persons with incomes below $10,000" in the State of Texas. Additionally, in "1990 there were 278,968 elderly persons paying greater than 30% of their income for housing". The Applicant goes on to further report that the "Texas Department of Aging states that the most severe housing problems are frail, minority elderly in rural areas". While this is important information, it is unclear what the current demographics of Lockhart are and how this information is funneled into proposing a need for affordable housing in this market area. No specific information is provided on the demand for elderly housing in the Lockhart market other than the 100% occupancy levels of the four apartment comparables. The Applicant provided statistics on the 2000 Census population for Lockhart and the proposed census tract location. (Tab 33) However, these statistics provide no insight into the elderly population of the market area or town. Nonetheless, based on information the Underwriter obtained, as described above, along with the high occupancy levels in the area for elderly housing and the lack of any recent new rental housing in Lockhart, it is likely that there would be demand to support this 20-unit project.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Lockhart is located in south central area of Texas just south of Austin in Caldwell County. The site is an irregularly-shaped parcel located in the southwest area of Lockhart. The site is situated on the east side of Medina Street.
Population: The estimated 2000 population of Lockhart was 11,615.
Adjacent Land Uses: No information was provided on land uses in the overall area except that the site "will be near all community amenities" and that the apartments will be located on a quiet street which is less than 1 mile to a major grocery story. Retail, governmental and a local community center is approximately 10-16

blocks from the property.

Site Access: The project is to have one main entry from Meridian Street. Access to U.S. Highway 183 is just east along State Park Road and provides connections to all other major roads serving the Lockhart area.

Public Transportation: The Capital Areas Transportation System (CARTS) operates the CARTS bus and van transit service that transport senior citizens in and around Caldwell, Hays and Travis Counties. There is no charge and the van will pick up at the residence of the senior citizen.

Shopping & Services: The site is within close proximity to HEB which is located on Highway 183 and 10-16 blocks from other services such as the library, City Hall, Post Office and general retail establishments.

Site Inspection Findings: A TDHCA staff member performed a site inspection on October 2, 2001 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report was not included and is not required at this stage of a HOME application.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are set significantly below the low and high HOME rent limits. Since this project is located in a county that is within the Austin MSA, the rent limits are higher than is achievable in this local rural market. In a conversation on August 16, 2001, the consultant reported that the proposed net rents for the 30% AMGI set aside units are a result of an independent calculation of the 1-person 30% AMGI income level. With this in mind and using the Applicant's utility allowance estimate, the applicant concluded a net rent for these units of $300 per month. Based primarily on a higher gross rent, the Underwriter estimates a net rent of $318 per month for this set-aside. Rent for the other units is based upon the operating performance of a similar project that the Applicant developed in Austin. The rent for these units is set at $450/month. While this is under both the Low and High HOME rent limits, they are the maximum rents achievable in this market as discussed in the market study section above.

The Applicant used a utility allowance estimate of $50 while documentation submitted from the local PHA indicated a rate of $24 for 1-BR units. However, it did not appear that the PHA estimate contains an expense for air conditioning and thus, added this to arrive at their higher estimate. The underwriter recently received an updated allowance from the local PHA that reflects a higher allowance of $46 for a one-bedroom unit. This revised allowance also shows a reduction if A/C is not included so the Underwriter used the full amount of the revised PHA allowance. The Applicant estimates no secondary income but provides no justification for this exception. The Applicant did use the 7.5% guideline for vacancy and collection losses As a net result the Applicant's effective gross income is only 3% less than the Underwriter's estimate.

Expenses: The Applicant's estimate of total operating expense is 14% higher than the Underwriter's TDHCA database-derived estimate. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative expense ($2.6K higher), payroll expense ($1.7K higher), repairs & maintenance expense ($6K higher). Additionally, the Applicant did not estimate property tax expenses assumingly based on the Applicant's CHDO status. The Applicant also did not include any supportive service costs. Consistent with recent legislation requiring that a portion of the value of the property tax abatement be utilized for supportive services, the Underwriter included supportive services equal to 40% of the estimated tax burden

Conclusion: The Applicant's total estimated operating expense are inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

In the Applicant's income and expense estimates there is sufficient net operating income to service the proposed first lien HOME loan, under the requested loan amount and terms, at a debt coverage ratio of 1.17, or within the department 1.10 to 1.25 DCR guideline. However, the Underwriter's analysis results in a much higher and unacceptable DCR of 1.50, based on the Applicant's requested loan terms. Therefore an adjustment to the interest rate or repayment period is required.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant's acquisition cost of $52,000 is substantiated through an appraisal conducted by Steve Flynn, MBA on March 10, 2001. The appraiser used the sales comparison approach to arrive at an estimated market value of $52,000. The property is being sold by the proposed general contractor under a $500 purchase option contract, which appear to have a November 21, 2001 expiration date though it is likely an extension can be granted. Receipt review and acceptance of an extension of this contract is required. While the original acquisition price of the property is unknown, the identity of interest sale is not a significant concern since the 2001 county tax appraisal district has the subject property appraised at $45,380 a $6,6,20 difference. This difference represents less than 1% of the development's budget and the Applicant included less than half of the potentially eligible developer fee. The site also includes plans for future expansion of this project, however, with the addition of three residential buildings. The land needed for this expansion is included in the purchase price of $52,000 and therefore if any phase II is funded by TDHCA is should include no land acquisition costs.

Sitework Cost: The Applicant's claimed sitework costs of $6,500 per unit are equal to the upper underwriting guideline which was established by the high end of the average typical range of historical sitework costs for multifamily projects and for that reason are generally considered reasonable.

Direct Construction Cost: The Applicant's costs are more than 5% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This would suggest that the Applicant's direct construction costs are slightly understated.

Fees: The Applicant's contractor's contingency and contractor's and developer's fees are all well below the maximums allowed by TDHCA guidelines. This combined with the lower direct costs suggest there is less than the typical cushion for error in the Applicant's budget.

Conclusion: The Applicant's total project cost estimate is within 5% of the Underwriter's verifiable estimate using contingency and fees below the maximums and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to determine the HOME award recommendation.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance 100% of the development with the requested interim to permanent HOME loan funds. The Applicant has requested that repayment be based upon a 40-year monthly amortization at an interest rate of one percent. Though it is unclear in the application it is anticipated that this amortization would not begin until the construction is complete and the funds are fully drawn. The Applicant includes no construction loan interest charges in the development budget suggesting that they are requesting a 0% interest rate during the construction period. The Applicant is also requesting $49,995 in grant fund for CHDO operations. These funds are typically outside of the development budget for the project. In this case they would represent an additional 5% developer fee where the developer has asked for a total fee of less than 7% or less than half of the 15% typically allowed.

The Maximum cost guidelines for a project in this area are controlled by the 221(d)(3) limits published by HUD. The Fort Worth office typically publishes the limits for Texas and those would have limited the HOME funds for this project to $811,580. As a result of several discussions with the Applicant and the HUD office's in Fort Worth and San Antonio it was determined and agreed to by all that the San Antonio office controls the 221 (d) (3) limits for this location and the apply a regional allocation limit which allows the higher Austin limit to be applied to rural Caldwell county. This increases the HOME funding limit for this project to $1,148,240 and therefore the entire project can be funded by the Department.

The Applicant proposed no deferred developer fees.

Financing Conclusions: The underwriting analysis indicates a debt coverage ratio that exceeds the Departments guideline of 1.25 and therefore a higher debt service amount needs to be applied to this project. This can be accomplished by either decreasing the term or increasing the interest rate. Since it is more beneficial to both the department and the applicant to retire the principal earlier the Underwriter reduced the term of the loan to 30 year or 360 months while maintaining a 1% interest rate. This reduces the DCR to an acceptable 1.18. Some of this could come from the deferral of developer fees. Therefore the Underwriter recommends that the HOME award be granted in the form of a 32 year interim to permanent loan with up to the first two year considered non amortizing and at zero percent interest. Once the construction is complete and the project is occupied, but in any case not more than 2 years from the close of the construction loan, the note should convert to permanent and the interest rate should be increased to 1% per year and the note should be amortized over 360 months.

Should the Applicant experience any cost overruns a modest amount of developers fees are available to defer and fund such a shortfall.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The exterior elevations are simple with typical rooflines. All units are of average size for elderly affordable units, and have covered patios and small outdoor storage closets. The units are in single story walk-up fourplex structures of brick/masonry veneer exterior finish with private exterior entries.

Unit Floorplans:

6. Entry to the 1-BR/1-BA unit is from a small porch area, which has a storage closet. Entry is directly into the living area with the dining and galley kitchen area just adjacent. Off the living area is the master bedroom with a hallway housing the washer/dryer hook-ups and closet. This hallway leads to the only bathroom. In order for guests to access the lavatory facilities, they will have to enter through the resident's bedroom, which may prove to be inconvenient.

IDENTITIES of INTEREST

The property is being sold by the proposed general contractor under a $500 purchase option contract. This is not a concern since the 2001 county tax appraisal district has the subject property appraised for just $6,620 less than the sales price and the developer fee of $42,290 being proposed by the developer is less than half of the fee allowed for a development of this size.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:

- The Applicant/General Partner, East Austin Economic Development Corporation (EAEDC), submitted an audited financial statement as of December 31, 2000 reporting total assets of $2.1M consisting of $23K in cash, $80K in receivables, $665K in senior housing development, $839K in business office, $524K in real property and $22K in machinery and equipment. Liabilities totaled $1.2M, resulting in a net fund balance of $951K.

Background & Experience:

- The Applicant/General Partner has various experiences in community development projects including a child day care center and elder care center, 12 units of elderly housing and an office building. These projects were developed simultaneously and EAEDC served as the general contractor to the construction of the elderly units.
- The General Contractor, Countywide Builders, is a local company established in 1971. Their construction activity consists of commercial and residential, custom homes. They have experience constructing single-family structures, duplex residences and commercial.

SUMMARY OF SALIENT RISKS AND ISSUES

- Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable range.
- The project could potentially achieve an excessive profit level (i.e. a DCR above 1.25) if the maximum HOME rents can be achieved in this market.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF A HOME LOAN OF $999,890 REPAYABLE OVER A 360 MONTH AMORTIZATION AND TERM AT A RATE OF 1% SUBJECT TO THE FOLLOWING CONDITIONS:

CONDITIONS

26. Repayment should begin after a typical 18-month construction loan period. The interest rate during the construction period should be 0%; and,
27. Receipt review and acceptance of an extension of the purchase contract for the same amount as proposed in the original application.

Credit Underwriting:	Carl Hoover	**Date:**	December 6, 2001
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	December 6, 2001

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Lockhart Senior Housing, Lockhart, HOME #2001-0149

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.		Net Rent per Unit
LH (30%)	4	1	1	672	$364	318	$318
>Low HOME	4	1	1	672	606	560	$450
>High HOME	12	1	1	672	645	599	$450
TOTAL:	20		AVERAGE:	672	$581	10,232	$424

INCOME & EXPENSE	Total Net Rentable Sq Ft:	13,440			TDHCA
POTENTIAL GROSS RENT				$122,784	$101,664
Secondary Income		Per Unit Per Month:	$10.00		2,400
Other Support Income: (describe)					0
POTENTIAL GROSS INCOME					$104,064
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%		(7,805)
Employee or Other Non-Rental Units or Concessions					0
EFFECTIVE GROSS INCOME					$96,259

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA
General & Administrative		4.89%	$235	$0.35	$4,705
Management		6.38%	307	0.46	6,142
Payroll & Payroll Tax		10.99%	529	0.79	10,580
Repairs & Maintenance		6.88%	331	0.49	6,627
Utilities		2.92%	141	0.21	2,815
Water, Sewer, & Trash		10.71%	515	0.77	10,310
Property Insurance		2.61%	126	0.19	2,517
Property Tax	N/A	0.00%	0	0.00	0
Reserve for Replacements		4.16%	200	0.30	4,000
Other Expenses: Supportive Services		3.12%	150	0.22	3,000
TOTAL EXPENSES		52.67%	$2,535	$3.77	$50,696
NET OPERATING INC		47.33%	$2,278	$3.39	$45,563
Home Loan		31.52%	$1,517	$2.26	$30,339
Additional Financing		0.00%	$0	$0.00	0
Additional Financing		0.00%	$0	$0.00	0
NET CASH FLOW		15.82%	$761	$1.13	$15,224
AGGREGATE DEBT COVERAGE RATIO					1.50
ALTERNATIVE DEBT COVERAGE RATIO					1.18

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA
Acquisition Cost (site or bldng)		4.95%	$2,600	$3.87	$52,000
Off-Sites		0.00%	0	0.00	0
Sitework		12.39%	6,500	9.67	130,000
Direct Construction		56.30%	29,549	43.97	590,977
Contingency	2.77%	1.91%	1,000	1.49	20,000

General Requirements	5.49%	3.77%	1,980	2.95	39,600
Contractor's G & A	1.83%	1.26%	660	0.98	13,200
Contractor's Profit	5.49%	3.77%	1,980	2.95	39,600
Indirect Construction		7.70%	4,040	6.01	80,800
Ineligible Expenses		0.00%	0	0.00	0
Developer's G & A	2.16%	1.91%	1,000	1.49	20,000
Developer's Profit	4.58%	4.03%	2,115	3.15	42,290
Interim Financing		0.94%	495	0.74	9,900
Reserves		1.07%	564	0.84	11,270
TOTAL COST		100.00%	$52,482	$78.10	$1,049,637
SOURCES OF FUNDS					
Home Loan		95.26%	$49,995	$74.40	$999,890
Additional Funds		0.00%	$0	$0.00	0
Additional Funds		0.00%	$0	$0.00	0
Deferred Developer Fees		0.00%	$0	$0.00	0
Additional (excess) Funds Required		4.74%	$2,487	$3.70	49,747
TOTAL SOURCES					$1,049,637

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Lockhart Senior Housing, Lockhart, HOME #2001-0149

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$44.60	$599,491
Adjustments				
Exterior Wall Finish	8.00%		$3.57	$47,959
Elderly	5.00%		2.23	29,975
Roofing			0.00	0
Subfloor			(1.96)	(26,342)
Floor Cover			1.82	24,461
Porches/Balconies	$16.91	1040	1.31	17,586
Plumbing	$585	0	0.00	0
Built-In Appliances	$1,550	20	2.31	31,000
Stairs/Fireplaces		0	0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	18,950
Garages/Carports		0	0.00	0
Comm &/or Aux Bldngs	$65.29	1,140	5.54	74,426
Other:			0.00	0
SUBTOTAL			60.83	817,506
Current Cost Multiplier	1.01		0.61	8,175
Local Multiplier	0.88		(7.30)	(98,101)
TOTAL DIRECT CONSTRUCTION COSTS			$54.14	$727,580
Plans, specs, survy, bld prmts	3.90%		($2.11)	($28,376)
Interim Construction Interest	3.38%		(1.83)	(24,556)
Contractor's OH & Profit	11.50%		(6.23)	(83,672)
NET DIRECT CONSTRUCTION COSTS			$43.97	$590,977

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ALTERNATIVE I

Primary Debt Servi
Secondary Debt Se
Additional Debt Ser
NET CASH FLOW

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

INCOME at	3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4		YEAR 5
POTENTIAL GROSS RENT		$101,664	$104,714	$107,855	$111,091		$114,424
Secondary Income		2,400	2,472	2,546	2,623		2,701
Other Support Income: (describe)		0	0	0	0		0
POTENTIAL GROSS INCOME		104,064	107,186	110,401	113,714		117,125
Vacancy & Collection Loss		(7,805)	(8,039)	(8,280)	(8,529)		(8,784)
Employee or Other Non-Rental Units or Concessions		0	0	0	0		0
EFFECTIVE GROSS INCOME		$96,259	$99,147	$102,121	$105,185		$108,341
EXPENSES at	4.00%						
General & Administrative		$4,705	$4,893	$5,089	$5,293		$5,504
Management		6,142	6,326	6,516	6,712	0	6,913
Payroll & Payroll Tax		10,580	11,003	11,443	11,901		12,377
Repairs & Maintenance		6,627	6,892	7,167	7,454		7,752
Utilities		2,815	2,928	3,045	3,167		3,293
Water, Sewer & Trash		10,310	10,722	11,151	11,597		12,061
Insurance		2,517	2,618	2,722	2,831		2,945
Property Tax		0	0	0	0		0
Reserve for Replacements		4,000	4,160	4,326	4,499		4,679
Other		3,000	3,120	3,245	3,375		3,510
TOTAL EXPENSES		$50,696	$52,662	$54,705	$56,828		$59,034
NET OPERATING INCOME		$45,563	$46,485	$47,416	$48,357		$49,306
DEBT SERVICE							
First Lien Financing		$38,592	$38,592	$38,592	$38,592		$38,592
Second Lien		0	0	0	0		0
Other Financing		0	0	0	0		0
NET CASH FLOW		$6,971	$7,892	$8,823	$9,764		$10,714
DEBT COVERAGE RATIO		1.18	1.20	1.23	1.25		1.28

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

DATE: December 1, 2001 **PROGRAM:** HOME **FILE NUMBER:** 2001-0151

DEVELOPMENT NAME

St. John Colony Park

APPLICANT

Name: St. John Colony Neighborhood Association **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 623 St. John Road **City:** Dale **State:** Texas

Zip: 78616 **Contact:** Gilson Westbrook **Phone:** (512) 626-6461 **Fax:** (512) 288-5930

PRINCIPALS of the APPLICANT

Name:		(%):		Title:	
Name:	Reverend Lee Otis Carter	(%):	n/a	Title:	Executive Director
Name:	Gilson Westbrook	(%):	n/a	Title:	Administrative Agent

PROPERTY LOCATION

Location: 623 St. John Road ☒ **QCT** ☒ **DDA**

City: Dale **County:** Caldwell **Zip:** 78616

REQUEST

Amount	Interest Rate	Amortization	Term
❶$324,000	n/a	n/a	n/a
❷$12,000	n/a	n/a	n/a
❸$15,200	n/a	n/a	n/a

Other Requested Terms: ❶HOME Funds in the form of a grant ❷Administrative Funds ❸ CHDO Operating Expense Grant

Proposed Use of Funds: New construction **Set-Aside:** ☐ General ☐ Rural ☒ Non-Profit

SITE DESCRIPTION

Size: Approx.1 1 acres Unknown square feet **Zoning/ Permitted Uses:** n/a (Caldwell County)

Flood Zone Designation: Outside 100-yr. floodplain **Status of Off-Sites:** Undeveloped land

DESCRIPTION of IMPROVEMENTS

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

Total Units: 10 **# Rental Buildings** 1 0 **# Common Area Bldngs** 0 **# of Floors** 1 **Age:** n/a yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathrooms	Size in SF
5	3	2	1,159
2	3	2	1,316
2	3	2	1,368
1	4	2	1,368
26	Lots Only		

Net Rentable SF: 12,531 **Av Un SF:** 1,269 **Common Area SF:** 0 **Gross Bldng SF** 12,531

Property Type: ☐ Multifamily ☒ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

The units will be wood framed manufactured homes with grade beam foundations. The exterior will consist of hardiboard or planks with a composition shingle roof. The interiors will be finished in drywall.

APPLIANCES AND INTERIOR FEATURES

The kitchens will include a range & oven with a hood & fan and a refrigerator. A stall shower and a tub enclosure will be included in the bathrooms. Flooring throughout will consist of vinyl, carpeting, and other, unidentified, materials. Additional features include individual water heaters and ceiling fans.

ON-SITE AMENITIES

According to the application common areas will include a children's playground, day care facility and sports courts, however none of these itmes are found on the proposed site plan. Perimeter fencing is also propoosed to enclose the site and the site is proposed to have monitored security.

Uncovered Parking: 80 spaces **Carports:** N/A spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: McAuley Institute **Contact:** Kathy Tyler

Principal Amount: $152,250 **Interest Rate:** 5.5%

Additional Information: Affordable Housing Fund portion of Revolving Loan Fund; Letter of interest provided

Amortization: 40 mos. **Term:** 40 mos. **Commitment:** ☐ None ☐ Firm ☒ Conditional

Annual Payment: $50,094 **Lien Priority:** 1st **Commitment Date** 4/ 17/ 2001

OTHER FINANCING

Source: Federal Home Loan Bank of Dallas **Contact:** Criss Murdoch

Principal Amount: $268,000 **Interest Rate:**

Additional Information: Grant

Amortization: NA yrs **Term:** NA yrs **Commitment:** ☐ None ☐ Firm ☒ Conditional

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

APPLICANT EQUITY

Amount:	$100,000	**Source:**	Deferred Developer fee to be repaid as a 20 year loan

VALUATION INFORMATION

ASSESSED VALUE

Land:	$61,940	**Assessment for the Year of:**	2001
Building:	n/a	**Valuation by:**	Caldwell County Appraisal District
Total Assessed Value:	$61,940		

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Special Warranty Deed dated May 1, 2001

Acquisition Cost: $ 10 **Other Terms/Conditions:** Intended as a land gift to Applicant

Seller: Reverend Lee Otis Carter **Related to Development Team Member:** Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

The Applicant has applied for Housing Trust Funds and HOME funds for this or a similar project on the same site several times over the last three years. The earliest applications were not underwriting because of insufficient score. Last year a HTF award of $450,000 was requested. The award was not recommended by underwriting for the following reasons:

1. None of the financing proposed has been firmly committed and significant due diligence appears to be required;
2. Assuming the proposed financing is provided, a gap of $247,372 in permanent financing will exist;
3. No detailed documentation has been provided to validate the low acquisition and installation costs of the proposed units; and
4. The Applicant indicates conversion of the property to a lease-purchase project, but provides no details of this alternative permanent financing mechanism.

In addition the following conditions were recommended for any future affirmative funding recommendation:

1) Receipt, review, and acceptance of a current metes and bounds survey;
2) Receipt, review, and acceptance of a formal siteplan;
3) Receipt, review, and acceptance of inclusion in the siteplan and development cost budget of a leasing/management office, or acceptable documentation of an alternative mechanism to lease and operate the units;
4) Receipt, review, and acceptance of a Phase I Environmental Site Assessment;
5) Completion of an acceptable site inspection by TDHCA staff;
6) Receipt, review, and acceptance of a revised rent schedule reflecting rent/ unit set-asides indicated on the Applicant's Certification Affidavit;
7) Receipt, review, and acceptance of a third party cost estimate by a licensed engineer or registered architect for the costs associated with installing water, sewer and electric utilities to and throughout the site;
8) Receipt, review, and acceptance of a revised cost breakdown prepared in accordance with TDHCA standards in determining the detail of specific line-item costs and proposed payees, if known;
9) Receipt, review, and acceptance of a fixed price contract for the acquisition and complete installation of the units; or
    a) Receipt, review, and acceptance of firm interim commitment of funds of at least $1,521,000 (subject to increase depending on the outcome of item #3);
    b) Receipt, review, and acceptance of firm permanent commitment of funds from FINOVA of at least $1,202,628 (subject to increase depending on the outcome of item #3);
    c) Receipt, review, and acceptance of acceptance by the applicant of deferring all developer fees unless additional grant funds are committed;
    d) Receipt, review, and acceptance firm commitment of additional grant funds of at least $97,372 (subject to increase depending on the outcome of items #3 and #9a);
10) Receipt, review, and acceptance of documentation describing the potential future lease/purchase option for tenants; and
11) TDHCA funds should be reevaluated as a result of the above conditions, but potentially could be made in the form of a 30-year, 0%, fully amortizing loan.

Following each of the previous failed applications program staff and underwriting staff have met with the applicant's consultant and provided technical assistance to help improve the proposed project application

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

St. John Colony Housing Park is a proposed first phase development of a 35-acre mobile home park. This approximately 11-acre phase will contain 10 new manufactured homes on individual lots and the development of 26 additional vacant lots. Initially the 10 individual units will be rented to tenants and the 26 remaining lots will be rented as vacant lots requiring the individuals to arrange to acquire their own manufactured home for the lot. The use of manufactured housing for multifamily development is not typical, especially for a project this large, because construction efficiencies of multiunit buildings usually begin to outweigh the lower costs of manufactured homes. While the use of manufactured homes is not precluded from receiving HOME funds, HOME funds are not allowed to be used for infrastructure development of 26 additional lots. Therefore the development budget will be analyzed in two ways, as presented and as if it were only a 10-unit development.

The Applicant plans to include perimeter fencing, sport courts and a playground in the project. A draft site plan was provided, but the sport courts were not shown. The unit mix on the draft site plan provided is also not consistent with the unit mix in the application. The site plan provided was very preliminary and would easily allow for changes in the unit mix since the units are all independent on individual lots with a minimum pad site of 50' x 125'. Of somewhat greater concern is that the application and site plan has no provision for a leasing office or other common use building area. The proposed site is rather remote and the availability of nearby amenities is limited. Moreover it is not confirmed, but anticipated that leasing and management activity will primarily be conducted through a resident manager, the Consultant's office in Austin, and the St. John's Zion Union Church located a mile or so down the road. The receipt, review, and acceptance of a revised and complete site plan and clarification of the location of the leasing and management offices are a condition of this report.

The application indicates that once the development is completed, the St. John Colony Neighborhood Association will form a resident committee to assess the needs of the community in order to prepare a supportive service plan. However, according to information in a follow-up packet, it appears that the Applicant has already solicited possible service providers. These include the East Austin Economic Development Corporation, the Combined Community Action Senior Nutrition Program, and the NAACP Community Development Resource Center in Austin.

The manufactured units will be ordered as rental contracts are signed. The Applicant plans to order the first of the units in November 2001. With the delay in evaluating this application it is anticipated that this target date will be pushed back by several months. According to the development schedule, the final units and all of the site amenities should be in place by December 2002.

POPULATION SERVED

The Applicant has indicated that ten of the total 36 lots will serve households earning 30 % of the area median income (AMI), an additional ten will sever households earning 60% or below of AMI and the remaining lots will sever households earning 61 to 80% of AMI. In addition the Applicant indicates that the 10 units that will be developed with HOME funds will be those reserved for households earning 30% or less of the area median income. The rent schedule provided by the Applicant however indicated rents that were significantly higher than the calculated 30% for these units but their source could not be determined. Based upon the statements in the application, all 10 HOME units should be both rent and income restricted at 30% of AMI.

The Applicant indicates that four of the units will be targeted for elderly residents and 6 will be targeted for handicapped residents but this appears to be out of the greater 36 lot development rather than the 10 rental home units.

MARKET HIGHLIGHTS

The Applicant provided a letter dated April 19, 2001 from Jo F. West states that "No significant deference was found to warrant any changes from the report of January 2000."

A market study prepared by J.F. West, in January 2000, included the following information:

- "The primary or defined market area for the subject project is considered Caldwell and Travis County." (p.6)
- "Regional Market Area: Austin – San Marcos and San Antonio Metropolitan Area (Travis, Bastrop,

Caldwell, Guadalupe, Gonzales, Hays, Williamson, and Bexar counties)" (p.7)

- "Local Market Area: Austin Metropolitan Area (Caldwell, Travis, Hays, Williamson, and Bastrop counties)" (p.7)
- "The project is in an area of relatively high occupancy for rental properties with a lack of quality low-income housing. The average occupancy rates for the properties surveyed by *Austin MSA Real Estate Market in Review – The year-end Report*, 1999, published by Austin Investor Interests, in the subject's submarket, is 99.4%. Those comparable apartment properties in the immediate area of the subject, which we surveyed in our analysis, had an average occupancy of 100%." (p.10)
- "Several of the projects in the immediate area offer low-income assistance to the tenant. The units, which are offered as low-income units, are typically 100% leased, with an extensive waiting list." (p.10)
- "There is one new apartment complex in the subject area with which to compare historical absorption…The 32 unit low-income (LIHTC) Springfield Villas Apartments in Lockhart completed in 1999 was completely occupied within six months of completion. Based on the demand for low-income housing in the area it should take no more than six months to be absorbed to a stabilized occupancy." (p.10-11)
- "Based on our interviews with the managers of rental properties as well as city government officials, the majority of demand for low-income housing comes from families with three or more members. These tenants typically demand at least two bedrooms. In addition, there is a strong demand for three and four bedroom units. The leasing agents for the competing projects indicated that the three bedroom units are typically the first to lease when they become available. Therefore, the proposed unit mix is appropriate for the demand and low-income housing demographics." (p.11)
- "From January 1998 to the present Blue Bonnet Electric Cooperative, Inc. the local electric service provider, reported 211 new line services in the St. John Colony area. The majority of the new electrical hookups were to single family manufactured housing units. The result of a survey of the St. John Colony area reveals HUD Code units throughout the area. The results of the survey clearly indicate manufactured housing is widely accepted in the neighborhood." (p.14)
- "In 1997, manufactured housing comprised 15 percent of the Austin – San Marcos MSA's new housing stock. This is less than the state average of 22.6 percent as reported by the Texas Manufactured Housing Association. Manufactured housing accounts for 22 percent of new single family residences in the area." (p.14)
- "Community Action Inc. of Hays, Caldwell, and Blanco counties administers the Section 8 housing program, Caldwell County. Community Action reports a current waiting list of approximately 316 applicants." (p.14)
- "The proposed rental rates for the subject property average \$0.45 per square foot overall, which is slightly lower than average rent per square foot of the properties surveyed at \$0.51." (p.22)

A Lockhart Affordable Housing Survey prepared by Gene Watkins Development, Inc., on April 22,1998, for Lockhart Public Housing Authority concluded:

"The City of Lockhart is experiencing continued population growth and business expansion. The City has a hard deficit of housing and is located in an area that could attract from two highly competitive markets – San Marcos and Austin. The conclusions of this analysis identify the need for additional housing in the City of Lockhart.

"A viable housing production option for the City of Lockhart might include production of two-bedroom/two-bath, three-bedroom/two-bath apartments and duplexes. Some larger, single family detached rentals would also be appropriate. These units would be competitive at rental rates of \$500-\$575/month with comparable amenities…It would appear that an Affordable Housing building program of 100 to 125 units a year, with an average absorption rate of six to nine months would be a viable scenario. This production could possibly be sustained for a period of three years without significant absorption impediments. A possible mix of units might include 50 to 70 unit apartment complexes and 40 to 50 single family homes and duplexes. Larger single family homes should command rental rates of \$550 to \$600 per month."

The market information provided by the Applicant does not conform to the requirements of the typical TDHCA funded project. While it does provides a reasonably significant amount of information about the general area of the state in which the project is to be located it does a poor job of discussing the specific locational attributes of the proposed site.

SITE and NEIGHBORHOOD CHARACTERISTICS

The proposed site for the development is located on the southeast corner of St. John Road and Hidden Oaks Road in St. John Colony. St. John Colony is rather remotely located on Farm Road 672, ten miles northeast of Lockhart and 25 miles from Austin, in northeastern Caldwell County. The specific site boundaries could not be determined by the TDHCA site inspectors from the information in the application. The seller appears to have deeded 35.52 acres to the applicant, but other areas of the application describe sites of differing sizes. A metes and bounds survey of the site showing any and all improvements and flood areas should be required pursuant to any funding approval of this project. The populations of the Austin – San Marcos MSA and Caldwell County in 1998 were projected at 1,105,909 and 32,447, respectively. The 1999 estimated population for Lockhart is 9,925. Because St. John Colony is not incorporated, a reliable population estimate of the specific community is not available.

According to the market analyst, the boundaries of St. John Colony are somewhat nebulous, but it includes an area of roughly 2,200 acres. The area surrounding the subject site is characterized primarily by residential and rural residential ranch development. Land uses in the immediate vicinity include ranch land to the north and west, and large acreage residential developments to the south and east.

The property is within approximately one mile of three churches. Because of its relative proximity to the City of Lockhart, the proposed community will be in the Lockhart Independent School District. Medical, commercial businesses, and professional services are also located in Lockhart as well as Austin. Public transportation in the area is provided by the Capital Area Rural Transit system, but there are no traditional, set bus routes.

A site inspection by TDHCA staff was performed on October 2, 2001. The site inspectors considered the site to be poor and observed other similar housing products with numerous available units and an abundance of vacant lots in manufactured housing parks with better proximity to both Austin and Lockhart. The inspectors noted that this is a remote rural location that is at least 10 to 15 minutes from Lockhart. The only reasonably close community linkages were the religious facilities which themselves were not within easy walking distance of the site. The inspectors also noted several drilling wells on adjacent parcels and wondered about a small dry creek that appears to run from across the road roughly at the entrance to the site and cut through the site.

A commitment for title was provided with the application for what appeared to be the entire 35 acres however this commitment was subject to a claim of adverse possession for a portion of the tract and therefore was the subject of ongoing litigation. In response to the Underwriters request for clarification of the pending litigation the Applicant provided a new title commitment from a different title company for an approximate 11 acres tract out of the same survey. A more detailed legal description for the tract that is the subject of this commitment was not provided, however the ownership appears to be vested in another individual, Christine Crenshaw Hayden, and not the seller proposed in the application or the Applicant. Therefore, receipt review and acceptance of a revised title commitment for the proposed site showing the ability to pass clear title to the Applicant is a condition of this report.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

The Applicant is not required to provide an Environmental Site Assessment at this stage of the HOME application process.

OPERATING PROFORMA ANALYSIS

The Applicant's revised rent schedule remains unclear about the rents to be charged for the proposed units. The Underwriter has evaluated the unit rents as 30% units and accepted the lot rents as proposed by the Applicant though no documentation to support the lot rents has been provided. The project's income is heavily dependent upon the successful lease-up of these lots as proceeds from them provide an estimated $88K or 62.5% of the projects potential gross income. The Applicant used net rents of $486 to $590 for the proposed three bedroom units and $650 for the four bedroom units. The Underwriter's rents are $51 to $155 less for the three bedroom units and $165 less for the four bedroom units. This resulted in a difference of $12K in annual income. The Applicant's rents are based upon a significantly higher utility allowance of

$128 per unit versus the Underwriter's calculated rate of $69 per three-bedroom unit. It is unclear where this higher allowance comes from but if they were to be justified the effective gross rent for the 10 units would decrease by an additional $8K.

The Applicant included a 6% management fee and $15K in payroll expense, but includes no office space or maintenance buildings in the development costs or draft siteplan. Only $840 annually for water and sewer was included in the operating expenses. This is an extremely low figure even if the development were on an independent well or individually metered for water since any repairs or maintenance to the community septic system will be an operating expense to the development. Moreover while it is likely that individual water metering is the case, no documentation of the source or cost of bringing water to the site was provided. Finally, the Applicant assumed the development would be entirely tax exempt due to their status as a nonprofit organization however provided no documentation suggesting that this exemption has been discussed with the local taxing authorities. Recent litigation in similar circumstances and changes by the legislature in this past session have called into question the absolute nature of this exemption. While the Underwriter has utilized the Applicant's assumption, this report is conditioned upon receipt review and acceptance of documentation of the acceptance of tax exemption or the terms of a payment in lieu of taxes by the local taxing authorities. The Applicant includes $55 per unit per month, which amounts to $24K per year or nearly 40% of the Applicant's total operating expense budget for reserves for replacement. This amount is over ten times the national standard of $200 per unit per year.

Overall, the Applicant's operating expenses appear to be overstated by $13K, or 24%, compared to the TDHCA expense estimate. As a result of overstating income by about the same amount, the Applicant's net operating income compared to the Underwriter's estimate with the rent for the lots included is very comparable. The Underwriter's debt coverage ratio is slightly higher than the Applicant's due to a difference in the calculation of the McAuley Institute loan repayment. Under either scenario the debt service exceeds the minimum 1.10 guideline but under the Underwriter's scenario it exceeds the 1.25 maximum. Based on this analysis it would appear that some principal repayment of the HOME loan would be possible.

Without the rent from the lots and with the prorata operating expense of the lots removed the Underwriter's analysis suggests NOI of $23,776 and the debt service that this can support assuming a healthy 1.25 DCR is $19,020 annually.

CONSTRUCTION COST ESTIMATE EVALUATION

The land for the site has been donated to the Applicant by the Executive Director of the Applicant. However, clear site control has not been established due tot he lack o of a clear title commitment title chain. Therefore it is possible additional funds may be required to resolve the acquisition of the land.

The per unit acquisition cost of the manufactured homes was not provided by the Applicant. Instead the entire direct construction cost was summarized in one acquisition figure. Similarly, sitework costs, indirect costs, and financing costs were not broken down sufficiently to be reasonably evaluated. Sitework costs appear to be higher than the $6,500 per unit average, at $7,946 per developed lot but this may be due to the unknown detail of the water, wastewater, and electric utility connection and distribution costs. The Applicant did include an additional $20,000 for off-site connection to the local water system or development of a well and holding tank system, but provided no documentation to validate the reasonableness of these costs. Receipt, review and acceptance of a third party engineers detailed budget for the offsite water, electric and any other offsite utility is required as well a s a similar detailed breakdown of the estimated costs for all of the site work costs is a condition of this report. The Applicant's potential overstatement of the site work costs are offset by their lower direct construction costs but the Applicant included no additional contractor fees in their budget making their total hard costs appear to be significantly understated compared to the Underwriter's estimate. Because of the significant uncertainty surrounding the Applicant's hard costs, a fixed price contract for the acquisition and installation of the units should be required prior to any TDHCA commitment of funds for this project.

The Applicant included an excessive amount of developer fees totaling 22% of the development costs excluding the fees themselves. In addition the Applicant included an additional $6K in housing consultant fees. Such fees are for work in support of the developer and are typically included as part of the fees attributable to the developer. It is possible that some of these fees could be more appropriately construed as contractor fees that were wholly absent from the Applicant's budget. The program should carefully monitor these fees to assure they are appropriately accounted for and do not exceed the Department's guidelines.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to utilize four sources of financing for this project, an interim loan, two grants and deferred developer fees. The McAuley Institute indicates that they are willing to provide an interim lot development loan of $150,000. While no details of the term or rate were provided in the letter of interest included in the application, a subsequent commitment was provided. This commitment indicates the project will be for 40 months with interest at 5.5%. The principal reduction on the loan will be $15,000 in the first year, $58,000 in the second and third years and $21,250 in the forth year. The Additional $2,250 represent loan fees that will be rolled into the principal balance.

The second source of financing is a proposed Affordable Housing Program (AHP) grant from the Federal Home Loan Bank of Dallas for $268,000. While the original sponsor for this grant, Franklin Bank withdrew, First American Bank, SSB has stepped in to replace them. A commitment for the AHP grant including the member bank substitution has been provided and appears to be enforceable.

The third source of interim financing is a deferral of $100,000 of the proposed developer fees as a loan from St. John Colony Neighborhood Association. The loan will have an interest rate of 6.66% and a term of 20 years and is proposed to have a second lien position after the McAuley interim loan.

The final source of funds is the proposed HOME award grant of $324,000, which will also serve as permanent source of funds. Based on the short repayment term of the McAuley first lien it is likely that a significant cash flow potential will become available after that loan is fully repaid in 40 months. In addition according to program staff, it does not appear that grant funds for rental development were an option for applicants in this funding cycle based on the 2001 consolidated plan and NOFA. Since a repayable loan is more than possible especially after the McAuley first lien is repaid it is recommended that the HOME award be structured as such. Two options exist, to estimate the cash flow available and structure that loan repayment today, or to call the entire loan at the end of the 40 moths to be restructured at that time. Based upon the underwriter's current analysis it would appear that the HOME loan could be fully repaid over the 200 months immediately following the repayment of the McAuley loan at equal monthly payments of $1,620 or $19,440 annually. This amount is also roughly the amount of debt service attributable to the 10 rental units as discussed above. This loan should have a priority of lien over the developer's deferred fee loan but allow the deferred developer fee to be repaid based on the proposed schedule with priority over the HOME loan repayment. The Applicant also requested both an administrative grant and a CHDO operating grant when only the latter higher amount is available to CHDO applicants therefore.

Should additional funds be needed to complete this development there would be only a very small margin deferrable developer fees available (less than $10K) to fill such a gap.

REVIEW of ARCHITECTURAL DESIGN

The Applicant provided Clayton Homes floor plans for three models of manufactured housing. The following is a description of each:

- <u>Model SS2844</u> (1,159 sq. ft.) – This is a three-bedroom/two-bath unit.
- <u>Model SL2850</u> (1,316 sq. ft.) – This is also a three-bedroom/two-bath unit.
- <u>Model FP1128</u> (1,368 sq. ft.) – This is a four-bedroom/two-bath unit.

All the units appear simple in design but acceptable. Elevation drawings for the units were not provided. Therefore, other than construction specifications provided in the application, their exterior appearance is unknown.

IDENTITIES of INTEREST

The executive director of the Applicant organization is the seller of the site. However, this identity of interest is mitigated by the donation of site to the Applicant as a gift.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

The Applicants total assets are $353 in cash. Their total liabilities consist of a loan of $1,450 therefore their net worth is a negative $1,100.

According to an earlier application, St. John Neighborhood Association has been working for improvements in the St. John community for *over 20 years*. However, it does not appear that the organization has any prior experience with the development of affordable housing.

SUMMARY OF SALIENT RISKS AND ISSUES

- Items identified in previous reports/ or analysis have not been satisfactorily addressed.
- The Applicant's estimated income and operating expenses are more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The principals of the Applicant do not appear to have the development experience and the financial capacity to support the project if needed.

RECOMMENDATION

☒ RECOMMEND A HOME LOAN OF $324,000 REPAYABLE OVER 20 YEARS AT ZERO PERCENT INTEREST AND ALLOWABLE CHDO OPERATING EXPENSES SUBJECT TO THE FOLLOWING CONDITIONS:

1. The HOME loan should begin repayment after the 40th month and the completion of the McAuley Institute first lien repayment and continue for 200 months thereafter in equal monthly payments of $1,620. The HOME loan shall have a priority lien over all other liens except the McAuley Institute first lien for $150,000 but allow priority repayment of up to $100,000 of deferred developer fee at a maximum 6.6% interest amortized over a full 20 years.
2. Receipt, review, and acceptance of a LURA that limits the rents of the 10 units proposed to not more than the calculated 30% of AMI rent.
3. Receipt, review, and acceptance of a revised and complete site plan and clarification of the location of the leasing and management offices
4. Receipt, review, and acceptance of a current metes and bounds survey;
5. Receipt review and acceptance of a revised title commitment for the proposed site showing the ability to pass clear title to the Applicant;
6. Receipt review and acceptance of documentation of the acceptance of tax exemption or the terms of a payment in lieu of taxes by the local taxing authorities;
7. Receipt, review and acceptance of a third party engineers detailed budget for the offsite water, electric and any other required offsite utility, and a similar detailed breakdown of the estimated costs for all of the site work costs;
8. Receipt, review and acceptance of a fixed price contract for the acquisition and installation of the 10 proposed units should be required prior to any final TDHCA commitment;
9. Receipt review and acceptance of a revised development budget that ensures the developer's fee including the proposed housing consultant fee does not exceed 15% of the projects other development costs (i.e. total development costs less developer and housing consultant fees); and,
10. Should any of the financing terms of costs be inconsistent with the assumptions a review and re-evaluation of the feasibility of the project should be conducted.

Underwriter: Carl Hoover **Date:** December 6, 2001

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

Director of Credit Underwriting: ______________________________ **Date:** December 6, 2001
Tom Gouris

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

St. John Colony Neighborhood Association, Dale, Home #2001-0151

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit
LH 30%	5	3	2	1,159	$504	$435
LH 30%	2	3	2	1,316	$504	$435
LH 30%	2	3	2	1,368	$504	$435
LH 30%	1	4	2	1,368	$562	$485
Lot Only	16			1,300		$270
Lot Only	10			1,300		$300
TOTAL:	36		AVERAGE:	1,287	$142	$326

INCOME & EXPENSE		Total Net Rentable Sq Ft:	46,331		TDHCA
POTENTIAL GROSS RENT					$140,640
Secondary Income			Per Unit Per Month:	$10.00	4,320
Other Support Income: (describe)					0
POTENTIAL GROSS INCOME					$144,960
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(10,872)
Employee or Other Non-Rental Units or Concessions					(5,832)
EFFECTIVE GROSS INCOME					$128,256
EXPENSES		% OF EGI	PER UNIT	PER SQ FT	
General & Administrative		6.60%	$235	$0.18	$8,469
Management		6.00%	214	0.17	7,695
Payroll & Payroll Tax		12.10%	431	0.33	15,516
Repairs & Maintenance		9.30%	331	0.26	11,928
Utilities		1.67%	59	0.05	2,136
Water, Sewer, & Trash		0.65%	23	0.02	840
Property Insurance		1.03%	37	0.03	1,324
Property Tax	N/A	0.00%	0	0.00	0
Reserve for Replacements		1.56%	56	0.04	2,000
Other Expenses:		0.00%	0	0.00	0
TOTAL EXPENSES		38.91%	$1,386	$1.08	$49,908
NET OPERATING INC		61.09%	$2,176	$1.69	$78,348
McAuley Institute		39.06%	$1,392	$1.08	$50,094
St. John Colony Neighborhood Asso.		7.06%	$252	$0.20	9,060
TDHCA-Home		0.00%	$0	$0.00	0
NET CASH FLOW		14.96%	$533	$0.41	$19,193
AGGREGATE DEBT COVERAGE RATIO					1.32
ALTERNATIVE DEBT COVERAGE RATIO					1.32

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA
Acquisition Cost (site or bldng)		0.00%	$0	$0.00	$0
Off-Sites		2.28%	556	0.43	20,000
Sitework		26.63%	6,500	5.05	234,000
Direct Construction		40.71%	9,938	7.72	357,773
Contingency	0.00%	0.00%	0	0.00	0

General Requirements	5.00%	3.37%	822	0.64	29,589
Contractor's G & A	0.29%	0.19%	47	0.04	1,700
Contractor's Profit	5.00%	3.37%	822	0.64	29,589
Indirect Construction		7.51%	1,833	1.42	66,000
Ineligible Expenses		0.57%	139	0.11	5,000
Developer's G & A	2.00%	1.66%	405	0.31	14,562
Developer's Profit	13.00%	10.77%	2,629	2.04	94,653
Interim Financing		1.08%	263	0.20	9,450
Reserves		1.88%	458	0.36	16,495
TOTAL COST		100.00%	$24,411	$18.97	$878,811
SOURCES OF FUNDS					
McAuley Institute		17.32%	$4,229	$3.29	$152,250
St. John Colony Neighborhood Asso.		11.38%	$2,778	$2.16	100,000
Federal Home Loan Bank of Dallas		30.50%	$7,444	$5.78	268,000
TDHCA-Home		36.87%	$9,000	$6.99	324,000
Additional (excess) Funds Required		3.93%	$960	$0.75	34,561
TOTAL SOURCES					$878,811

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

St. John Colony Neighborhood Association, Dale, Home #2001-0151

ALTERN

Primary D

Secondar

Additional

NET CAS

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
POTENTIAL GROSS RENT	$140,640	$144,859	$149,205	$153,681	$158,292
Secondary Income	4,320	4,450	4,583	4,721	4,862
Other Support Income: (describe)	0	0	0	0	0
POTENTIAL GROSS INCOME	144,960	149,309	153,788	158,402	163,154
Vacancy & Collection Loss	(10,872)	(11,198)	(11,534)	(11,880)	(12,237)
Employee or Other Non-Rental Units or Concessions	(5,832)	(6,007)	(6,187)	(6,373)	(6,564)
EFFECTIVE GROSS INCOME	$128,256	$132,104	$136,067	$140,149	$144,353
EXPENSES at 4.00%					
General & Administrative	$8,469	$8,808	$9,160	$9,527	$9,908
Management	7,695	7,926	8,164	8,409	8,661
Payroll & Payroll Tax	15,516	16,137	16,782	17,453	18,152
Repairs & Maintenance	11,928	12,405	12,901	13,417	13,954
Utilities	2,136	2,221	2,310	2,403	2,499
Water, Sewer & Trash	840	874	909	945	983
Insurance	1,324	1,377	1,432	1,489	1,549
Property Tax	0	0	0	0	0
Reserve for Replacements	2,000	2,080	2,163	2,250	2,340
Other	0	0	0	0	0
TOTAL EXPENSES	$49,908	$51,828	$53,821	$55,893	$58,044
NET OPERATING INCOME	$78,348	$80,276	$82,245	$84,256	$86,309
DEBT SERVICE					
First Lien Financing	$22,838	$63,830	$60,640	$21,711	$0
Second Lien	9,060	9,060	9,060	9,060	9,060
Other Financing	0	0	0	12,960	19,440
NET CASH FLOW	$46,450	$7,386	$12,545	$40,525	$57,809
DEBT COVERAGE RATIO	2.46	1.10	1.18	1.93	3.03

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

DATE: December 1, 2001 **PROGRAM:** HOME Investment Partnership **FILE NUMBER:** 2001-0189

DEVELOPMENT NAME

Garden Terrace Single Room Occupancy (SRO) Project

APPLICANT

Name: Foundation Communities, Inc. (FCI) **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 3036 South First Street **City:** Austin **State:** Texas

Zip: 78704 **Contact:** Walter Moreau **Phone:** (512) 447-2026 **Fax:** (512) 447-0288

PRINCIPALS of the APPLICANT

Name	(%)	Title
Walter Moreau	N/A	Executive Director of
Capital Area Homeless Alliance	N/A	Administering Agent
Helen Varty	N/A	Executive Director of

PROPERTY LOCATION

Location: 1015 W. William Cannon Drive ☐ QCT ☐ DDA

City: Austin **County:** Travis **Zip:** 78745

REQUEST

Amount	Interest Rate	Amortization	Term
$1,000,000	N/A	N/A	15 yrs

Other Requested Terms: The Applicant originally requested a 15-year term forgivable loan, but has subsequently requested the award be made as a grant

Proposed Use of Funds: Acquisition & rehabilitation

SITE DESCRIPTION

Size: 5.77 acres 251,341 square feet **Zoning/ Permitted Uses:** SF-3, Family Residence

Flood Zone Designation: Zone X **Status of Off-Sites:** Fully Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 85 **# Rental Buildings** 1 **# Common Area Bldngs** 0 **# of Floors** 1 **Age:** 21 yrs **Vacant:** 85 at 7/ 26/ 01

Number	Bedrooms	Bathroom	Size in SF

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

85	Efficiency	1	200

Net Rentable SF: 17,000 **Av Un SF:** 200 **Common Area SF:** 14,374 **Gross Bldg SF** 31,374*

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☒ Special Use

* From tax statement.

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CREDIT UNDERWRITING ANALYSIS

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 100% brick veneer exterior wall covering with wood trim, drywall interior wall surfaces, composition roll roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, refrigerators & microwave ovens in rooms, stall showers, laminated counter tops

ON-SITE AMENITIES

Community kitchen, laundry facilities, two dining areas, two lounge areas, indoor & outdoor recreation areas, meeting rooms, staff offices, perimeter fencing, monitored security, security patrols

Uncovered Parking: 77 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM to PERMANENT FINANCING

Source: Federal Home Loan Bank of Dallas **Contact:** Unknown

Principal Amount: $500,000 **Interest Rate:** 0%

Additional Information: Unconfirmed, Affordable Housing Program forgivable loan, to be applied for in fall 2001, anticipate funding in Feb 2002, Applicant will fund if unsuccessful

Amortization: N/A yrs **Term:** 15 Yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

INTERIM to PERMANENT FINANCING

Source: Austin Housing Finance Corporation **Contact:** Unknown

Principal Amount: $1,000,000 **Interest Rate:** 0%

Additional Information: Unconfirmed, anticipate award in Dec 2001, Applicant will fund if unsuccessful

Amortization: N/A yrs **Term:** N/A yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

APPLICANT EQUITY

Amount: $200,000 **Source:** In-kind services (staff time) deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only:	$650,000	**Date of Valuation:**	6/ 7/ 2001
Existing Building: as is	$350,000	**Date of Valuation:**	6/ 7/ 2001
Existing Building: as renovated	$1,050,000	**Date of Valuation:**	6/ 7/ 2001

Appraiser: Morgan, Beebe, & Harper, LLC **City:** Austin **Phone:** (512) 451-5513

ASSESSED VALUE

Land:	$754,023	**Assessment for the Year of:**	2001
Building:	$1,745,977	**Valuation by:**	Travis County Appraisal District
Total Assessed Value:	$2,500,000		

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 9/ 30/ 2001 **Anticipated Closing Date:** 9/ 30/ 2001

Acquisition Cost: $ 1,250,000 **Other Terms/Conditions:** $100,000 earnest money

Seller: 22 Texas Services LP **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Garden Terrace is a proposed acquisition and rehabilitation project of 85 units of affordable, single room occupancy, transitional housing for the homeless located in southwest Austin. The project was built as a nursing home in 1990 and was used as such until April 2001. The property is comprised of one one-story residential building with 92 rooms, which will be converted into 85 single room occupancy (SRO) units of an average of 200 square feet each. The Fair Market Rents (FMR) for SRO units as determined by HUD under the Section 8 Moderate Rehabilitation Single Room Occupancy Program are calculated at 75% of the 0-bedroom (efficiency) FMR. An SRO unit is defined in the HOME final rule as a unit that contains either food preparation or sanitary facilities (and may contain both) if new construction and may contain neither in the unit if it is an acquisition and conversion of an existing residential structure. In this case, each unit will have its own bathroom facilities (though not all will have individual showers), and each will have a limited food preparation area to include a small refrigerator and microwave oven. The building has seven residential wings radiating off of a central common area wing, which includes a community self-help kitchen, two dining areas, laundry facilities, staff offices, restrooms, and two recreation rooms.

Development Plan: The buildings are currently 100% vacant and in average condition. The Applicant intends to perform the following rehabilitation work:

- Exterior: minor roof and gutter repairs, parking lot resurfacing, new signage, lighting upgrade, minor landscaping, rear fence replacement
- Interior: painting, new carpet and flooring, new locks, conversion of bathrooms to include shower stalls, room remodeling (new lighting, shelving, countertops with microwaves), common area renovation, evaluation and repair as necessary of all building systems

The Applicant did not provide a third party architect's scope of work, and receipt, review, and acceptance of same is a condition of this report.

Supportive Services: The Applicant has contracted with several local service agencies to provide the following supportive services to tenants: needs assessment and case management, job services, support groups, life skills and empowerment training, and information and referral services for other local service providers. These services will be provided at no cost to tenants. There was no indication in the agreements provided that the Applicant would bear any cost for these services. Additionally, the Applicant has applied through Austin Travis County MHMR for rental assistance under HUD's Continuum of Care Homeless Assistance Grant. This will be for 50 of the 85 units. The Applicant applied for $2.4M to provide Section 8 vouchers to homeless persons to live in permanent affordable SRO housing units. In a letter dated June 5, 2001, MHMR reports that Austin/Travis County is eligible to receive up to $2.8M this year. Based on historical experience, a minimum of $1.7M will likely be awarded to this project, but MHMR is "hopeful that additional funding will be awarded".

Schedule: The Applicant anticipates construction to begin in February of 2002 and for the project to be completed and placed in service in July of 2002.

POPULATIONS TARGETED

Income Set-Aside: The Applicant proposes to reserve 100% of the units for low-income single adults. Thirty-five units (41% of the total) will be reserved for tenants earning 30% or less of the area median gross income (AMGI), and the remaining 50 units (59%) will be reserved for households earning 50% or less of

AMGI.

Rent Set-Aside: The Applicant's rent schedule indicates that only 35 units will be HOME restricted with seven low Home and 28 high HOME units. None of these appear to be proposed by the Applicant to be rent restricted to the calculated 30% rent limit SRO rent. An additional 15 units will be restricted due to anticipated HUD vouchers at the FMRs for SRO units (a total of 50 voucher units is anticipated). The Applicant does not anticipate a rent restriction on the remaining 35 units and considers them to be market units. The Applicant anticipates that no voucher subsidy will be available for these last 35 units and, therefore, anticipates an even lower rent for these market units. There is no certainty of these lower market rents or that the HUD vouchers will materialize, yet the project will be underwritten as if these artificial limits were in full force. Therefore, it is recommended that the HOME LURA restrict all the proposed units as HOME units restricted to the HUD SRO rent limit (with at least 20% of the units or 17 at the low HOME rent level).

Special Needs Set-Asides: The application indicates that all 85 units will be reserved for homeless persons and 13 units (15%) will be reserved for persons with disabilities. However, the Applicant's description of the project indicates that only 50 of the 85 units will be reserved for homeless persons and describes the target market as "persons, homeless and housed, who are working in low-wage jobs and unable to afford market rate housing". The application is not submitted under the special needs set-aside, and this inconsistency does not pose a significant issue for underwriting.

MARKET HIGHLIGHTS

A market feasibility study dated June 8, 2001 was prepared by Robin Bradford, Communications Director of the Applicant, and a summary is attached. The report contained the following highlights:

- "…Austin has seen rental prices increase 70% over the past ten years while wages have increased just 40%. Every day in Austin 3,977 families and individuals find themselves homeless. Currently, an individual earning the federal minimum wage would be required to work 72 hours per week to afford a 'fair market rent' efficiency apartment in the Austin/San Marcos MSA." (p. 12)
- "The Community Action Network SuperNOFA Planning Committee estimates that as of June 1, 2001, approximately 3,977 homeless adults, youth, and families with children live in Austin/Travis County on any given day….Of these, about 1,964 are single adults." (p. 12)
- "Currently, single homeless adults who have demonstrated a commitment to increasing their self-sufficiency have few options for affordable housing in Austin. The creation of an SRO would begin to address the needs of single homeless adults who have demonstrated a commitment to increasing their self-sufficiency." (p. 12)
- "Unlike most cities of its size, Austin has no single room occupancy units." (p. 12)
- "The average market rent for an efficiency unit in the South Austin market is $515. The average market rent for an efficiency unit in the William Cannon submarket is $462." (p. 21)
- "Austin's need for SRO units is acute…even with the creation of this 85-unit facility, the only one of its kind in Austin, there will remain a need of at least 500 similar units in the city." (p. 23)
- "The Garden Terrace nursing home site is particularly well-suited for an SRP project…It offers an attractive neighborhood close to stores, doctors, and potential employers of formerly homeless individuals." (p. 23)
- A rent analysis of the proposed units and existing SRO units is as follows.

RENT ANALYSIS (net tenant-paid rents)

	Proposed	Program Max	Differential	Market[3]	Differential
SRO (MR[1])	$325	N/A	N/A	$462	-$137
SRO (LH)	$399	$400[2]	-$1	$462	-$63
SRO (HH)	$399	$400	-$1	$462	-$63

(NOTE: Differentials are amount of difference between proposed rents and program limits and

average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)
NOTE: [1]These "market rate" units are more accurately described as "unrestricted" units as the Applicant is setting rents well below market to maintain affordability.[2] This program rent limit for both Low HOME and High HOME is based on the HUD FMR.[3] The market rents represent efficiency units as there are no true single room occupancy units in the area.
The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a nearly rectangular-shaped parcel located in the southwest area of Austin, approximately seven miles from the central business district. The site is situated on the south side of William Cannon Drive.
Population: The 2000 population of the Austin-San Marcos MSA was 1,249,763 according to the U.S. Census. Annual growth rates between 1992 and 2000 range from 2.19% to 3.79%.
Adjacent Land Uses: Land uses in the area are predominantly single-family residential, mixed with some office and retail developments. Adjacent land uses include:

- **North:** William Cannon Drive with vacant land and single-family residential beyond
- **South:** Single-family residential
- **East:** Multifamily residential
- **West:** Commercial car wash and auto service facility

Site Access: Access to the property is from the east or west along William Cannon Drive or the north from Emerald Forest Drive. The project has one main entry from William Cannon Drive. Access to Interstate Highway 35 is two miles east, which provides connections to all other major roads serving the Austin area.
Public Transportation: Public transportation to the area is provided by the Capital Metro bus system, and a stop is immediately in front of the site.
Shopping & Services: The site is within easy walking distance of a major grocery/pharmacy and neighborhood shopping centers. A variety of other retail establishments, restaurants, employment opportunities, schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.
Special Adverse Site Characteristics: The application indicates the site is currently zoned SF 3, Family Residence, and will require rezoning for the proposed use. The Applicant in subsequent correspondence indicated that rezoning was approved by the city council on October 25, but provided no evidence of rezoning. Receipt, review, and acceptance of evidence of compatible zoning is a condition of this report.
Site Inspection Findings: The site was inspected by TDHCA staff on October 2, 2001. The inspector found the site to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report was not included as HOME Program-financed projects are not required to submit this type of report, but must conform to the HOME environmental rules prior to closing.

OPERATING PROFORMA ANALYSIS

The proposed project is rather unique and, while it has similarities to a typical multifamily project, is not as predicable because there are relatively few other projects in the country, much less the state, like it. The Underwriting staff has utilized many of its standard tools to evaluate the potential performance of this project, but has also reviewed and utilized information provided through the Applicant from other SRO projects run by independent operators in other states.
Income: The application indicates that 35 units will be set aside under the HOME Program limits, 15 units will be designated as HUD units, and the remaining 35 units will be unrestricted. The Applicant's rent projections for the 50 restricted units, at $399, are based on the HUD Section 8 Moderate Rehabilitation SRO Program limits for Austin and are significantly ($134) lower than the HOME Program limits for a typical efficiency. The unrestricted units' proposed rent of $325 is intended to provide the maximum affordability for the target population. As mentioned above, the Applicant has applied for a HUD rental assistance grant,

which will be used to subsidize rents up to the $399 level for qualifying tenants. There is the potential for additional income (approximately $95K) if the Applicant is able to increase rents to the average market rent for an efficiency ($462 as indicated in the market study). To eliminate this potential windfall, it is recommended that all of the units be rent restricted based on the HUD SRO program limits. Even with this restriction in place there is a potential additional $31.5K per year if the full HUD SRO limit were achieved instead of the Applicant's lower proposed market rents. The Applicant's secondary income estimate of $7 per unit per month is lower than the typical underwriting guideline and the amount estimated by the Underwriter of $10, though there is a more than normal amount of speculation in both estimates. The vacancy and collection loss estimate used by the Applicant is also slightly lower than the typical underwriting guideline at 7.36%. There is no local real world examples to gauge if these are reasonable, but it is likely this will depend heavily on the success of obtaining Section 8 SRO vouchers for residents as proposed.

Expenses: The Applicant's estimate of total operating expense is significantly (31%) higher than the Underwriter's original adjusted TDHCA database-derived estimate. Due to the unique nature of the project, however, the Underwriter requested and received from the Applicant expense information from seven comparable SRO projects in Texas and California that provided significant substantiation for the Applicant's line item estimates. Most notably, the Underwriter's payroll estimate utilized the average per unit payroll expenses of the two Texas (Houston) comparables, which included an acceptance of the Applicant's estimates for security ($45K) and a full-time resident care coordinator ($24K). The Applicant strongly emphasized the importance of intensive property and resident management for this project, which will be located in a suburban area, and the Underwriter regards the Applicant's payroll, security, and residential services to be reasonable and consistent with comparable projects' expenses in these areas. The Applicant's budget shows two other line item estimates that deviate significantly when compared to the typical multifamily database averages, general and administrative expense ($3.3K lower) and property insurance expense ($5.4K higher). The Applicant's higher insurance estimate is due to the very large amount of common area in relation to the amount of residential area, as well as the perceived higher risk of the target population. Additionally, since the Applicant is a nonprofit CHDO organization, they estimate no property tax expense, and the Underwriter has concurred with this assumption as they have been successful in obtaining such an abatement in this locality for other projects. No estimate other than the higher payroll expense was provided for the significant level of supportive services planned, but as no fees were listed in the service commitments provided, this is regarded as reasonable. The Underwriter's final expense estimate is 1.3% lower than the Applicant's; therefore, the Applicant's estimate is considered to be reasonable.

Conclusion: The Applicant's estimated income and expenses are consistent with the Underwriter's expectations. The Underwriter projects a slightly greater amount of net operating income ($8,617) than the Applicant ($1,865), suggesting the ability of the project to pay a minimal amount of debt service. Under the Applicant's proposed financing structure, there will be no debt to service. Due to the limited experience the Department and the Applicant has in overseeing and operating such a unique project, the Applicant has expressed a strong desire to maximize the potential for success by creating a debt free or at least a debt service free project. This would appear to be a prudent course of action for the short term until an operating history for the project can be established.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant was originally requesting $1,000,000 in HOME funds for part of the acquisition cost of $1,440,000. The acquisition is believed to be an arms length transaction and, therefore, no additional documentation for underwriting purposes is required. Interestingly, however, the Applicant submitted an appraisal dated June 7, 2001 completed by Morgan, Beebe & Harper, LLC that substantiates an "as is" market value of the fee simple interest in the property of $1,000,000. The cost approach to appraising market value determined a land value of $650K and the "as is" market value of the buildings at $429,513, with a total value of $1,080,000, while the income approach arrived at a much lower "as is" market value of $840,000. The sales comparison approach was not used due to the lack of available SRO sales with which to compare. The Underwriter believes the value of the buildings has been understated in large part due to the termination of the previous nursing home operation. It is often the case that the value of a structure is dependent on the viability of the operation it contains. In addition, a nursing home structure has a relatively limited number of alternative uses and, in this case, is being converted for use as a transitional/homeless facility, which would in all likelihood provide a lower potential economic value for the property.

Sitework Cost: The Applicant's sitework costs are minimal at $706 per unit. This will include the items mentioned above in the development plan.

Direct Construction Cost: The Applicant did not include a detailed construction cost breakdown for each rehabilitation item or a scope of work or detailed needs assessment performed by an architect. The Applicant's direct construction cost estimate is $800K and, without additional documentation or a construction cost breakdown, the Underwriter cannot analyze the reasonableness of this line item cost. Receipt, review, and acceptance of an itemized construction cost breakdown is a condition of this report.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The contingency line item is slightly above the 5% maximum typical of new construction projects, but may be understated based on the typical rehabilitation project. The Applicant's developer fees also exceed 15% of the Applicant's direct cost estimate and, therefore, are considered to be overstated and should be reduced by $51,050. Since the Applicant is anticipating contributing $200,000 in equity or deferred developer fee to the project, this excess developer fee will only appear as a paper profit and not be realized to any larger degree than any profits from the project would otherwise normally be to the benefit of the owner.

Conclusion: The Applicant's total project cost estimate is within 5% of the Underwriter's total costs, though few of the Applicant's costs could be independently verified by the Underwriter. The Applicant's total project cost estimate is also well within the HUD 221(d)(3) HOME subsidy limit of $52,392 for an efficiency unit or a total of $1,833,720 for the originally designated 35 HOME units.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from four sources: the TDHCA HOME award, an Affordable Housing Program loan from the Federal Reserve Bank of Dallas, fundraising, and a donation of in-kind services by the Applicant.

HOME: The Applicant is requesting a grant of TDHCA HOME Program funds in the amount of $1,000,000 to provide the majority of acquisition funding. The Applicant, based on the experience of other SRO projects, wishes to avoid encumbering the project with debt service if possible. The HOME program staff has indicated that grants for rental development projects were not contemplated in the 2001 consolidated plan and, therefore, an outright grant of funds at this time is not recommended. Because of the significant uniqueness of this project and the generally limited operating history with such projects, it is recommended that an award be structured as a loan at zero percent interest with a five year maturity in lieu of a labor intensive cash flow loan. Prior to maturity, the loan and project should be re-evaluated based upon actual performance and a loan repayment structure and or proposed amount of debt forgiveness be established. It should be noted that this represents a very speculative transaction and there is potential that the entire loan amount will need to be forgiven at some time in the future.

Affordable Housing Program Loan: The Applicant has applied for a forgivable loan of $500,000 from the Federal Reserve Bank of Dallas, with a term of 15 years and an interest rate of 0%. This loan was applied for in the fall of 2001, with an anticipated award announcement occurring in December 2001. The funds would be disbursed in February 2002.

Fundraising: The Applicant is conducting a capital campaign to raise $1,000,000 with foundations, corporations, and individuals, although no commitments were provided. Application has been made for a forgivable loan from the City of Austin's Affordable Housing Corporation, with a term and affordability period of 20 years and an interest rate of 0%. Award notification is expected in December 2001.

Applicant Equity: The Applicant is donating $200,000 in in-kind staff development services to the project. In addition the Applicant is committed to fully funding any and all development cost shortfalls associated with this project and has provided a commitment and audited financial statements to confirm the willingness and ability to do so.

Financing Conclusions: Although none of the financing options are firm at this time, the Applicant has committed to provide funds from its own cash reserves to complete the project. As noted below, the Applicant's cash reserves of $5.2M would appear sufficient to accomplish the project and, therefore, mitigate the risk associated with the unconfirmed funding sources. The HOME Program staff did not anticipate awarding grants in this funding cycle, and has indicated a preference to make this award as a short-term loan to allow evaluation of project performance and restructuring if necessary. Therefore, the $1,000,000 HOME award is recommended to be in the form of a non-amortizing zero percent loan with a maturity of five years.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The exterior elevations are simple, with architectural elements typical of an institutional development built in the 1970s. The units are of average size for efficiency units and each will have a private bathroom with a stall shower and a kitchen area equipped with microwave oven and small refrigerator. All units have common entry through interior hallways.
Unit Floorplans: The efficiency unit encompasses one room that will be used for living, sleeping, and dining, with the kitchen appliances along one wall of the room. There will be three cabinets beside the kitchen appliances for storage. Off of this room is the bathroom.

IDENTITIES of INTEREST

The Applicant is also acting as the General Contractor for the project. This is typical for rental housing developments.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights: The Applicant, Foundation Communities, Inc. and Affiliates, submitted audited financial statements as of December 1999 and 2000. The 2000 statement reports total assets of $36M, consisting of $5.2M in cash, $2.4M in receivables, $353K in deposits, $1.1M in partnership investments, $25M in property and equipment, $956K in intangible assets, $322K in restricted assets, and $301K in cash reserves. Liabilities total $25M, resulting in net assets of $11M. Additionally, the Applicant submitted an interim statement of financial position as of April 30, 2001 also describing total assets of $36M.
Background & Experience: Foundation Communities (formerly Central Texas Mutual Housing Association) has been providing affordable housing in Austin and North Texas since 1984., and currently manages 1,815 units. This nonprofit agency has been involved in both new construction and rehabilitation of various types of multifamily properties, and has acted as general contractor on eleven affordable housing projects totaling 1,815 units since 1989.

CREDIT UNDERWRITING ANALYSIS

SUMMARY OF SALIENT RISKS AND ISSUES

- TDHCA and the Applicant have very limited information regarding SRO project operations, increasing the uncertainty of operating income and expense estimates.
- None of the anticipated funding sources are confirmed.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED $1,000,000, STRUCTURED AS A FIVE-YEAR TERM, NON-AMORTIZING LOAN AT 0% INTEREST, SUBJECT TO CONDITIONS

CONDITIONS

28. At the end of the five-year term, the performance of the project should be reviewed and the potential for repayment or debt forgiveness should be re-evaluated;
29. Receipt, review, and acceptance of a LURA that restricts all units as HOME units with the a minimum of 35 units restricted to income eligible tenants earning at or below 30% of the AMI, and rents for all of the units shall be restricted based upon the HUD Section 8 Moderate Rehabilitation Single Room Occupancy Program at not more than 75% of the Section 8 Existing Housing FMR for a 0-bedroom unit;
30. Receipt, review, and acceptance of firm final commitments and/or verification of funds from all proposed or alternative funding sources;
31. Receipt, review, and acceptance of a third party scope of rehabilitation work/needs assessment; and,
32. Receipt, review, and acceptance of verification from the City of Austin that the zoning of the site has been changed and is in conformance with the proposed development.

Credit Underwriting Supervisor:	Jim Anderson	**Date:**	December 6, 2001
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	December 6, 2001

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Co

Garden Terrace SRO Proje

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.
MR< HUD SRO	35	Eff.	1	200	N/A
HUD SRO	15	Eff.	1	200	399.75
LR/HUD SRO	7	Eff.	1	200	399.75
HR/HUD SRO	28	Eff.	1	200	399.75
TOTAL:	85		AVERAGE:	200	$399.75

INCOME		Total Net Rentable Sq Ft:	17,000	
POTENTIAL GROSS RENT				
Secondary Income			Per Unit Per Month:	$10.00
Other Support Income: (describe)				
POTENTIAL GROSS INCOME				
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%
Employee or Other Non-Rental Units or Concessions				
EFFECTIVE GROSS INCOME				
EXPENSES		% OF EGI	PER UNIT	PER SQ FT
General & Administrative		4.63%	$195	$0.97
Management		5.00%	210	1.05
Payroll & Payroll Tax		24.40%	1,025	5.13
Repairs & Maintenance		8.71%	366	1.83
Utilities		18.21%	765	3.83
Water, Sewer, & Trash		6.65%	279	1.40
Property Insurance		3.53%	148	0.74
Property Tax	2.5919	0.00%	0	0.00
Reserve for Replacements		7.14%	300	1.50
Other: sec., care coord., compl. fees		19.32%	812	4.06
TOTAL EXPENSES		97.59%	$4,100	$20.50
NET OPERATING INC		2.41%	$101	$0.51
DEBT SERVICE				
TDHCA HOME Loan		0.00%	$0	$0.00
FHLB/AHP Grant		0.00%	$0	$0.00
Additional Financing		0.00%	$0	$0.00
NET CASH FLOW		2.41%	$101	$0.51
AGGREGATE DEBT COVERAGE RATIO				
ALTERNATIVE DEBT COVERAGE RATIO				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldng)		54.51%	$16,941	$84.71
Off-Sites		0.00%	0	0.00
Sitework		2.27%	706	3.53

CREDIT UNDERWRITING ANALYSIS

Direct Construction		30.28%	9,412	47.06
Contingency	5.00%	1.63%	506	2.53
General Requirements	1.16%	0.38%	118	0.59
Contractor's G & A	1.40%	0.45%	141	0.71
Contractor's Profit	0.00%	0.00%	0	0.00
Indirect Construction		2.57%	800	4.00
Ineligible Expenses		0.00%	0	0.00
Developer's G & A	15.00%	5.64%	1,752	8.76
Developer's Profit	0.00%	0.00%	0	0.00
Interim Financing		0.00%	0	0.00
Reserves		2.27%	706	3.53
TOTAL COST		100.00%	$31,082	$155.41

SOURCES OF FUNDS

TDHCA HOME Loan	37.85%	$11,765	$58.82
FHLB/AHP Grant	18.93%	$5,882	$29.41
Fundraising Proceeds	37.85%	$11,765	$58.82
In-Kind Equity	7.57%	$2,353	$11.76
Additional (excess) Funds Required	-2.20%	($683)	($3.417)
TOTAL SOURCES			

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (

Garden Terrace SRO Pro

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY		FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost					
Adjustments					
Exterior Wall Finish					
Elderly					
Roofing					
Subfloor					
Floor Cover					
Porches/Balconies					
Plumbing					
Built-In Appliances					
Stairs/Fireplaces					
Floor Insulation					
Heating/Cooling					
Garages/Carports					
Comm &/or Aux Bldngs					
Other:					
SUBTOTAL					
Current Cost Multiplier					
Local Multiplier					
TOTAL DIRECT CONSTRUCTION COSTS					
Plans, specs, survy, bld prmts					
Interim Construction Interest					
Contractor's OH & Profit					
NET DIRECT CONSTRUCTION COSTS					

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

CREDIT UNDERWRITING ANALYSIS

OPERATING INCOME & EXPENSE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4
POTENTIAL GROSS RENT	$375,900	$387,177	$398,792	$410,756
Secondary Income	10,200	10,506	10,821	11,146
Other Support Income: (describe)	0	0	0	0
POTENTIAL GROSS INCOME	386,100	397,683	409,613	421,902
Vacancy & Collection Loss	(28,958)	(29,826)	(30,721)	(31,643)
Employee or Other Non-Rental Units or Concessions	0	0	0	0
EFFECTIVE GROSS INCOME	$357,143	$367,857	$378,892	$390,259
EXPENSES at 4.00%				
General & Administrative	$16,551	$17,213	$17,901	$18,617
Management	17,857	18,393	18,945	19,513
Payroll & Payroll Tax	87,134	90,619	94,244	98,014
Repairs & Maintenance	31,121	32,365	33,660	35,006
Utilities	65,025	67,626	70,331	73,144
Water, Sewer & Trash	23,739	24,688	25,676	26,703
Insurance	12,599	13,103	13,627	14,172
Property Tax	0	0	0	0
Reserve for Replacements	25,500	26,520	27,581	28,684
Other	69,000	71,760	74,630	77,616
TOTAL EXPENSES	$348,525	$362,287	$376,595	$391,469
NET OPERATING INCOME	$8,617	$5,569	$2,297	($1,210)
DEBT SERVICE				
First Lien Financing	$0	$0	$0	$0
Second Lien	0	0	0	0
Other Financing	0	0	0	0
NET CASH FLOW	$8,617	$5,569	$2,297	($1,210)
DEBT COVERAGE RATIO	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

AGENDA ITEM 4B

Final Approval of the 2002 State of Texas Low Income Housing Plan and Annual Report

The *2002 State of Texas Low Income Housing Plan and Annual Report* is one of three comprehensive planning documents the Texas Department of Housing and Community Affairs is required to submit annually. It serves in the following capacities: provides an overview of TDHCA housing and housing-related priorities and policies; outlines statewide housing needs; provides TDHCA's programs funding levels and performance measures; and reports on the Department's activities during the preceding fiscal year (September 1, 2000– August 31, 2001).

The formal citizen participation process for the *State of Texas Low Income Housing Plan and Annual Report* began in October of 2001 with the solicitation of comments for the development of the Plan at five public hearings. In November, there was a 32-day public comment period (November 2, 2001--December 3, 2001) on the draft version of the plan as well as four additional public hearings. During this time citizens and organizations were encouraged to send written comment on the Plan via mail, email, or fax. Below is a listing of the nine public hearing's locations, dates, and number of attendees:

- **Laredo** (October 8th): **10**
- **Denton** (October 9th): **17**
- **Odessa** (October 10th): **8**
- **Brookshire** (October 11th): **8**
- **Austin** (October 12th): **29**
- **Canyon** (November 13th): **13**
- **Tyler** (November 14th): **12**
- **Austin Board Hearing** (November 14th): **30**
- **El Paso** (November 15th & 26th): **6**

A summary of public comment received during the public comment period is included in the Appendix of this Plan.

Please note that there were no substantive changes from the Draft version to the Board Approval version of the Plan.

For details: www.tdhca.state.tx.us/pdf/hrc/02/SLIHP-Brd-Apprvd.pdf

AGENDA ITEM 4C

Final Approval of the 2002 State of Texas Consolidated Plan – One Year Action Plan

The *2002 State of Texas Consolidated Plan – One Year Action Plan* is submitted in compliance with 24 CFR 91 Consolidated Plan Submissions for Community Planning and Development Programs made effective on January 5, 1995.

The Plan describes the federal resources expected to be available for the following programs: The Community Development Block Grant (CDBG) Program, the HOME Investment Partnerships (HOME) Program, The Emergency Shelter Grants (ESG) Program, and the Housing Opportunities for Persons with AIDS (HOPWA) Program. The State's method for distributing these funds is also set out in the Plan.

The Plan serves in the following capacities:

- Describes the federal resources expected to be available for use by TDHCA, ORCA, and TDH;
- Indicates resources from private and non-federal public sources expected to be made available to address the needs identified in the Plan;
- A description of the State's method for distributing funds to local governments and non-profit organizations, and how those funds will address the priority needs and specific objectives described in the 2001-2003 State of Texas Consolidated Plan;
- A description of the geographic areas of the State in which it will direct assistance during the ensuing program year;
- Activities planned to address the needs of the homeless including emergency shelter and transitional housing; and
- Actions planned for the next year to address obstacles to meeting underserved needs, to foster and maintain affordable housing, to remove barriers to affordable housing, to evaluate and reduce lead-based paint hazards, to reduce the number of poverty level families, to develop institutional structure, and to enhance coordination between public and private housing and social service agencies and to foster public housing residents initiatives.

In addition, the Plan includes the following specific information: Regarding CDBG, the Plan includes "urgent needs" activities and the method of distribution and description of all selection criteria. Concerning the HOME program, the Plan describes other forms of investment that are not described in section 92.205(b). In addition, the HOME program must state the guidelines for resale or recapture if the State intends to use HOME funds for homebuyers. Concerning ESG, the Plan states the process for awarding grants and describe how the State intends to make allocations available to units of local government and nonprofit organizations. Lastly, concerning HOPWA, the Plan states the method of selecting project sponsors.

The formal citizen participation process for the *2002 State of Texas Consolidated Plan – One Year Action Plan* began in October of 2001 with the solicitation of comments for the development of the Plan at five public hearings. In November, there was a 32-day public comment period (November 2, 2001--December 3, 2001) on the draft version of the plan as well as four additional public hearings. During this time citizens and organizations were encouraged to send written comment on the Plan via mail, email, or fax. Below is a listing of the 9 public hearing's locations, dates, and number of attendees:

- **Laredo** (October 8th): **10**
- **Denton** (October 9th): **17**
- **Odessa** (October 10th): **8**
- **Brookshire** (October 11th): **8**
- **Austin** (October 12th): **29**
- **Canyon** (November 13th): **13**
- **Tyler** (November 14th): **12**
- **El Paso** (November 15th & 26th): **6**
- **Robstown** (November 27th): **3**

A summary of all public comment received is included in the Plan.

Please note that there were no changes to the **TDHCA** portions of the Action Plan from the draft version of the Plan to the one submitted to the Board for approval.

http://www.tdhca.state.tx.us/pdf/hrc/02-Cons1yrAction-Brd-Apprvd.pdf

AGENDA ITEM 4D

Final Approval of the 2002 TDHCA Regional Allocation Formula

Overview

The Regional Allocation Formula (RAF) was developed to serve as a dynamic measure of affordable housing need that is used to distribute funds from the HOME Investment Partnerships Program (HOME), Housing Trust Fund (HTF) and Low Income Housing Tax Credit (LIHTC) programs. As a dynamic measure of need, it was expected that the formula would be updated annually to:

- reflect the availability of more up to date demographic information;
- respond to public comment on the formula; and
- include other factors as required to better assess regional affordable housing needs.

Regional Allocation Formula Background

The 76th Legislature enacted Senate Bill 1112 which required TDHCA to develop a formula to distribute funding from the HOME, HTF and LIHTC programs to each of the eleven Uniform State Service Regions. This formula would be comprised of factors that would objectively quantify each region's level of affordable housing assistance needs.

The Department's Board approved the current formula (used to distribute 2001 program funds) on September 15, 2000. Based upon public input, meetings with demographers, and various interim committee hearings and with the goal of serving populations most in need of the Department's services, the approved RAF used the following criteria:

- **Severe housing cost burden on very low-income renters.** The percentage of the State's unassisted renters with incomes below 50 percent of the area median income, who pay more than half of their income for housing costs.
- **Substandard and dilapidated housing stock occupied by very low-income renters and owners.** The percentage of the State's households (renter and owner) with incomes below 50 percent of the area median income that live in severely substandard housing.
- **Poverty.** The percentage of the State's population in poverty. Because of the comparatively large number of persons associated with the poverty statistic, this criterion received twice as much weight as the other factors. The poverty statistics also provide an ongoing measure of need as this data is regularly updated by the Texas Department of Health as compared to the other measures, which are only updated by the decennial census. It should also be noted that HUD uses the first two factors as summary indicators of housing need for the purpose of preparing the Consolidated Plan. Because the HOME program primarily serves non-Participating Jurisdictions[1] (PJ), a separate formula based on adjusted Census data without PJ populations will be utilized for the HOME allocations.

Citizen Participation

The formal citizen participation process for the Regional Allocation Formula began in October of 2001 with the solicitation of comments for the proposed formula at five public hearings. In November, (as part of the *2002 State of Texas Low Income Housing Plan and Annual Report*) there was a 32-day public comment period (November 2, 2001--December 3, 2001) as well as four additional public hearings where the public had the opportunity to make comments on the RAF. Below is a listing of the nine public hearing's locations, dates, and number of attendees:

[1] Participating Jurisdictions receive HOME funds directly from HUD. As required by SB 322, 95% of TDHCA's HOME funds must be allocated to non-PJ areas.

- **Laredo** (October 8th): **10**
- **Denton** (October 9th): **17**
- **Odessa** (October 10th): **8**
- **Brookshire** (October 11th): **8**
- **Austin** (October 12th): **29**
- **Canyon** (November 13th): **13**
- **Tyler** (November 14th): **12**
- **Austin Board Hearing** (November 14th): **30**
- **El Paso** (November 15th & 26th): **6**

Revisions to the Formula
Over the last year, TDHCA has reviewed the RAF and is proposing a number of changes. The most significant of these relates to its Sunset legislation, Senate Bill 322. The legislation included language requiring the Department to determine what housing funds are available from other state and federal organizations and to incorporate this information into the RAF.

TDHCA is proposing the following changes to the RAF:
- Inclusion of an adjustment factor that considers other available state and federal funds as required by SB 322;
- Use of overcrowding census data (the third affordable housing need indicator used by HUD in developing the Consolidated Plan); and
- Modification of the relative weights of the factors based on relative size of population affected and conformance with Departmental goals and activities.

Final Factors of Formula:

1) **Identification of Need (not yet adjusted by available resources):**
   - Poverty: 50%
   - Severe Cost Burden: 30%
   - Substandard Housing: 10%
   - Overcrowding: 10%

2) **Adjustment Due to Other Available Resources[2]:** In an effort to take other available funding into account, TDHCA determined "over funding" or "under funding" of each region as it relates to the identified needs as listed above (i.e. amount of funds available to each region should be equal to the needs of each region). A percentage of the "over funded" regions allocation was then redistributed to the "under funded" regions.

Formula Percentages by Uniform State Service Regions

Programs	1	2	3	4	5	6	7	8A	8B	9	10	Totals
HOME	6.1%	4.0%	13.4%	11.2%	8.5%	10.8%	10.7%	9.2%	19.6%	5.4%	1.2%	100%
LIHTC	4.3%	3.0%	14.0%	5.8%	4.6%	19.8%	9.3%	11.6%	18.8%	3.0%	5.8%	100%
HTF	4.3%	3.0%	14.0%	5.8%	4.6%	19.8%	9.3%	11.6%	18.8%	3.0%	5.8%	100%

Attached is a more detailed description of the methodology used in the development of the formula.

[2] Note that only like funding was taken into account in this adjustment (i.e. multifamily resources for multifamily programs and single family resources for single family programs).

The following steps were used to generate the percentages used in the RAF:

1) "Adjusted County Population." The 2000 U.S. Census general county population data is adjusted to remove PJ populations for use in the HOME Formula. This adjustment is made by:
   a) subtracting the population of counties that are PJs;
   b) subtracting the population of PJ cities located in non-PJ counties; and
   c) adding the population of non-PJ cities located in PJ counties back to the data set.

   Data used in the LIHTC and HTF formula is not adjusted as these programs serve both PJ and non-PJ areas.
2) "County Multiplier." The "Adjusted County Population" is used to develop a "County Multiplier" that can be used to adjust the 1990 U.S. Census affordable housing need indicator (AHNI) data (poverty, extreme cost burden, substandard housing, and overcrowding) to account for PJ populations. This multiplier is equal to: "Adjusted County Population"/unadjusted county population.
3) Each county's AHNI population is multiplied by the corresponding "County Multiplier."
4) Regional totals for the resulting adjusted AHNI county populations are generated for each Uniform State Service Region. LIHTC and HTF unadjusted indicator county populations are also added to determine regional totals.
5) Each regional AHNI total is divided by the State AHNI total to determine the percentage of the State's AHNI population that resides in each service region.
6) The AHNIs' regional percentages are multiplied by the following weight factors: Poverty = .50, Extreme Cost Burden = .30, Substandard Housing = .10, and Overcrowding = .10. The weighted factors are then summed to generate regional allocation percentages. The set of percentages resulting from this calculation is the RAF unadjusted for other available funding sources. These percentages will be referred to as the $RAF_{unadj.}$ through the remainder of this report.
7) The $RAF_{unadj.}$ must be adjusted to consider other available state and federal funds used for activities similar to the Department's programs and available in eligible funding areas (i.e. PJ funds would not be utilized in determining the HOME Program RAF as the Department can only award 5% of its funds in PJs). The other federal and state funds used in this adjustment were:
   a) LIHTC and HTF: multifamily (MF) and single family (SF) bonds allocated by TDHCA and the Texas Bond Review Board (TXBRB), PJ HOME Funds, USDA MF and SF loans, and the dollar value of LIHTCs associated with MF bonds.
   b) HOME Formula: USDA SF loans and tenant based rental assistance (TBRA), SF bonds allocated by TDHCA and TXBRB, and TDHCA Section 8 funding.
8) As shown in Appendix B, the $RAF_{unadj.}$ is adjusted to consider other sources of available funding:
   a) An estimate of other available funding and a corresponding distribution percentage are calculated for each uniform state service region. (Appendix B, columns "B" and "C")
   b) The difference between the $RAF_{unadj.}$ percentage (Appendix B, column "E") and the other available funding percentage distribution (Column "D") is calculated regionally. This calculation shows the difference between the projected distribution of other available funds and how they would be theoretically distributed based on the Department's $RAF_{unadj.}$ Regions that show a negative amount are considered "over allocated" and regions that show a positive amount are considered "under allocated."

c) As was done with the AHNI census factors, a weight adjustment is assigned to the difference between the $RAF_{unadj.}$ and the other available funding percentages. This weight adjustment was made for the following reasons:

  i) In extreme instances, a region could mathematically owe more funds than it would receive under the $RAF_{unadj.}$

  ii) The majority of other available funds are distributed to areas that are in or near large MSAs. Therefore, having a large portion of their region's funds redistributed to other service regions would penalize rural counties in service regions with large MSAs.

  iii) The Department does not control the distribution of other available funds and therefore will not be able to address specific needs within service regions that may not be met by the other available funds (i.e. HOPE VI funding, preservation issues, special needs, very low income persons, energy efficiency, etc.).

  iv) Some regions would receive a disproportionate percentage of funds relative to their RAF need based percentage if the differences were not adjusted. If the factors included in the $RAF_{unadj.}$ are valid indicators of affordable housing need, then it should be the primary factor in determining how the Department's funds are distributed.

  v) After evaluating the impact of a number of different adjustment percentages, it was determined that multiplying the regional differences by 30 percent provided an effective redistribution of funds without over benefiting or penalizing any specific service region. (Appendix B, column "F") In terms of significance, this 30 percent level is consistent with that applied to the extreme cost burden portion of the $RAF_{unadj.}$

d) Each region's relative portion of the total funding difference adjusted is determined by dividing the regional funding difference by the total funding difference. (Appendix B, Column "G")

e) The funding distribution under the $RAF_{unadj.}$ is calculated by multiplying the total estimated award amount available under the program by the $RAF_{unadj.}$ percentages. (Appendix B, column "H")

f) The "over allocated" regional funding differences adjusted (column "F") are multiplied by the total amount of funds to be distributed by the $RAF_{unadj.}$ (Total for Column "H"). The resulting over-allocation amounts can be thought to represent that portion of Department's funds that will be used to address regional funding inequities. The redistribution amounts are totaled to determine a total funding redistribution amount. (Appendix B, Column "I")

g) The redistribution amount associated with each under allocated region is determined by multiplying the total over allocated funding amount by each region's relative percentage of under allocated funding. (Appendix B, Column "J")

9) The over or under allocation adjustments are then added to the $RAF_{unadj.}$ distribution to determine the final adjusted RAF. (Appendix B, column "L")

Appendix A – Other Available Funding Sources Included in HOME Formula

Single Family Bond (TDHCA)	$	1,009,066
SF TXBRB	$	377,394
USDA MF TBRA	$	2,031,389
Region 1 Total	**$**	**3,417,849**
Sec. 8 (TDHCA)	$	232,680
Single Family Bond (TDHCA)	$	147,206
SF TXBRB	$	1,153,608
USDA MF TBRA	$	2,462,623
Region 2 Total	**$**	**3,996,117**
Sec. 8 (TDHCA)	$	1,887,984
Single Family Bond (TDHCA)	$	4,692,896
Tax Exempt Bond	$	15,060,000
SF TXBRB	$	16,597,411
USDA MF TBRA	$	4,679,547
Region 3 Total	**$**	**42,917,838**
Single Family Bond (TDHCA)	$	1,020,376
SF TXBRB	$	6,324,987
USDA MF TBRA	$	3,528,390
Region 4 Total	**$**	**10,873,753**
Single Family Bond (TDHCA)	$	502,228
SF TXBRB	$	2,461,164
USDA MF TBRA	$	2,205,869
Region 5 Total	**$**	**5,169,261**
Sec. 8 (TDHCA)	$	3,147,816
Single Family Bond (TDHCA)	$	2,697,694
SF TXBRB	$	1,847,018
USDA MF TBRA	$	1,717,331
Region 6 Total	**$**	**9,409,859**
Sec. 8 (TDHCA)	$	1,071,084
Single Family Bond (TDHCA)	$	11,384,234
TxBRB	$	17,003,250
SF TXBRB	$	5,258,687
Region 7 Total	**$**	**47,455,614**
Sec. 8 (TDHCA)	$	414,288
Single Family Bond (TDHCA)	$	413,950
SF TXBRB	$	3,062,915
USDA MF TBRA	$	1,369,015
Region 8A Total	**$**	**5,260,168**
Sec. 8 (TDHCA)	$	291,900
Single Family Bond (TDHCA)	$	6,247,345
SF TXBRB	$	10,846,797
USDA MF TBRA	$	2,949,913
Region 8B Total	**$**	**20,335,955**
Sec. 8 (TDHCA)	$	77,736
Single Family Bond (TDHCA)	$	75,098
SF TXBRB	$	175,736
USDA MF TBRA	$	1,264,999
Region 9 Total	**$**	**1,593,569**
SF TXBRB	$	14,317,727
USDA MF TBRA	$	74,826
Region 10 Total	**$**	**14,392,553**
Grand Total	**$**	**164,822,536**

Appendix A – Other Available Funding Sources Included in LIHTC/HTF Formula

HOME PJ	$	2,317,000
SF Bond (TDHCA)	$	1,315,799
SF Bond (TxBRB)	$	18,620,600
USDA SF	$	377,394
Region 1 Total	**$**	**22,630,793**
HOME PJ	$	1,219,000
SF Bond (TDHCA)	$	670,935
USDA SF	$	1,153,608
Region 2 Total	**$**	**3,043,543**
4% LIHTC	$	59,715,159
HOME PJ	$	16,373,000
SF Bond (TDHCA)	$	16,941,456
SF Bond (TxBRB)	$	111,078,150
Tax Exempt Bond MF	$	118,324,000
USDA SF	$	16,597,411
Region 3 Total	**$**	**339,029,176**

HOME PJ	$	1,083,000
SF Bond (TDHCA)	$	1,075,066
USDA SF	$	6,324,987
Region 4 Total	**$**	**8,483,053**

4% LIHTC	$	1,939,314
HOME PJ	$	1,489,000
SF Bond (TDHCA)	$	602,863
Tax Exempt Bond MF	$	3,550,000
USDA SF	$	2,461,164
Region 5 Total	**$**	**10,042,341**

4% LIHTC	$	34,366,722
HOME PJ	$	19,773,000
SF Bond (TDHCA)	$	15,138,573
SF Bond (TxBRB)	$	69,839,400
Tax Exempt Bond MF	$	62,949,785
USDA SF	$	2,278,918
Region 6 Total	**$**	**204,346,398**

4% LIHTC	$	20,240,497
HOME PJ	$	6,050,000
SF Bond (TDHCA)	$	16,648,041
SF Bond (TxBRB)	$	38,443,500
Tax Exempt Bond MF	$	43,933,333
USDA MF	$	1,000,000
USDA SF	$	12,738,359
Region 7 Total	**$**	**139,053,730**

HOME PJ	$	8,469,000
SF Bond (TDHCA)	$	7,724,418
SF Bond (TxBRB)	$	43,600,000
USDA SF	$	3,062,915
Region 8A Total	**$**	**62,856,333**

HOME PJ	$	8,118,000
SF Bond (TDHCA)	$	24,108,211
SF Bond (TxBRB)	$	19,125,000
USDA MF	$	2,000,000
USDA SF	$	16,394,745
Region 8B Total	**$**	**69,745,956**

HOME PJ	$	1,028,000
SF Bond (TDHCA)	$	114,972
SF Bond (TxBRB)	$	13,454,850
USDA SF	$	175,736
Region 9 Total	**$**	**14,773,558**

HOME PJ	$	4,715,000
SF Bond (TDHCA)	$	3,428,950
SF Bond (TxBRB)	$	11,440,000
USDA SF	$	14,317,727
Region 10 Total	**$**	**33,901,677**

Grand Total	**$**	**907,906,558**

HOME Allocation

28,392,500 Est. Award:
25,882,923 Unadjusted Funds
(2,509,577) Redistributed Funds

	Estimate of Other Available Funding	Other Available Funding %	**RAFunadj. %**	Diff. b/w RAFunadj. and Other Available Funding %	Funding Difference Adjusted (w/ 30% Weight)	Relative % Weight of Over/ Under Alloc. Funding Diff.	Fund Dist. Under RAFunadj.	Redistrib. of Over Alloc. Other Funds[1]	Redistrib. of Under Alloc. Other Funds	% of Fund Dist. Under RAFunadj.	Fund. Dist. Under RAFadj.	**RAFadj. %**	Diff. b/w RAFunadj. And RAFadj.
1	3,417,849	2.07%	**5.20%**	3.13%	0.94%	-11%	1,476,410		266,294	18%	1,742,704	**6.10%**	0.9%
2	3,996,117	2.42%	**3.60%**	1.18%	0.35%	-4%	1,022,130		100,126	10%	1,122,256	**4.00%**	0.4%
3	42,917,838	26.04%	**16.30%**	-9.74%	-2.92%	33.05%	4,627,978	(829,528)	-	-18%	3,798,449	**13.40%**	-2.9%
4	10,873,753	6.60%	**10.10%**	3.50%	1.05%	-11.89%	2,867,643		298,356	10%	3,165,998	**11.20%**	1.1%
5	5,169,261	3.14%	**7.30%**	4.16%	1.25%	-14.13%	2,072,653		354,657	17%	2,427,310	**8.50%**	1.2%
6	9,409,859	5.71%	**9.60%**	3.89%	1.17%	-13.21%	2,725,680		331,418	12%	3,057,098	**10.80%**	1.2%
7	47,455,614	28.79%	**14.90%**	-13.89%	-4.17%	47.15%	4,230,483	(1,183,281)	-	-28%	3,047,201	**10.70%**	-4.2%
8A	5,260,168	3.19%	**7.80%**	4.61%	1.38%	-15.64%	2,214,615		392,548	18%	2,607,163	**9.20%**	1.4%
8B	20,335,955	12.34%	**17.90%**	5.56%	1.67%	-18.88%	5,082,258		473,749	9%	5,556,007	**19.60%**	1.7%
9	1,593,569	0.97%	**4.40%**	3.43%	1.03%	-11.65%	1,249,270		292,428	23%	1,541,698	**5.40%**	1.0%
10	14,392,553	8.73%	**2.90%**	-5.83%	-1.75%	19.79%	823,383	(496,768)	-	-60%	326,614	**1.20%**	-1.7%
	164,822,536	100.00%	**100.00%**	0.00%	0.00%	0.00%	28,392,500	(2,509,577)	2,509,577		28,392,500	**100.10%**	0.1%

Ttl. % of Over Alloc. Other Avail. Funds:	-29.46%	-8.84%	100.00%

LIHTC Allocation

38,000,000 Est. Award:
35,188,173 Unadjusted Funds
(2,811,827) Redistributed Funds

	Estimate of Other Avail. Funds	% of Other Avail. Funds	**RAF w/out Fund. Adj.**	Diff. b/w RAF w/out Fund. and Act. Other % Dist.	Funding Difference w/ 30% Weight	Relative % of Over/ Under Alloc. Funds	Distribution Under RAFunadj.	Redistrib. of Over Alloc. Other Funds[1]	Fund. Adj. For Over Alloc. Other Funds	% of RAF Rep. By Adj.	Fund. Dist. Under Fund. Adj. RAF	**% of Funds Alloc. Under Fund. Adj. RAF**	Diff. b/w Unadj. And Adj. RAF
1	22,630,793	2.49%	**3.90%**	1.41%	0.42%	-6%	1,482,000		160,440	11%	1,642,440	**4.30%**	0.4%
2	3,043,543	0.34%	**2.40%**	2.06%	0.62%	-8%	912,000		235,384	26%	1,147,384	**3.00%**	0.6%
3	339,029,176	37.34%	**19.40%**	-17.94%	-5.38%	72.74%	7,372,000	(2,045,372)	-	-28%	5,326,628	**14.00%**	-5.4%
4	8,483,053	0.93%	**4.70%**	3.77%	1.13%	-15.27%	1,786,000		429,284	24%	2,215,284	**5.80%**	1.1%
5	10,042,341	1.11%	**3.80%**	2.69%	0.81%	-10.92%	1,444,000		307,105	21%	1,751,105	**4.60%**	0.8%
6	204,346,398	22.51%	**20.40%**	-2.11%	-0.63%	8.54%	7,752,000	(240,247)	-	-3%	7,511,753	**19.80%**	-0.6%
7	139,053,730	15.32%	**10.70%**	-4.62%	-1.38%	18.71%	4,066,000	(526,208)	-	-13%	3,539,792	**9.30%**	-1.4%
8A	62,856,333	6.92%	**10.50%**	3.58%	1.07%	-14.50%	3,990,000		407,753	10%	4,397,753	**11.60%**	1.1%
8B	69,745,956	7.68%	**16.20%**	8.52%	2.56%	-34.53%	6,156,000		971,045	16%	7,127,045	**18.80%**	2.6%
9	14,773,558	1.63%	**2.70%**	1.07%	0.32%	-4.35%	1,026,000		122,298	12%	1,148,298	**3.00%**	0.3%

10	33,901,677	3.73%	**5.30%**	1.57%	0.47%	-6.35%	2,014,000		178,518	9%	2,192,518	**5.80%**	0.5%
	907,906,558	100.00%	**100.00%**	0.00%	0.00%	0.00%	38,000,000	(2,811,827)	2,811,827		38,000,000	**100.00 %**	0.0%

Ttl. % of Over Alloc. Other Avail. Funds:	-24.67%	-7.40%	100.00%

HTF Allocation

4,956,977 Est. Award:
4,590,183 Unadjusted Funds
(366,794) Redistributed Funds

	Estimate of Other Avail. Funds	% of Other Avail. Funds	**RAF w/out Fund. Adj.**	Diff. b/w RAF w/out Fund. and Act. Other % Dist.	Funding Difference w/ 30% Weight	Relative % of Over/ Under Alloc. Funds	Distribution Under RAFunadj.	Redistrib. of Over Alloc. Other Funds[1]	Fund. Adj. For Over Alloc. Other Funds	% of RAF Rep. By Adj.	Fund. Dist. Under Fund. Adj. RAF	**% of Funds Alloc. Under Fund. Adj. RAF**
1	22,630,793	2.49%	**3.90%**	1.41%	0.42%	-6%	193,322		20,929	11%	214,251	**4.30%**
2	3,043,543	0.34%	**2.40%**	2.06%	0.62%	-8%	118,967		30,705	26%	149,673	**3.00%**
3	339,029,176	37.34%	**19.40%**	-17.94%	-5.38%	72.74%	961,654	(266,812)	-	-28%	694,841	**14.00%**
4	8,483,053	0.93%	**4.70%**	3.77%	1.13%	-15.27%	232,978		55,999	24%	288,977	**5.80%**
5	10,042,341	1.11%	**3.80%**	2.69%	0.81%	-10.92%	188,365		40,061	21%	228,426	**4.60%**
6	204,346,398	22.51%	**20.40%**	-2.11%	-0.63%	8.54%	1,011,223	(31,339)	-	-3%	979,884	**19.80%**
7	139,053,730	15.32%	**10.70%**	-4.62%	-1.38%	18.71%	530,397	(68,642)	-	-13%	461,754	**9.30%**
8A	62,856,333	6.92%	**10.50%**	3.58%	1.07%	-14.50%	520,483		53,190	10%	573,673	**11.60%**
8B	69,745,956	7.68%	**16.20%**	8.52%	2.56%	-34.53%	803,030		126,670	16%	929,700	**18.80%**
9	14,773,558	1.63%	**2.70%**	1.07%	0.32%	-4.35%	133,838		15,953	12%	149,792	**3.00%**
10	33,901,677	3.73%	**5.30%**	1.57%	0.47%	-6.35%	262,720		23,287	9%	286,007	**5.80%**
	907,906,558	100.00%	**100.00%**	0.00%	0.00%	0.00%	4,956,977	(366,794)	366,794		4,956,977	**100.00%**
	Ttl. % of Over Alloc. Other Avail. Funds:			-24.67%	-7.40%	100.00%						

SECO Allocation

1,667,921 Est. Award:
1,544,502 Unadjusted Funds
(123,419) Redistributed Funds

	Estimate of Other Avail. Funds	% of Other Avail. Funds	**RAF w/out Fund. Adj.**	Diff. b/w RAF w/out Fund. and Act. Other % Dist.	Funding Difference w/ 30% Weight	Relative % of Over/ Under Alloc. Funds	Distribution Under RAFunadj.	Redistrib. of Over Alloc. Other Funds[1]	Fund. Adj. For Over Alloc. Other Funds	% of RAF Rep. By Adj.	Fund. Dist. Under Fund. Adj. RAF	**% of Funds Alloc. Under Fund. Adj. RAF**	Diff. b/w Unadj. And Adj. RAF
1	22,630,793	2.49%	**3.90%**	1.41%	0.42%	-6%	65,049		7,042	11%	72,091	**4.30%**	0.4%
2	3,043,543	0.34%	**2.40%**	2.06%	0.62%	-8%	40,030		10,332	26%	50,362	**3.00%**	0.6%
3	339,029,176	37.34%	**19.40%**	-17.94%	-5.38%	72.74%	323,577	(89,777)	-	-28%	233,800	**14.00%**	-5.4%
4	8,483,053	0.93%	**4.70%**	3.77%	1.13%	-15.27%	78,392		18,842	24%	97,235	**5.80%**	1.1%
5	10,042,341	1.11%	**3.80%**	2.69%	0.81%	-10.92%	63,381		13,480	21%	76,861	**4.60%**	0.8%
6	204,346,398	22.51%	**20.40%**	-2.11%	-0.63%	8.54%	340,256	(10,545)	-	-3%	329,711	**19.80%**	-0.6%
7	139,053,730	15.32%	**10.70%**	-4.62%	-1.38%	18.71%	178,468	(23,097)	-	-13%	155,371	**9.30%**	-1.4%
8A	62,856,333	6.92%	**10.50%**	3.58%	1.07%	-14.50%	175,132		17,897	10%	193,029	**11.60%**	1.1%
8B	69,745,956	7.68%	**16.20%**	8.52%	2.56%	-34.53%	270,203		42,622	16%	312,825	**18.80%**	2.6%
9	14,773,558	1.63%	**2.70%**	1.07%	0.32%	-4.35%	45,034		5,368	12%	50,402	**3.00%**	0.3%
10	33,901,677	3.73%	**5.30%**	1.57%	0.47%	-6.35%	88,400		7,836	9%	96,235	**5.80%**	0.5%
	907,906,558	100.00%	**100.00%**	0.00%	0.00%	0.00%	1,667,921	(123,419)	123,419		1,667,921	**100.00%**	0.0%
	Ttl. % of Over Alloc. Other Avail. Funds:			-24.67%	-7.40%	100%							

AGENDA ITEM 5

FINANCE COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
State Capitol Extension, 1400 Congress, Room E1.012, Austin, Texas
December 12, 2001 9:30 a.m.

AGENDA

CALL TO ORDER, ROLL CALL C. Kent Conine
CERTIFICATION OF QUORUM Chair

PUBLIC COMMENT

The Finance Committee of the Board of the Texas Department of Housing and Community Affairs will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by department staff and motions made by the Committee.

The Finance Committee of the Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

Item 1 Presentation, Discussion and Possible Approval of Minutes of Finance Committee Meeting of August 21, 2001 — C. Kent Conine

Item 2 Presentation, Discussion and Possible Approval of the Sale of Collateralized Home Mortgage Revenue Bonds Series 1991A GNMA Mortgage Certificates and Other Related Matters

Item 3 Presentation, Discussion and Possible Approval of Additional Funding for the Single Family Down Payment Assistance Program and Other Related Matters

Item 4 Presentation, Discussion and Possible Approval of Recommendations Relating to the Issuance of Taxable Junior Lien Single Family Mortgage Revenue Bonds, Series 2002A and Other Related Matters (Program 58)

Item 5 Presentation, Discussion and Possible Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for Fallbrook Apartments, Houston, Texas in an Amount not to Exceed $15,135,000 and Other Related Matters

Item 6 Presentation, Discussion and Possible Approval of Amendments to Board Resolution No. 01-50 Approving the Issuance of Multifamily Mortgage Revenue Bonds for the Hillside Apartments And Other Related Matters

Item 7 Presentation, Discussion and Possible Approval of Amendments to Board Resolution No. 01-51 Approving the Issuance of Multifamily Mortgage Revenue Bonds for the Oak Hollow Apartments

Item 8 Presentation, Discussion and Possible Approval to Extend Limit on Capital Budget Expenditures for Development of the Weatherization Assistance Program Evaluation Project and the Conversion of EASY Audit 11 to EASY Audit 111 Project

ADJOURN C. Kent Conine
Chair

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information

Individuals who require auxiliary aids, services or translators for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

FINANCE COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
1400 Congress, State Capitol Extension, Room E1.012, Austin, Texas 78701
August 21, 2001 11:00 a.m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Finance Committee Meeting of the Texas Department of Housing and Community Affairs of August 21, 2001 was called to order by Chairman C. Kent Conine at 11:19 a.m. It was held at the State Capitol Extension, 1400 Congress, Room E1.012, Austin, Texas. Roll call certified a quorum was present. Vidal Gonzalez was absent.

Members present:
C. Kent Conine -- Chair
Michael Jones -- Member

Staff of the Texas Department of Housing and Community Affairs was also present.

PUBLIC COMMENT

Chair C. Kent Conine called for public comment and the following gave comments.

Mr. John Hennenberger, Co-Director, Texas Low Income Housing Information Service, Austin, Texas

Mr. Hennenberger stated the legislature enacted Rider No. 24 to the TDHCA Appropriations Bill, which provides that the proceeds or funds from any refunding are to be utilized to fund the Bootstrap Housing Loan Program. Refundings are to be made available to new homeowners who build their homes under a program approved and administered by TDHCA. The Senate Finance Committee held a hearing on this rider and senior TDHCA staff stated that there would be no bond refunding by TDHCA during the next biennium because of fiscal constraints and because of the status and condition of the bond indentures.

He stated he felt TDHCA is moving forward to do a bond refunding for the purposes of generating cash to credit enhance these bonds and to provide down payment assistance on single family mortgages. He felt these funds should be used for the Bootstrap Program and asked the Board to use the refunding authority in order to generate either no-interest or low-interest loans and carry out the Bootstrap Loan Program as directed by the Texas Legislature.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of Finance Committee Meeting of May 30, 2001
Motion made by Michael Jones and seconded by C. Kent Conine to approve the minutes of the meeting of the Finance Committee of May 30, 2001.
Passed Unanimously

(2) Presentation, Discussion and Possible Approval of FY2001-022 TDHCA Operating Budget

(3) Presentation, Discussion and Possible Approval of FY2001-022 Housing Finance Division Operating Budget
Mr. Bill Dally, CFO, stated in the information provided to the Board members, staff presented a comparison of last year's budget and this years proposed budget. There is also information that reflects increases or decreases in the budget. The top two expenses are salaries at 56% and payroll related costs at 10%. Other items included are professional fees at 9%; rentals and leases at 7%; travel at 3.5%; capital outlay at 3.2%; materials and supplies at 2.2%; communications and utilities at 2% and temporary help at 2% which makes up 95% of the budget. The other 5% has several categories in it. The new budget total is $31,180,370, which is an increase of $3,181,347. Mr. Dally further stated three items increased significantly this year and these are capital outlay up to $698,000; rent up $300,000; and materials and supplies up $179,000. On the salary portion, Mr. Dally stated the salaries listed are by various divisions of the department, and a bottom line of $16,617,764. Merits and promotions is the pool of funds used to give raises to employees. The reclass column is for employees who will have an expansion of duties and this totals $224,000. There was also information provided on Longevity Pay and this covers paying employees an extra $20.00 per month after they have been working for the state for 3 years, or $40.00 per month

for 6 years of state service and so on in increments of 3 years and an additional $20.00 for each additional 3 years of service. There is also a column titled cost-of-living adjustment and this is particular to the Washington, DC representative. This is an extra stipend for living in Washington, DC. After all these merits, promotions, reclasses and longevity are added to the salaries, the total amounts to $17,427,467.

There was information provided on the budget for various divisions such as executive, financial services, compliance, etc. for the Board members review. The method of finance for the entire budget was given.

Mr. Dally did advise the Finance Committee that when the manufactured housing board is appointed and they begin assuming their work, that the manufactured housing portion of the budget will be transferred to them and similarly, when the board of the Office of Rural Community Affairs is appointed, that office will begin handling the CDBG budget which will be transferred to them. There may be additional staff for TDHCA if the Department receives the FTE requested waiver as TDHCA has asked for 27 additional FTEs to handle all legislation, etc. added this year. If TDHCA receives any additional FTEs from the LBB, there will be an amendment to the budget presented to this committee and the full board at a later date.

Motion made by Michael Jones and seconded by C. Kent Conine to move the approval of the TDHCA Operating Budget up to the Board for consideration.
Passed Unanimously

Motion made by Michael Jones and seconded by C. Kent Conine to move the approval of the Housing Finance Operating Budget up to the Board for consideration.
Passed Unanimously

(4) Presentation, Discussion and Possible Approval of a Proposed Issuance of Multifamily Mortgage Revenue Bonds for the Greens Road Apartments, Houston, Texas in an Amount Not to Exceed $8,600,000 and Other Related Matters
Mr. Robert Onion, Director of Multifamily Finance, stated the first project is the Greens Road Apartments located in Northeast Houston, Texas. The structure is a publicly offered transaction credit enhanced by Fannie Mae. The amount of the bonds will not exceed $8,600,000 and the borrower is Greens 14 Partners, Limited. The principals are Richard Wilson and Gerald Russell and both are market developers. Sun America will provide a guarantee to a bank acceptable to Fannie Mae who will then provide a letter of credit to Fannie Mae.

A TEFRA hearing was held and several people did attend. There were no complaints just concerns and questions about the development and wanting to know if it will have proper drainage and how it will affect traffic, etc.

Motion made by Michael Jones and seconded by C. Kent Conine to approve and submit to the board for approval the proposed issuance of multifamily mortgage revenue bonds for the Greens Road Apartments, Houston, Texas in an amount not to exceed $8,600,000 and for the approval of Resolution No. 01-30.
Passed Unanimously

(5) Presentation, Discussion and Possible Approval of a Proposed Issuance of Multifamily Mortgage Revenue Bonds for the Meridian Apartments, Fort Worth, Texas in an Amount Not to Exceed $14,310,000 and Other Related Matters
Mr. Onion stated the Meridian Apartments are in Northwest Ft. Worth, Texas and will have 280 units. The bond amount will be in three series: $8,130,000 for Series A-1, tax-exempt; $3,315,000 Series A-2 taxable bonds; and $2,865,000 B tax-exempt, subordinate bonds. The borrower is Brisben Meridian Limited Partners and Brisben Companies is the principal of that partnership. The Brisben Companies have no compliance problems with the department. On the issuance team, he stated along with Legg Mason Wood Walker as the underwriter and that Kilpatrick Pettis is sharing in that responsibility and will be the borrowers financial advisor. A TEFRA Hearing was held and other than the borrowers representative, there were no other people in attendance.

Motion made by Michael Jones and seconded by C. Kent Conine to approve Resolution No. 01-31 and to recommend to the full Board for approval the issuance of multifamily mortgage revenue bonds for the Meridian Apartments, Fort Worth, Texas in an amount not to exceed $14,310,000.
Passed Unanimously

(6) Presentation, Discussion and Possible Approval of a Proposed Issuance of Multifamily Mortgage Revenue Bonds for the Wildwood Branch Apartments, Fort Worth, Texas in an Amount Not to Exceed $14,365,000 and Other Related Matters

Mr. Onion stated the Wildwood Branch Apartments are also located in Northwest Fort Worth, Texas. The amount of the bonds is $8,920,000 for Series A-1 tax-exempt senior; $2,570,000, A-2 taxable senior bonds; and the subordinate bonds, $2,875,000. The borrower on the transaction is Wildwood Branch Townhomes Limited Partnership. The general partner is Brisben Hickory Bend, Inc. Brisben Companies is the principal behind that.

A TEFRA Hearing was held and one person attended. He wanted to know what was being developed in the neighborhood and what potential competition that might mean for him as an owner of two apartment complexes in the same general area.

Motion made by Michael Jones and seconded by C. Kent Conine to approve Resolution No. 01-32 for the issuance of multifamily mortgage revenue bonds for the Wildwood Branch Apartments, Ft. Worth, Texas in an amount not to exceed $14,365,000 and to recommend approval to the full board.
Passed Unanimously

(7) Presentation, Discussion and Possible Approval of Resolution Approving Documents Relating To the Issuance of Residential Mortgage Revenue and Refunding Bonds Series 2001A, Series 2001B, Series 2001C, Series 2001D, and Series 2001E and Other Related Matters
Mr. Johnson stated there were several changes to be made in the information that was presented to the Board members and this on the convertible option bonds which stated "will close in July 2001" which should be replaced with "July 2002".

Mr. Johnson stated if the department structured bond deals the way they have been done in the past, that TDHCA would probably have to come up with about $4 million to cover interest and negative arbitrage. Staff is recommending convertible option bonds with a note optimization strategy. COBs will allow the Department to warehouse some of the volume cap and this optimization strategy will allow the department to retain more earnings that are generated through that warehouse facility. There will be two tax plans created by doing two separate pricings. The first pricing will be mostly all long-term bonds and refunding bonds, and the second pricing will be the warehouse issue and a very small piece of long-term bonds.

Concerning Mr. Hennenberger's comments, Mr. Johnson stated that the excess arbitrage, no bond proceeds, must be passed to the borrowers in the form of a subsidy. He stated federal tax law and the indenture limit the use of any savings that result from this type of refunding, which is an economic refunding which was stated in a letter from Bond Counsel Vinson & Elkins. Ms. Elizabeth Rippy from Vinson & Elkins confirmed that there is a contractual obligation to the bondholders and that certain credit quality standards have to be met.

Motion made by C. Kent Conine and seconded by Michael Jones to approve Resolution No. 01-33 for documents relating to the issuance of residential mortgage revenue and refunding bonds Series A, Series 2001B, Series 2001C, Series 2001D, and Series 2001E and to recommend approval by the full Board.
Passed Unanimously

(8) Presentation, Discussion and Possible Approval of Senior Managing and Co-Senior Managing Underwriting Firms for Detailed Research and Preliminary Structuring of Mortgage Revenue Bonds Secured by Certain Subprime Mortgage Loans and Other Related Matters

(9) Presentation, Discussion and Possible Approval of Research and Structuring of Single Family Mortgage Revenue Bonds, Series 2001A and Other Related Matters

(10) Presentation, Discussion and Possible Approval of Senior Managing Approval of Senior Managing and Co-Managing Underwriting Firms for Researching and Structuring Single Family Mortgage Revenue Bonds, Series 2001A and Other Related Matters

(11) Presentation, Discussion and Possible Approval of Recommended Underwriting Firms for the Structuring and Sale of the Department's Mortgage Revenue Bonds for Single Family Mortgages and Other Related Matters
Motion made by Michael Jones and seconded by C. Kent Conine to defer these items to the full Board.
Passed Unanimously

REPORTS

There were no report items presented.

ADJOURN

The meeting adjourned at 12:15 a.m.

Respectfully submitted,

____________________________________, Board Secretary

fcminaug/dg

AGENDA ITEM 5A

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD OF DIRECTORS MEETING
DECEMBER 12, 2001

PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF THE SALE OF COLLATERALIZED HOME MORTGAGE REVENUE BONDS, SERIES 1991A's GNMA MORTGAGE CERTIFICATES AND OTHER RELATED MATTERS

Staff has affirmed the feasibility of executing a restructuring and redemption of the Collateralized Home Mortgage Revenue Bonds ("CHMRB") Series 1991A issue. Given current bond market conditions, this transaction may generate approximately $500,000 in revenues in excess of funds required to redeem the related outstanding bonds and pay associated transaction costs. Staff is considering using the Department's existing commercial paper program for conducting this transaction.

The Department would effect this transaction by selling the CHMRB Series 1991A GNMA certificates. Subsequently, the Department would use a portion of the certificates' sale proceeds to redeem the corresponding CHMRB Series 1991A outstanding bonds. Any remaining funds not required for associated transaction costs may be used by the Department for any purpose.

Although this is not a refinancing transaction and no refunding bonds will be issued, Staff recommends the transfer of remaining funds generated by this transaction to the Bootstrap Program to satisfy Rider 24, Bond Refinancing.

If approved, the sale and closing of the certificates will take place during the month of January 2002. This transaction is subject to bond market conditions

RECOMMENDATION

The Board approve the attached resolution authorizing the sale of mortgage certificates from the Collateralized Home Mortgage Revenue Bond Indenture, Series 1991A.

RENT CAP EXPLANATION
Houston MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is **"affordable"** if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2001

MSA/County: Houston **Area Median Family Income (Annual):** $58,500

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)		
# of	At or Below			Unit	At or Below			(provided by	At or Below		
Persons	50%	60%	80%	Type	50%	60%	80%	the local PHA)	50%	60%	80%
1	$ 20,500	$ 24,600	32,750	Efficiency	$ 512	$ 615	$ 818		$ 512	$ 615	$ 818
2	23,400	28,080	37,450	1-Bedroom	548	658	877	70	478	588	807
3	**26,350**	**31,620**	**42,100**	**2-Bedroom**	**658**	**790**	**1,052**	**90**	**568**	**700**	**962**
4	29,250	35,100	46,800	3-Bedroom	760	912	1,216	110	650	802	1,106
5	31,600	37,920	50,550								
6	33,950	40,740	54,300	4-Bedroom	848	1,018	1,357		848	1,018	1,357
7	36,250	43,500	58,050	5-Bedroom	935	1,122	1,497		935	1,122	1,497
8	38,600	46,320	61,750								
FIGURE 1				FIGURE 2				FIGURE 3	FIGURE 4		

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning $30,000 per year would fall in the 60% set-aside group. A family of three earning $25,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 60% income bracket earning $31,620 could not pay more than $790 for rent and utilities under the affordable definition.

1) $31,620 divided by 12 = **$2,635** monthly income; then,

2) **$2,635** monthly income times 30% = **$790** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in ***Figure 3*** from the maximum total housing expense for each unit type found in ***Figure 2***.

Figure 3 shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

RESOLUTION APPROVING THE SALE OF SERIES 1991 MORTGAGE CERTIFICATES; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code (the "Act"), as amended from time to time for the purpose of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe and sanitary housing for individuals and families of low and very low income and families of moderate income (as described in the Act as determined by the Governing Board of the Department from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (a) to acquire, and to enter into advance commitments to acquire, mortgage loans (including participations therein) secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose of obtaining funds to make and acquire such mortgage loans or participations therein, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such mortgage loans or participations therein, and to mortgage, pledge or grant security interests in such mortgages, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Department, or its predecessor the Texas Housing Agency, has previously issued its Texas Housing Agency Collateralized Home Mortgage Revenue Bonds, Series 1991A (the "Series 1991A Bonds") pursuant to that certain Collateralized Home Mortgage Revenue Bond Trust Indenture between the Department and Bank One National Association, as successor trustee (the "Trustee"), dated as of June 1, 1990, as supplemented by the Third Supplemental Collateralized Home Mortgage Revenue Bond Trust Indenture (the "Third Series Supplement") between the Department and the Trustee and dated as of October 1, 1991 (collectively, the "Indenture"), and has purchased with the proceeds of such Series 1991A Bonds the Series 1991 Mortgage Certificates (as defined in the Indenture); and

WHEREAS, the Department desires to sell the Series 1991 Mortgage Certificates relating to the Series 1991A Bonds in order to effect the redemption of a corresponding amount of Series 1991A Bonds pursuant to Section 2.7(a) of the Third Series Supplement; and

WHEREAS, the Governing Board of the Department has determined that the sale of the Series 1991 Mortgage Certificates and corresponding redemption of Series 1991A Bonds is in the best interests of the Department and will not adversely affect the ability of the Department to pay when due the principal amount or redemption price of and interest on any Bonds that remain outstanding under the Indenture; and

WHEREAS, the Governing Board of the Department desires to approve the sale of the Series 1991 Mortgage Certificates, the redemption of the Series 1991A Bonds and the payment of the redemption premium, and the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient to carry out the provisions of this Resolution; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I

Section 1.1--Sale of Series 1991 Mortgage Certificates. That the sale of the Series 1991 Mortgage Certificates at a purchase price in excess of the outstanding principal balance thereof is hereby authorized, all under and in accordance with the Indenture and subject to compliance with the terms of the Indenture.

Section 1.2—Redemption of Series 1991A Bonds. That the Executive Director or the Director of Bond Finance is hereby authorized and directed : (i) to instruct the Trustee to redeem the outstanding Series 1991A Bonds to be redeemed in accordance with the Indenture and (ii) to take all other actions necessary to cause such redemption to occur including payment of the redemption premium for the Series 1991A Bonds.

Section 1.3--Execution and Delivery of Documents. That the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest, affix the Department's seal to and deliver such agreements, advance commitment agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.4--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chairman of the Governing Board; the Vice Chairman of the Governing Board; the Secretary of the Governing Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

ARTICLE II
APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Engagement of Other Professionals. That the Executive Director or the Director of Bond Finance is authorized to engage an accounting firm to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Indenture and the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable State law.

Section 2.2--Certification of the Minutes and Records. That the Secretary and any Assistant Secretary of the Governing Board of the Department are hereby authorized to certify and authenticate minutes and other records on behalf of the Department for the Program and all other Department activities.

Section 2.3--Ratifying Other Actions. That all other actions taken or to be taken by the Executive Director and the Department's staff in connection with the Program are hereby ratified and confirmed.

ARTICLE III

GENERAL PROVISIONS

Section 3.1--Purposes of Resolution. That the Governing Board of the Department has expressly determined and hereby confirms that the sale of the Series 1991 Mortgage Certificates contemplated by this Resolution accomplish a valid public purpose of the Department by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe and sanitary housing, thereby (a) helping to eliminate a shortage of such housing in rural and urban areas which contributes to the creation and persistence of substandard living conditions and is inimical to the health, welfare and prosperity of the residents and communities of the State; (b) increasing the supply of residential housing for persons and families displaced by public actions and natural disasters; and (c) assisting private enterprise in providing sufficient quantities for the construction or rehabilitation of such housing.

Section 3.2--Notice of Meeting. That written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

Section 3.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

PASSED AND APPROVED this 12th day of December, 2001.

[SEAL]

By:___________________________________
Chairman

Attest:______________________
Secretary

AGENDA ITEM 5B

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD OF DIRECTORS MEETING
DECEMBER 12, 2001

PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF ADDITIONAL FUNDING FOR THE SINGLE FAMILY DOWN PAYMENT ASSISTANCE PROGRAM AND OTHER RELATED MATTERS

The Department's Single Family Down Payment Assistance Program (DPAP) requires additional funding. Staff requests the transfer of remaining Series 1994B monies, approximately $650,000, to the Single Family Down Payment Assistance Program.

DPAP assists very low and low income first-time homebuyers, many who are located in colonias and border regions, with the purchase of a single family residence. First-time homebuyers may obtain $5,000, $7,500 or $10,000 in assistance depending upon the homebuyers' county of residence. DPAP loans have a 30-year term, a zero percent interest rate and no amortization.

In 1994, the Department issued Taxable Junior Lien Single Family Mortgage Revenue Bonds, Series 1994B, where the proceeds were used to make awards to certain entities for housing development. All of those awards have expired and approximately $650,000 remains uncommitted. Staff recommends that these uncommitted funds be allocated to the Down Payment Assistance Program.

Lenders access DPAP in conjunction with the Department's single family mortgage revenue bond programs. Currently, the Department offers DPAP with Program 55a, which maintains a relatively small balance of available mortgage funds. Upon depletion of Program 55a, the Department will offer DPAP with Program 56.

The Department is close to fully exhausting all the funds previously made available for DPAP. Historically, the Department has funded DPAP by using various financial sources such as proceeds from the sale of debt service reserve investments, single family indenture funds and CMO funds.

The Bond Finance Division has developed a source of funds for continuing DPAP with Program 56 upon the depletion of Program 55a. This plan of finance will be presented under a separate agenda item.

RECOMMENDATION

The Board authorize the transfer of the remaining Series 1994B monies to the Single Family Down Payment Assistance Program.

AGENDA ITEM 5C

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD OF DIRECTORS MEETING
DECEMBER 12, 2001

PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF RECOMMENDATIONS RELATING TO THE ISSUANCE OF TAXABLE JUNIOR LIEN SINGLE FAMILY MORTGAGE REVENUE BONDS, SERIES 2002A AND OTHER RELATED MATTERS (PROGRAM 58)

At the August meeting, the Board approved Staff's request to research issuing taxable mortgage revenue bonds under the Single Family Mortgage Revenue Bond ("SFMRB") indenture to provide funds for funding non-traditional single family lending programs. Staff and the Department's Bond Finance Team have determined that such an issue is feasible. The Department previously executed a similar bond transaction, its Taxable Junior Lien Single Family Mortgage Revenue Bonds, Series 1994B, in June 1994.

Tax-exempt mortgage revenue bonds may not be used to fund non-traditional mortgages and similar programs due to first time homebuyer restrictions and interest rate arbitrage restrictions imposed by the Internal Revenue Code.

The taxable bonds will be issued under the SFMRB's Junior Lien indenture. The size of the SFMRB Series 2001A issue may range from $9.0 million to $10.0 million. Other bond features may include a 20 or 30 year final maturity and bond insurance. If authorized, the bonds will be sold in January or February 2002 and the bond closing will occur approximately 30 days subsequent to the bond pricing.

The ultimate allocation of these bond proceeds will be subject to prioritization of Departmental funding needs and public comment.

This is a unique financing opportunity and may not be executed annually or on any regular periodic basis.

Also at the August meeting, the Board approved Staff's recommended investment banking team for this transaction. The attached list reflects those firms and Staff's recommended fees.

RECOMMENDATION

The Board approve Staff's preliminary recommendations related to the structuring of Taxable Junior Line Single Family Mortgage Revenue Bonds, Series 2002A and the investment banking team's recommended fees.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Board of Directors Meeting
December 12, 2001

Program 58 Investment Banking Underwriting Team Recommendations

Estimated Transaction Size: $ 10,000,000

Firm	Underwriting Role	Liability%
M.R. Beal & Company	Senior Manager	50.0%
George K. Baum & Company, Inc.	Co-Senior	25.0%
Siebert Brandford Shank & Co., Inc.	Co-Manager	25.0%
		100.0%

	Per Bond	Dollars
Management Fee	$ 0.50	$ 5,000.00
Take-Down	6.50	65,000.00
Expenses	1.40	14,000.00
Structuring Fee	1.50	15,000.00
Underwriters' Counsel	1.10	11,000.00
	$ 11.00	$ 110,000.00

The proposed designation policy follows:
- No more than 45% allocated to any one firm.
- Minority designations must be at least 10%.

$10,000,000
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
JUNIOR LIEN SINGLE FAMILY MORTGAGE REVENUE BONDS
SERIES 2002A

RECOMMENDED USES

Tentative Sources *

Junior Lien Single Family Mortgage Revenue Bonds, Series 2002A		$ 10,000,000
Total Sources		**$ 10,000,000**

Recommended Uses *

Downpayment Assistance - Programs 55a and 56		$ 3,500,000
Housing Trust Fund and/or Other Department Programs	$ 5,200,000	
Bootstrap Program (Under Housing Trust Fund)	$ 1,300,000	
Total Non-MRB Program Uses		$ 6,500,000
Total Recommended Uses		**$ 10,000,000**

* Preliminary - subject to change

AGENDA ITEM 5D

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

HOUSING FINANCE DIVISION - MULTIFAMILY

REQUEST FOR BOARD APPROVAL OF MULTIFAMILY MORTGAGE REVENUE BOND ISSUANCE

2001 PRIVATE ACTIVITY MULTIFAMILY REVENUE BONDS

FALLBROOK APARTMENTS
$12,030,000 (*) Tax Exempt – Series 2001A
$1,470,000 (*) Tax Exempt – Series 2001B
$1,200,000 (*) Taxable – Series 2001C

TABLE OF EXHIBITS

(*) Preliminary - subject to change

FINANCE COMMITTEE & BOARD APPROVAL

MEMORANDUM
December 12, 2001

PROJECT: Fallbrook Apartments, Houston, Texas

PROGRAM: Texas Department of Housing & Community Affairs
2001 Private-Activity Multifamily Revenue Bonds
(Reservation received September 20, 2001)

ACTION REQUESTED: Approve the issuance of multifamily mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE: The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Fallbrook Apartments Limited Partnership, a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 280 unit multifamily residential rental project to be constructed on approximately 19.66 acres of land located on the west side of Bammell North Houston Road directly across from the intersection of Deer Ridge Lane and Bammell North Houston Road, Houston, Harris County, Texas 77086 (the "Project"). A portion of the Bonds will be tax-exempt by virtue of the Project's qualifying as a residential rental project.

BOND AMOUNT:
$12,030,000 Series 2001A (*) Tax-exempt bonds, State Volume Cap
$ 1,470,000 Series 2001B (*) Tax-exempt bonds
$ 1,200,000 Series 2001C (*) Taxable Bonds
$14,700,000 Total

(*)The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Project and the amount for which Bond Counsel can deliver its Bond Opinion. The principal amount of each series may also change as a result of final structuring.

ANTICIPATED CLOSING DATE: The Department received a volume cap allocation for the Bonds on September 20, 2001 pursuant to the Texas Bond Review Board's 2001 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before January 18, 2002, the anticipated closing date is December 21, 2001.

BORROWER: Fallbrook Apartments Limited Partnership, a Texas limited partnership, the managing general partner of which is TCR Fallbrook Partners Limited Partnership, a Texas limited partnership, and its general partner is TCR 2001 Affordable Housing, Inc. . The principals of the managing general partner are J. Ronald Terwilliger, Kenneth J. Valach, Chris J. Bergmann, and Scott Wise.

COMPLIANCE HISTORY: The Compliance Report reveals that the above principles of the managing general partner have a combined total of twelve properties monitored by the Department. Of the twelve properties being monitored, six have received a compliance score. Two of these six properties received a score of zero (no compliance issues) and four properties received scores of 1, 3, 6, and 11 respectively. All of these scores are well below the material non-compliance threshold score of 30.

ISSUANCE TEAM/ ADVISORS:
Sun America, Inc. (Equity Provider)
Bank of America, N.A. (Bondholder)
Bank One, National Association (the Trustee)
Vinson & Elkins L.L.P. (Bond Counsel)
Dain Rauscher , Inc. (Financial Advisor)
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)

PROJECT DESCRIPTION:
The Project is a 280-unit apartment community to be constructed on approximately 19.66 acres of land located on the west side of Bammell North Houston Road directly across from the intersection of Deer Ridge Lane and Bammell North Houston Road, Houston, Harris County, Texas 77086. The Project will consist of twenty-four two-story buildings and a clubhouse with a total of 283,796 net rentable square feet and an average unit size of 1,014 square feet. The property will also have a leasing office, exercise facility, large furnished community room, laundry facility, large swimming pool, children's play area with equipment, and two picnic areas with tables and barbecue pits. There will be approximately 544 parking spaces including 24 covered parking stalls. All ground units will be handicapped accessible and all units will have washer/dryer connections.

UNIT MIX:

Units	Unit Type	Square Feet
20	1-Bedroom/1-Bath	686
24	1-Bedroom/1-Bath	787
160	2-Bedrooms/2-Baths	1,027
76	3-Bedrooms/2.5-Baths	1,143

SET-ASIDE UNITS:
Forty (40%) of the units in the Project will be restricted to occupancy by persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each project will be set aside on a priority basis for persons with special needs. *(The Borrower has elected to set aside 100% of the units for tax credit purposes.)*

RENT CAPS:
The rental rates on the set-aside units (which is 100% of the units for this project) will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty percent (60%) of the area median income.

TENANT SERVICES:
[Undetermined.] Borrower will be required to provide a Tenant Services Plan based on the Tenant Profile upon lease-up that conforms to the Department's program guidelines.

DEPARTMENT FEES:

ORIGINATION

$1,000 Pre-Application Fee (Paid)
$10,000 Application Fee (Paid)
$73,500 Issuance Fee (.50% of the bond amount paid at closing)

DEPARTMENT ANNUAL FEES:
$15,135 Bond Administration (0.10% of first year bond amount)
$7,000 Compliance ($25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Project cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

ASSET OVERSIGHT FEE: $7,000 to TSAHC or assigns ($25/unit/year adjusted annually for CPI)

TAX CREDITS: The Borrower has applied to the Department to receive a reservation for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to $687,504 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99%, to raise equity funds for the project. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately $5,533,845 of equity for the transaction.

BOND STRUCTURE: The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds will be privately placed with Bank of America, N.A.. At the end of the construction and lease-up period for the property, the Borrower must provide for payment of any bonds outstanding in excess of that amount acceptable to Bank of America as a result of its underwriting analysis and debt coverage requirements. The bonds will be amortized over 30 years at a fixed interest rate.

The Bonds are mortgage revenue bonds and, as such, create no potential liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the financing carried out through the issuance of the Bonds.

CREDIT ENHANCEMENT: The bonds will be unrated with no credit enhancement. If the project does not achieve stabilization by the commencement of amortization of the loan, the Borrower will be required to prepay a portion of the loan in an amount sufficient to create a 1.15 Debt Service Coverage Ratio. Alternatively, the Borrower may effect a purchase of the bonds by another investor.

FORM OF BONDS: The Bonds will be issued in book entry form and in denominations of $100,000 or any integral multiple of $1,000 in excess of $100,000.

MATURITY/SOURCES & METHODS OF REPAYMENT: The Bonds will bear interest at a fixed rate until maturity. During the construction phase, the Bonds will be payable as to interest only, from revenues earned from the Mortgage Loan (which during the construction phase will be payable as to interest only), earnings derived from amounts held in Funds & Accounts (discussed below) on deposit in an investment agreement and funds deposited to the Mortgage Loan Fund specifically for capitalized interest during a portion of the construction phase.

TERMS OF THE MORTGAGE LOAN: The Mortgage Loan is a nonrecourse obligation of the Owner (which means, subject to certain exceptions, the Owner is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. A Deed of Trust and related documents convey the Owner's interest in the project to secure the payment of the Mortgage Loan.

REDEMPTION OF

BONDS PRIOR TO MATURITY:

The Bonds are subject to redemption under any of the following circumstances:

Extraordinary Redemption:

(a) Under certain circumstances, the Bonds are subject to mandatory redemption, in whole or in part, in the event of damage to or destruction or condemnation of the Project or any part thereof, on any date, at a redemption price equal to the outstanding principal amount, plus accrued interest, plus a prepayment premium.

(b) The Bonds are subject to mandatory redemption on January 15, 2003 in the event that there has been no disbursement of bond proceeds from the Project Fund at a redemption price equal to the principal amount thereof plus accrued interest, plus a prepayment premium.

(c) The Bonds are subject to mandatory redemption in whole, at a redemption price equal to the principal amount thereof plus accrued interest, plus a prepayment premium, if the Stabilized Occupancy Date has not occurred or been extended until December 1, 2004.

(d) The Bonds are subject to mandatory redemption on the first date for which proper notice can be given in accordance with the Indenture from proceeds remaining in the Project Fund on December 1, 2004 and not needed to complete the project.

Optional Redemption:

The Bonds are subject to redemption and prepayment at the option of the Borrower, in whole or in part on any date that is later than 10 years after recording of the mortgage at a redemption price equal to the outstanding principal amount, plus accrued interest, plus a prepayment premium.

Mandatory Sinking Fund Redemption:

The Bonds will be subject to mandatory sinking fund redemption at par plus accrued and unpaid interest, without premium, on specified dates of redemption, commencing June 1, 2005.

Mandatory Redemption Upon Agreement or Mortgage Default:

The Bonds are subject to mandatory redemption in whole upon the occurrence and continuance of an event of default under the Mortgage Loan at a redemption price of par plus accrued interest, plus a prepayment premium.

FUNDS AND

ACCOUNTS/FUNDS

ADMINISTRATION:

Under the Trust Indenture, Bank One, National Association. (the "Trustee") will serve as registrar, and authenticating agent for the Bonds, trustee of certain of the funds created under the Trust Indenture (described below), and will have responsibility for a number of loan administration and monitoring functions. Moneys on deposit in Trust Indenture funds are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create up to seven (7) funds with the following general purposes:

1. Project Fund - Bond proceeds will be deposited and withdrawn to pay the costs of construction of the Project including interest on the Bonds during the Construction Phase.

2. Revenue Fund - Basic Payments are deposited to the Revenue Fund and disbursed for payment to the various funds according to the order designated under the Trust Indenture.

3. Bond Fund - Sub-accounts are created within the Bond Fund for interest and principal on the bonds, and redemption provisions.

4. Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

5. Mortgage Recovery Fund - Fund into which Proceeds are deposited and dispersed in the events of: damage, destruction or condemnation of the property; foreclosure of the mortgage; unavailability of funds to make payments on the Bonds due; and the need to repair or replace the Project.

6. Servicing Fund - Fund into which payments are made for real estate taxes, insurance payments, and reserves.

7. Costs of Issuance Fund - Fund into which amounts for the payment of the costs of issuance are deposited and disbursed.

Essentially, all of the bond proceeds will be deposited into the Project Fund and disbursed therefrom during the Construction Phase (over 18 to 24 months) to finance the construction of the Project. Although costs of issuance of up to two percent (2%) of the principal amount of the Tax-Exempt Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower.

DEPARTMENT ADVISORS:

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 17, 2001. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.

2. Bond Trustee - Bank One, National Association was approved as bond trustee by the Department pursuant to a request for proposal process in June 1996.

3. Financial Advisor - Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.

ATTORNEY GENERAL REVIEW OF BONDS:

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the bonds.

General Information		Principal Contact
Bond Amount:	$12,500,000	TCR-Fallbrook Apartments, L.P.
Program:	2001 Private Activity	Chris Bergmann
Bond Structure:	Private Placement	10333 Richmond Avenue, Suite 400
Purpose:	New Construction	Houston, Texas 77042
Status:	Full Application	(713) 781-5775
A/O:	RFO	

Project(s)	City	Units
Fallbrook Apartments	Houston	280

Project History - Timeline	Responsibility	Due Date	Status
BRB Reservation received	BRB	9/20/2001	Done
Kick-of conference call	All	10/18/2001	Done
TEFRA notice in newspaper	V&E, Applicant	10/20/2001	Done
Deadline to submit TEFRA notice to Tx Reg		10/24/2001	Done
35 day reservation filing	V&E	10/24/2001	Done
Complete Application due to TDHCA	Applicant	10/25/2001	Done
1st draft of Bond Documents	V&E	10/30/2001	Done
1st due diligence conference call	All	11/2/2001	Done
TEFRA notice published in Tx Reg	TDHCA, Tx Reg	11/2/2001	Done
TEFRA Signage on property	Applicant	11/2/2001	Done
2nd draft of Bond Documents	V&E	11/8/2001	Done
2nd due diligence conference call	All	11/8/2001	Done
3rd due diligence conference call (1:00pm CST)	All	11/15/2001	Done
TEFRA Hearing (6:00pm)	TDHCA, Applicant	11/19/2001	Done
Final construction plans, appraisal, and all other due diligence materials are due to TDHCA	Applicant	11/20/2001	Done
All third party debt & equity commitments are due to TDHCA	Applicant	11/20/2001	Done
Final Bond Documents & Resolution	V&E	11/21/2001	Done
TDHCA Board draft write-up due	TDHCA	11/26/2001	Done
Conference call (1:00 CST)	All	11/27/2001	Done
Notice of Intent to the BRB	TDHCA	11/29/2001	Done
Board final write-ups due	TDHCA	11/30/2001	Done
TDHCA underwriting due	TDHCA	12/3/2001	Done
Interest rate locked by bond purchaser and amortization schedule	TDHCA, BofA, Applicant	12/3/2001	Done
Circulate draft of closing memorandum	Underwriter	12/3/2001	Done
Bond Review Board application due	TDHCA	12/4/2001	Next Action
TDHCA Board Meeting agenda published	TDHCA	12/4/2001	Scheduled
File transcripts with Attorney General	V&E	12/5/2001	Scheduled
Price Bonds	Underwriter	12/10/2001	Scheduled
BRB Planning session	TDHCA, V&E, FA, Applicant	12/11/2001	Scheduled
TDHCA Board Meeting	TDHCA, V&E, FA, Applicant	12/12/2001	Scheduled
Circulate Closing Memorandum	Underwriter	12/14/2001	Scheduled
Final Building permits due to TDHCA	Applicant	12/19/2001	Scheduled
Pre-close Bonds	All	12/19/2001	Scheduled
Bond Review Board Meeting	TDHCA, V&E, FA, Applicant	12/20/2001	Scheduled

Close Bonds	All	12/21/2001	Scheduled
2001 CarryForward notice to BRB	**V&E**	**12/21/2001**	**Scheduled**
Reservation Expiration Date	BRB	1/18/2002	Scheduled

Estimated Sources & Uses of Funds

Sources of Funds	
Bond Proceeds, Series 2001A Bonds (Tax-Exempt)	$ 12,030,000
Bond Proceeds, Series 2001B Bonds (Tax-Exempt)	$ 1,470,000
Bond Proceeds, Series 2001C Bonds (Taxable)	1,200,000
Tax Credit Proceeds	5,533,854
GIC Earnings from Bond Proceeds	172,800
Net Operating Income Prior to Stabilization	501,137
Deferred Developer's Fee	2,084,773
Total Sources	$ 22,992,564

Uses of Funds	
Deposit to Mortgage Loan Fund (Construction funds)	$ 17,051,014
Capitalized Interest	1,793,937
Marketing	250,000
Rent Up Reserves	341,223
Developer's Overhead & Fee	2,525,394
Costs of Issuance	
Direct Bond Related	279,300
Bond Purchaser Costs	280,500
Other Transaction Costs	214,569
Real Estate Closing Costs	256,627
Total Uses	$ 22,992,564

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 73,500
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee ($25 per unit)	7,000
TDHCA Bond Counsel and Direct Expenses (Note 1)	65,000
TDHCA Financial Advisor and Direct Expenses	30,000
Disclosure Counsel (Note 1)	2,500

Borrower's Bond Counsel		45,000
Borrower's Financial Advisor		20,000
Placement Agent		5,000
Placement Agent Conf. Call Expenses		625
Trustee's Fees (Note 1)		6,500
Trustee's Counsel (Note 1)		5,000
Attorney General Transcript Fee ($1,250 per series, max. of 2 series)		2,500
Texas Bond Review Board Application Fee		500
Texas Bond Review Board Issuance Fee (.025% of Issuance)		3,675
TEFRA Hearing Publication Expenses		1,500
Total Direct Bond Related	$	279,300

Bond Purchase Costs		
Loan Origination Fee (BofA)		220,500
Due Diligence Cost (BofA)		25,000
Bond Counsel & Expenses (BofA)		35,000
Total	$	280,500

Other Transaction Costs		
Limited Partner Up-Front Facility Fees		73,500
Limited Partner Legal Fees		35,000
Limited Partner Bridge Loan Fee		34,372
Miscellaneous/Contingency		40,000
Tax Credit Determination Fee (4% annual tax cr.)		27,497
Tax Credit Applicantion Fee ($15/u)		4,200
Total	$	214,569

Real Estate Closing Costs		
Title & Recording (Const.& Perm.)		156,627
Property Taxes		100,000
Total Real Estate Costs	$	256,627

Estimated Total Costs of Issuance	$	1,030,996

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

DATE: December 6, 2001 **PROGRAM:** 4% LIHTC MFB **FILE NUMBER:** 01452 2001-056

DEVELOPMENT NAME

Fallbrook Apartments

APPLICANT

Name: Fallbrook Apartments LP **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 10333 Richmond Avenue, Suite 400 **City:** Houston **State:** TX

Zip: 77042 **Contact:** Chris Bergmann **Phone:** (713) 781-5775 **Fax:** (713) 781-8988

PRINCIPALS of the APPLICANT

Name	(%)	Title
TCR Fallbrook Partners LP	0.01	Managing General Partner
SunAmerica Affordable	99.99	Limited Partner
TCR 2001 Affordable	n/a	1% owner/GP of Managing GP
J Ronald Terwilliger	n/a	37% owner/Director of Managing
Kenneth J Valach	n/a	37% owner/President of
Christopher J Bergmann	n/a	15% owner/VP of Managing GP
Scott Wise	n/a	10% owner/Secretary of

GENERAL PARTNER

Name: TCR Fallbrook Partners LP **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 10333 Richmond Avenue, Suite 400 **City:** Houston **State:** TX

Zip: 77042 **Contact:** Chris Bergmann **Phone:** (713) 781-5775 **Fax:** (713) 781-8988

PROPERTY LOCATION

Location: E of Old Bammel N Houston, W of Champion Forest Drive ☐ **QCT** ☐ **DDA**

City: Houston **County:** Harris **Zip:** 77086

REQUEST

Amount	Interest Rate	Amortization	Term
① 687,504	n/a	n/a	n/a
② $13,500,000	6.06%	30 yrs	33 yrs
③ $1,200,000	6.78%	30 yrs	33 yrs

Other Requested Terms: ① Annual ten-year allocation of low-income housing tax credits; ② Tax-Exempt Bonds;

③ Taxable Bonds

Proposed Use of Funds: New construction **Set-Aside:** ☒ General ☐ Rural ☐ Non-Profit

SITE DESCRIPTION

Size: 19.6669 acres 856,690 square feet **Zoning/ Permitted Uses:** None (Houston)

Flood Zone Designation: Zone X **Status of Off-Sites:** Partially Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 280 **# Rental Buildings** 24 **# Common Area Bldngs** 3* **# of Floors** 2 **Age:** n/a yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
20	1	1	683
24	1	1	787
160	2	2	1,027
76	3	2.5	1,143

Net Rentable SF: 283,796 **Av Un SF:** 1,014 **Common Area SF:** 4,246* **Gross Bldng SF** 288,042

Property Type: ☒ Multifamily ☐ SFR Rental ☐ Elderly ☐ Mixed Income ☐ Special Use

* Includes two separate laundry facilities

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 35% masonry/brick veneer/65% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, laminated counter tops, individual water heaters

ON-SITE AMENITIES

Furnished community/activity room, management offices, two laundry facilities, kitchen, restrooms, fitness room, swimming pool, equipped children's play area, perimeter fencing with limited access gate

Uncovered Parking: 548 spaces **Carports:** n/a* spaces **Garages:** n/a spaces

* Applicant indicates that there will be 24 carports included in the project, but this could not be verified on submitted site plan

OTHER SOURCES of FUNDS

INTERIM to PERMANENT FINANCING

Source: Bank of America, NA **Contact:** John Yochum

Principal Amount: $13,500,000 **Interest Rate:** 6.06% as of 12/3/2001

Additional Information: Tax-Exempt Bonds in two series, 2001A ($12,030,550) and 2001B ($1,469,450);
3 yr. interim period

Amortization: 30 yrs **Term:** 33 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $1,028,716 **Lien Priority:** 1st **Commitment Date** 11/ 19/ 2001

INTERIM to PERMANENT FINANCING

Source: Bank of America, NA **Contact:** John Yochum

Principal Amount: $1,635,000* **Interest Rate:** Tax-Exempt Rate + 184 bps; 6.78% as of 12/3/2001

Additional Information: Taxable Bonds; 3 yr. interim period *Reduced to $1,200,000 per 12/3 sources and uses

Amortization: 30 yrs **Term:** 33 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $121,574 **Lien Priority:** 1st **Commitment Date** 11 / 19/ 2001

LIHTC SYNDICATION			
Source: SunAmerica Affordable Housing		**Contact:** Dana Mayo	
Address: 1 SunAmerica Center, Century Center		**City:** Los Angeles	
State: CA	**Zip:** 90067	**Phone:** (310) 772-6831	**Fax:** (310) 772-6179
Net Proceeds: $5,532,139		**Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 80.5¢	
Commitment ☒ LOI ☐ Firm ☐ Conditional		**Date:** 11/ 15/ 2001	
Additional Information:			

APPLICANT EQUITY	
Amount: $2,051,642	**Source:** Deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only: 19.6669 acres	$1,300,000	**Date of Valuation:**	10/ 10/ 2001
Appraiser: CB Richard Ellis	**City:** Houston	**Phone:**	(713) 840-6676

ASSESSED VALUE

Land: 19.6669 acres	$120,400	**Assessment for the Year of:**	2001
Building:	n/a	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$120,400	**Tax Rate:**	3.15702

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest money contract (19.6669 acres)		
Contract Expiration Date:	12/ 31/ 2001	**Anticipated Closing Date:**	12/ 31/ 2001
Acquisition Cost:	$ 1,310,736	**Other Terms/Conditions:**	$30K earnest money plus $100K by 9/2001; $1.53 per square foot purchase price
Seller:	SDC Northwest Park Partners LP	**Related to Development Team Member:**	No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Fallbrook Apartments is a proposed new construction project of 280 units of affordable housing located in northwest Harris County, in Houston. The subject project will consist of 24 residential buildings, as follows:

- Four Building Style I with two one-bedroom units, six two-bedroom units and two three-bedroom units;
- Seventeen Building Style II with eight two-bedroom units and four three-bedroom units; and
- Three Building Style III with four one-bedroom units and eight one-bedroom units.

Based on the site plan, the apartment buildings are distributed evenly across the site. A clubhouse building totaling 3,500 square feet will include space for leasing/management offices. This building will also have a clubroom with kitchen, a fitness room and maintenance shop. Even though each unit is equipped with washer/dryer connections, two common laundry facilities at 500 square feet each are also proposed. The site will have a swimming pool, a tot lot and sports court, two picnic areas with tables and barbeque pits, and perimeter fencing with limited access gates.

Supportive Services: The Applicant states that supportive services will be available in compliance with TDHCA's requirements. A particular service provider has not been selected as of application. Receipt, review and acceptance of a supportive services contract with terms by cost certification is a condition of this report.
Schedule: The Applicant anticipates construction to be completed in February of 2003. Although the Applicant has stated a construction commencement date of December 2001, the application will not be presented to the Board until December 12, 2001. Receipt, review and acceptance of a revised construction schedule is a condition of this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants earning 60% or less of AMGI.
Special Needs Set-Asides: None of the units were identified in the tax credit application to be specifically designated to be handicapped-accessible or equipped for tenants with hearing or visual impairments.
Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

A market feasibility study with an effective date of September 10, 2001, prepared by REVAC, INC., highlighted the following findings:
Regional Market Information: The regional apartment market (Houston MSA) includes the counties of Harris, and parts of Ft. Bend and Montgomery counties. There is a total of 486,993 existing units, in addition to 8,707 units under construction and 5,405 being proposed. Mid year 2001 net absorption of units is 4,608 with an occupancy rate of 95.3%; whereas, year-end 2000 had a net absorption of negative 844 with an occupancy rate of 95.3%. This apparent anomaly is attributed to the fact that while most of the new construction was being leased, older units were being removed from the market. Area rental rates have increased at a compounded annual average rate of 4.5% over the past 5.5 years. Of course much of this increase is attributable to newly constructed Class "A" apartments. If the newly built apartments are removed from the analysis, increases in rental rates are more on the order of 3% per year.
Definition of Submarket: Although it is likely that tenants from beyond three miles will reside at the subject property, a 3-mile radius was nevertheless deemed reasonable. There are a total of 5,262 existing units in the submarket.
Submarket Demand for Rental Units: Within a three-mile radius of the subject there are an estimated 24,369 households. REVAC, Inc.'s market study provides charts, which show that 5,931 households would qualify for the proposed subject LIHTC units. It is assumed that 80% of the target population will view the subject property as a housing option. Thus, the effective number of income and size qualified households in a position to rent the subject units is 4,745. Therefore, approximately 19.5% of the area households qualify as potential tenants for the 280 rent restricted LIHTC units and are likely to seek rental housing.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY

Type of Demand	Units of Demand	% of Total Demand
Household Growth	84	6.6%
Resident Turnover	1,186	93.4%
TOTAL ANNUAL DEMAND	**1,270**	**100%**

Ref: p. 52

Based on demographics, the number of households in the primary market area will increase by 2,145 or 429 per year over the next five years. Based on 19.5% of all additional households qualifying for the subject's LIHTC units, additional annual demand of 84 units is calculated. Based on information provided within the mid-year 2001 REVAC Apartment Occupancy & Rental Survey, typical turnover demand of around 25% is indicated. Applying turnover demand to the 4,745 existing qualified renter households results in demand for 1,186 units. Therefore, total annual income qualified demand for rental units is estimated at 1,270 units.

The Underwriter did not include the analyst's additional demand calculation based on employment growth and historic absorption rates because it is unclear if these sources double count demand from household growth.

Based on 4.9% of the general population between the ages of 18 and 64 (62.5% of the total) having a mobility or self care limitation, there are an estimated 746 households who qualify for the 14 accessible LIHTC units.

Penetration Rate: To absorb the 280 LIHTC units would require market penetration of 5.9% (280/4,745 Qualified Households). An addition of 280 rent restricted units represents only 5.1% of the area multifamily rental market (5,542 units-existing and proposed) and should be easily absorbed.

Capture Rate: Based on the subject's proposed 280 units, a capture rate of 23.6% would be needed.

Local Housing Authority Waiting List Information: The County and City Section 8 housing lists are frozen and there is a waiting list for people with disabilities who qualify under Federal Preference rules (living in substandard housing, homeless or paying more than 50% of their income in rent).

Market Rent Comparables: The market analyst surveyed 29 comparable apartment projects totaling 5,262 units in the market area.

The multifamily housing market within a 3-mile radius is somewhat dated with a weighted average year of construction being 1983. Competitive properties were considered those within a three-mile radius of the subject site. There are only 577 rent restricted housing units within a three-mile radius of the subject, of which 252 units are directly comparable.

Over the past three years rental rates have increased at a compounded annual average rate of 4.32% per year. Future increases in rent are likely to be around 3.0%.

RENT ANALYSIS (net tenant-paid rents)

	Proposed	Program Max	Differential	Market	Differential
683 SF 1-Bedroom (60%)	$588	$588	$0	$600	-$12
787 SF 1-Bedroom (60%)	$588	$588	$0	$670	-$82
2-Bedroom (60%)	$700	$700	$0	$815	-$115
3-Bedroom (60%)	$803	$803	$0	$960	-$157

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

Submarket Vacancy Rates: Occupancy rates within the subject's market area (3-mile radius) are 95.6%. Over the past three years occupancy rates have decreased slightly from around 97.13%.

Absorption Projections: Absorption data for the subject's delineated submarket was not available. However, the area apartment market has fared well since 1998 with stabilized occupancies in the mid-high 90's. A total of 252 units were added to the market in November 2000 and 216 have been absorbed, indicating absorption of 21.6 units per month. The market analyst indicates that, with the construction of more affordable housing, projected net absorption of 475 units per year is deemed reasonable and well supported.

Known Planned Development: The subject's 280 units are the only LIHTC units proposed. Only 252 units (Woodglen Apartments built in 2000) have been added over the past 17 years. This 252-unit complex is currently 85.7% occupied.

Effect on Existing Housing Stock: After construction, the subject property will be considered a Class "B" project in a Class "B" location and should compete near the middle-top end of the market.

Other Relevant Information: The number of two- and three-bedroom floorplans represents 84.0% of all units, as compared to the area market, which indicate 49.6% of all units are two- and three-bedroom floorplans. There is a higher than typical percentage of two- and three-bedroom units since this property is primarily targeting families. There is a fairly significant population under 17 years of age and the subject area has a fairly high concentration of 3+ person households. This bodes well for the subject property, which will be targeting families.

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located along the northwest corner of Bammel-North Houston Road and the proposed extension of Fallbrook Drive, approximately 1,000 feet north of SH-249, in Houston, Harris County. This location is approximately 15 miles from the Houston CBD.

Population: Demographicsnow.com provided demographic information within a 1-, 3-, and 5- mile radius. This data source provided demographic information based on the 1990 census. In addition, estimates were provided for 2000 and projections were made for the year 2005. The population for 2000 is 80,718, a growth of 27.30% from the previous year, with estimated households of 24,369, an increase of 26.57% from 1999. The area population is expected to increase by 7,319, or 1,464 per year over the next five years. Likewise, the increase from 1990 to 2000 was 17,312, or 1,731 per year. Overall, the projected population increases are expected to be slightly lower than historic population trends. The area households are expected to increase by 2,145, or 429 per year over the next five years.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed. Adjacent land uses include:

- **North:** Early 1980's era single family development generally representing three-bedroom homes totaling around 1,500 to 1,800 square feet;
- **South:** Vacant land and a 1980's era multi family complex in average overall condition through to commercial development along SH-249;
- **East:** Existing 1980's era single family homes and new single family housing currently under construction;
- **West:** Vacant land and the Seton Lake Park-N-Ride.

Site Access: The subject site has frontage along Bammel-North Houston and Old Bammel-North Houston with additional frontage to be provided by the proposed extension of Fallbrook Drive.

Public Transportation: METRO bus service is available within the area via the Park-N-Ride system. In fact, the Seton Lake Park-N-Ride is located to the west of the subject site. However, the typical neighborhood resident uses private transportation.

Shopping & Services: There are 65 shopping centers within a three-mile radius of the subject. Recreational and cultural opportunities are plentiful. Restaurants and movie theaters are located within close proximity. The subject neighborhood is served by the Methodist Hospital at SH-249, north of FM-1960. This facility was recently built and is located slightly more than 3-miles from the subject site.

Site Inspection Findings: TDHCA staff performed a site inspection on November 30, 2001 and found the location to be excellent for the proposed development. The inspector noted the site is in a new development area that shows good growth.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report effective January 11, 2001 was prepared by ENVIROTEST INC. Based on the site inspection, scope of work, and sources detailed in the report, the assessment reveals no evidence of negative environmental conditions in connection with the subject property.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's net rent estimates are equivalent to the Underwriter's estimates. Although the Applicant used a comparable vacancy and collection loss assumption, their secondary income estimate is overstated by $5 per unit per month as compared to the TDHCA standard of $10 per unit per month. The net result is an effective gross income estimate that is within 5% of the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of $3,566 per unit is within 5% of a TDHCA database-derived estimate of $3,647 per unit for comparably sized projects. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($25K lower), payroll ($49K higher), utilities ($44K lower), and water, sewer, and trash ($15K lower).

Conclusion: Overall, the Applicant's net operating income estimate is also within the 5% tolerance range. Therefore, the Applicant's proforma should be used to determine the project's debt service capacity.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $1,310,736 ($1.53 SF or $66,647 acre) is substantiated by the appraised of

$1,300,000. The acquisition price is also assumed to be reasonable as the acquisition is an arm's-length transaction.

Off-Site Costs: The Applicant claimed off-site costs of $285,310 for detention basin excavation, fill existing drainage ditch, RCP outfall pipe, haul, spread and compact on site, etc. A preliminary construction cost estimate prepared by Trammell Crow Residential Services was provided, substantiating the estimate.

Site Work Cost: The Applicant claimed site work costs of $8.5K per unit without providing any specific justification regarding why these costs are so high. In addition, impact fees are included in indirect construction costs and, therefore, these fees cannot be the source of the higher site work costs. The TDHCA acceptable range of site work costs is $4.5K to $6.5K per unit. In the absence of any substantiation, the Underwriter lowered the TDHCA site work costs to $6.5K per unit for the purpose of estimating the project's total construction budget. A third party detailed cost estimate certified by an architect or engineer familiar with the site work costs of this proposed project is required as a condition of his report, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.

Direct Construction Cost: The Applicant's direct construction cost estimate is $1.54M, or 13%, lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. It is possible that a portion of the difference may be a result of the possible misallocation of site work costs.

Indirect Costs: The Applicant included $50K in marketing costs as eligible. These costs are typically associated with the operations of the project and, as such, are not eligible. The $50K has been moved to ineligible costs.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. However, the Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and, therefore, the eligible portion of the Applicant's developer fee must be reduced by $11,708.

Conclusion: The Applicant's total development cost estimate is $985K, or less than 5%, lower than the Underwriter's estimate. Because this difference is within the 5% tolerance range, the Applicant's total development cost estimate, adjusted for ineligible costs, should be used to determine the project's eligible basis and permanent financing needs.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing: a bond-financed interim to perm loan, syndicated LIHTC equity proceeds, and deferred developer's fees.

Bonds: The Applicant has provided a commitment letter for interim to permanent financing from Bank of America, N.A. The loan will be made on terms, which pass through to the Borrower the obligation to make payments of principal, interest and premium on the bonds. The loan will be structured to provide financing for a 36-month construction period and a 30-year term period. The loan will be the proceeds from tax-exempt and taxable bonds: denominated multifamily Housing Mortgage Revenue Bonds Tax-Exempt Series 2001A in the amount of $12,030,550, Tax-Exempt Series 2001B in the amount of $1,469,450, and the Taxable Series 2001C in the amount of $1,200,000. The Issuer of the Bonds will be the Texas Department of Housing and Community Affairs.

The interest rate on the tax-exempt bonds and taxable bonds will be a rate derived from the Bank's internal calculations, which equated to 6.06% for the tax-exempt bonds and 6.78% for the taxable bonds at the time of the Bank's loan underwriting. The Bank rate is not based on any rate index such as Treasury Bond rates.

The tax-exempt bonds and taxable bonds will provide for payments of interest-only for the period ending January 1, 2005. On January 1, 2005, the loan will be payable in full, and the bonds will be redeemed, unless the "Stabilized Occupancy" conditions are satisfied. If the Stabilized Occupancy conditions are satisfied, commencing on February 1, 2005, the bonds will be paid in semi-annual installments of principal and interest computed on a 30 year amortization schedule using a rate of interest derived as noted above and fixed for 30 years for both the tax-exempt bonds, and for the taxable bonds. Amortization (scheduled sinking fund redemption) will be applied first to the taxable bonds, and then to the tax-exempt bonds. Interest rates referenced above are indicative until execution of a rate lock agreement by both parties. It is projected that the taxable bonds should be paid 33 years from date of origination. There will be no reset on the interest rate for the tax-exempt bonds. The Underwriter has utilized a calculated blended interest rate of 6.12%, resulting in a term of approximately seven years for the taxable bonds.

LIHTC Syndication: SunAmerica Affordable Housing has offered terms for syndication of the tax credits.

The commitment letter shows net proceeds are anticipated to be $5,533,854 based on a syndication factor of 80.5%. SunAmerica has also offered to provide a $4,483,235 bridge loan to be used to repay any outstanding predevelopment loan made by SunAmericia to the Partnership and the balance for project construction costs. No interest shall be charged on the principal balance of the bridge loan up to $3,320,312. Interest shall accrue on the portion above $3,320,312 at an interest rate equal to the then prevailing long-term AFR. The equity funds would be disbursed in a four-phased pay-in schedule:

18. 2.6% upon admission to the partnership to pay SunAmerica's legal fees, facility administration organization fee and bridge origination fee;
19. 81% upon receipt of the last Certificate of Occupancy for the project and project completion, to be used to repay the bridge loan;
20. 12.8% upon achievement of 90% and a DSCR of 1.15x or greater based on debt service on the Bonds for a period of 3 consecutive calendar months, achievement of the Stabilization Requirement under the Bond Indenture, and submission to the TDHCA of all documents necessary for TDHCA to process Forms 8609; and
21. 3.6% upon receipt of Forms 8609.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $2,051,642 amount to 64% of the total proposed fees.

Financing Conclusions: Based on the Applicant's proforma for the first year of stabilized operation, the project can support both the proposed permanent annual debt service of $1,073,956 and the Underwriter's calculated annual debt service of $1,070,985, while maintaining a debt coverage ratio within the Department's guideline of 1.10 to 1.25. Therefore, the proposed bond amounts and interest rates appear to be acceptable.

As stated above, the Applicant's total development cost estimate, adjusted for overstated fees, was used to calculate the project's eligible basis resulting in an eligible annual LIHTC allocation of $709,195, which is $21,691 more than the Applicant's request. The letter of interest for syndication of the tax credits indicates a rate of 80.5%, resulting in syndication proceeds of $5,708,446. The increase in anticipated syndication proceeds reduces the need for deferred developer fees to $1,906,757, or 76% of eligible developer fees. This amount is repayable from project cash flow within the first ten years of stabilized operation.

REVIEW of ARCHITECTURAL DESIGN

All units are of average size for market rate and LIHTC units and include adequate interior storage space and utility closets with hookups for full-size appliances. Each unit has a semi-private exterior entry and twenty of the one-bedroom units have covered patios. The units are in two-story walk-up structures with mixed brick veneer and Hardiboard exterior finish. The exterior elevations are functional, with varied rooflines. The common area buildings will have exterior designs similar to the residential buildings.

IDENTITIES of INTEREST

The developer, general contractor, and property manager are related entities. These are common identities of interest for LIHTC/Bond-financed projects.

APPLICANT'S/PRINCIPALS' FINANCIAL HIGHLIGHTS, BACKGROUND, and EXPERIENCE

Financial Highlights:

- The Applicant and general partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and, therefore, have no material financial statements.
- The principals of the general partner, Kenneth J Valach, Christopher J Bergmann, Scott C Wise and J Ronald Terwilliger submitted unaudited Collateral Value Statements as of June 30, 2001.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- Kenneth Valach and Christopher J Bergmann, principals of the Applicant, have extensive experience in the development of affordable housing. Kenneth Valach and Christopher J Bergmann have been partners in the participation of eight low-income apartment projects totaling 1,740 units between 1999 and 2000.

SUMMARY OF SALIENT RISKS AND ISSUES

- None noted.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $709,195 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS

CONDITIONS

33. Receipt, review and acceptance of a supportive services contract with terms by cost certification;
34. Receipt, review and acceptance of a revised construction schedule; and
35. Receipt, review and acceptance of a third party detailed cost estimate certified by an architect or engineer familiar with the site work costs of this proposed project, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.

Associate Underwriter:	*Marie Villarreal*	**Date:**	December 6, 2001
Underwriter:	**Lisa Vecchietti**	**Date:**	December 6, 2001
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	December 6, 2001

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analys

Fallbrook, Houston, LIHTC 01452/MFB 2001-056

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month
TC(60%)	20	1	1	686	$658	$588	$11,758
TC(60%)	24	1	1	787	658	588	14,110
TC(60%)	160	2	2	1,027	790	700	112,010
TC(60%)	76	3	2	1,143	912	803	61,028
TOTAL:	280		AVERAGE:	1,014	$802	$710	$198,905

					TDHCA	APPLICANT
INCOME	Total Net Rentable Sq Ft:		283,796			
POTENTIAL GROSS RENT					$2,386,862	$2,386,020
Secondary Income	Appl /Late fee		Per Unit Per Month:	$10.00	33,600	50,400
Other Support Income: (describe)					0	0
POTENTIAL GROSS INCOME					$2,420,462	$2,436,420
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(181,535)	(182,736)
Employee or Other Non-Rental Units or Concessions					0	0
EFFECTIVE GROSS INCOME					$2,238,928	$2,253,684
EXPENSES		% OF EGI	PER UNIT	PER SQ FT		
General & Administrative		3.55%	$284	$0.28	$79,488	$54,000
Management		4.00%	320	0.32	89,557	90,148
Payroll & Payroll Tax		8.96%	716	0.71	200,512	250,000
Repairs & Maintenance		5.64%	451	0.44	126,243	124,000
Utilities		3.53%	282	0.28	79,099	35,000
Water, Sewer, & Trash		3.82%	305	0.30	85,474	70,000
Property Insurance		1.77%	142	0.14	39,731	39,200
Property Tax	3.15702	11.84%	947	0.93	265,190	280,000
Reserve for Replacements		2.50%	200	0.20	56,000	56,000
Other:		0.00%	0	0.00	0	
TOTAL EXPENSES		45.62%	$3,647	$3.60	$1,021,293	$998,348
NET OPERATING INC		54.38%	$4,349	$4.29	$1,217,634	$1,255,336
DEBT SERVICE						
Entire Bond Debt Service		47.19%	$3,773	$3.72	$1,056,473	$1,073,956
Trustee Fee		0.16%	$13	$0.01	$3,500	0
TDHCA Admin. Fees		0.66%	$53	$0.05	14,700	0
Asset Oversight & Compliance Fees		0.63%	$50	$0.05	14,000	4,200
NET CASH FLOW		5.76%	$461	$0.45	$128,961	$177,180
AGGREGATE DEBT COVERAGE RATIO					1.12	1.16
BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					1.15	
BONDS-ONLY DEBT COVERAGE RATIO					1.15	

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT
Acquisition Cost (site or bldng)		5.90%	$4,913	$4.85	$1,375,736	$1,375,736
Off-Sites		1.22%	1,019	1.01	285,310	285,310
Sitework		7.81%	6,500	6.41	1,820,000	2,375,200
Direct Construction		49.81%	41,448	40.89	11,605,393	10,065,027

Contingency	2.65%	1.53%	1,270	1.25	355,570	355,570
General Requirements	5.56%	3.20%	2,666	2.63	746,414	746,414
Contractor's G & A	1.85%	1.07%	889	0.88	248,805	248,805
Contractor's Profit	5.56%	3.20%	2,666	2.63	746,414	746,414
Indirect Construction		3.72%	3,095	3.05	866,500	866,500
Ineligible Expenses		4.42%	3,677	3.63	1,029,632	1,029,632
Developer's G & A	1.23%	0.94%	781	0.77	218,794	0
Developer's Profit	13.00%	9.90%	8,238	8.13	2,306,600	2,525,394
Interim Financing		5.81%	4,836	4.77	1,353,978	1,353,978
Reserves		1.46%	1,219	1.20	341,223	341,223
TOTAL COST		100.00%	$83,216	$82.10	$23,300,369	$22,315,203
SOURCES OF FUNDS						
Series 2001A Tax-Exempt		51.63%	$42,966	$42.39	$12,030,550	$12,030,550
Series 2001B Tax-Exempt		6.31%	$5,248	$5.18	1,469,450	1,469,450
Series 2001C Taxable		5.15%	$4,286	$4.23	1,200,000	1,200,000
LIHTC Syndication Proceeds		23.75%	$19,764	$19.50	5,533,854	5,533,854
Deferred Developer's Fee		8.81%	$7,327	$7.23	2,051,642	2,051,642
Additional (excess) Funds Required		4.36%	$3,625	$3.58	1,014,873	29,707
TOTAL SOURCES					$23,300,369	$22,315,203

RE

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Fallbrook, Houston, LIHTC 01452/MFB 2001-056

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Townhouse Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$ 45.23	$12,837,458
Adjustments				
Exterior Wall Finish	2.20%		$1.00	$282,424
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(2.23)	(632,865)
Floor Cover			2.43	689,624
Porches/Balconies	$16.23	11,804	0.68	191,579
Plumbing	$675	300	0.71	202,500
Built-In Appliances	$2,000	280	1.97	560,000
Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.83	519,347
Garages/Carports	$7.53	4,800	0.13	36,144
Comm &/or Aux bldngs	$55.81	3,688	0.73	205,824
Other:	$1.55	198,657	1.09	307,919
SUBTOTAL			53.56	15,199,954
Current Cost Multiplier	1.02		1.07	303,999
Local Multiplier	0.92		(4.28)	(1,215,996)
TOTAL DIRECT CONSTRUCTION COSTS			$50.35	$14,287,956
Plans, specs, survy, bld prmts	3.90%		($1.96)	($557,230)
Interim Construction Interest	3.38%		(1.70)	(482,219)
Contractor's OH & Profit	11.50%		(5.79)	(1,643,115)

PA

Primary
Int Rate

Secondary
Int Rate

Additional
Int Rate

ALTERNATIVE FINAN

Primary Debt Service
Trustee Fee
TDHCA Fees
NET CASH FLOW

Primary
Int Rate

Secondary
Int Rate

Additional
Int Rate

NET DIRECT CONSTRUCTION COSTS			$40.89	$11,605,393

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at	3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10
POTENTIAL GROSS RENT		$2,386,862	$2,458,468	$2,532,222	$2,608,189	$2,686,435	$3,114,314
Secondary Income		33,600	34,608	35,646	36,716	37,817	43,840
Other Support Income: (describe)		0	0	0	0	0	0
POTENTIAL GROSS INCOME		2,420,462	2,493,076	2,567,869	2,644,905	2,724,252	3,158,154
Vacancy & Collection Loss		(181,535)	(186,981)	(192,590)	(198,368)	(204,319)	(236,862)
Employee or Other Non-Rental Units or Concessions		0	0	0	0	0	0
EFFECTIVE GROSS INCOME		$2,238,928	$2,306,096	$2,375,278	$2,446,537	$2,519,933	$2,921,293
EXPENSES at	4.00%						
General & Administrative		$79,488	$82,667	$85,974	$89,413	$92,989	$113,136
Management		89,557	92,244	95,011	97,861	100,797	116,852
Payroll & Payroll Tax		200,512	208,533	216,874	225,549	234,571	285,391
Repairs & Maintenance		126,243	131,293	136,544	142,006	147,686	179,683
Utilities		79,099	82,263	85,553	88,975	92,534	112,582
Water, Sewer & Trash		85,474	88,893	92,448	96,146	99,992	121,656
Insurance		39,731	41,321	42,974	44,692	46,480	56,550
Property Tax		265,190	275,797	286,829	298,302	310,234	377,448
Reserve for Replacements		56,000	58,240	60,570	62,992	65,512	79,705
Other		0	0	0	0	0	0
TOTAL EXPENSES		$1,021,293	$1,061,250	$1,102,777	$1,145,938	$1,190,797	$1,443,003
NET OPERATING INCOME		$1,217,634	$1,244,846	$1,272,501	$1,300,599	$1,329,136	$1,478,290
DEBT SERVICE							
First Lien Financing		$1,070,985	$1,070,985	$1,070,985	$1,070,985	$1,070,985	$1,070,985
Trustee Fee		3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees		14,700	14,523	14,336	14,136	13,924	12,646
Asset Oversight & Compliance Fees		14,000	14,560	15,142	15,748	16,378	19,926
Cash Flow		114,450	141,278	168,538	196,230	224,349	371,233
AGGREGATE DCR		1.10	1.13	1.15	1.18	1.20	1.34

LIHTC Allocation Calculation -Fallbrook, Houston, LIHTC 01452/MFB 2001-056

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLI REHA ELIGIB
(1) Acquisition Cost					
Purchase of land	$1,375,736	$1,375,736			
Purchase of buildings					
(2) Rehabilitation/New Construction Cost					
On-site work	$2,375,200	$1,820,000			$2,
Off-site improvements	$285,310	$285,310			
(3) Construction Hard Costs					
New structures/rehabilitation hard costs	$10,065,027	$11,605,393			$10,
(4) Contractor Fees & General Requirements					
Contractor overhead	$248,805	$248,805			$
Contractor profit	$746,414	$746,414			$
General requirements	$746,414	$746,414			$
(5) Contingencies	$355,570	$355,570			$
(6) Eligible Indirect Fees	$866,500	$866,500			$
(7) Eligible Financing Fees	$1,353,978	$1,353,978			$1,
(8) All Ineligible Costs	$1,029,632	$1,029,632			
(9) Developer Fees					$2,
Developer overhead		$218,794			
Developer fee	$2,525,394	$2,306,600			
(10) Development Reserves	$341,223	$341,223			
TOTAL DEVELOPMENT COSTS	$22,315,203	$23,300,369			$19,

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS				$19,
High Cost Area Adjustment				
TOTAL ADJUSTED BASIS				$19,
Applicable Fraction				
TOTAL QUALIFIED BASIS				$19,
Applicable Percentage			3.76%	
TOTAL AMOUNT OF TAX CREDITS				$

Syndication Proceeds 0.8049 **$5,7**

$14,700,000
Texas Department of Housing and Community Affairs
Multi-Family Housing Revenue Bonds
Series 2001
(Fallbrook Apartments)
DEBT SERVICE SCHEDULE

Combined Debt Service

Date	Principal	Coupon	Interest	Total	Annual Debt Serv.	Outstanding Bonds
12/21/01						14,700,000
6/1/02	0	6.780%	399,901	399,901		14,700,000
12/1/02	0	6.780%	449,888	449,888	849,789	14,700,000
6/1/03	0	6.780%	449,888	449,888		14,700,000
12/1/03	0	6.780%	449,888	449,888	899,777	14,700,000
6/1/04	0	6.780%	449,888	449,888		14,700,000
12/1/04	0	6.780%	449,888	449,888	899,777	14,700,000
6/1/05	86,000	6.780%	449,888	535,888		14,614,000
12/1/05	89,000	6.780%	446,973	535,973	1,071,861	14,525,000
6/1/06	91,000	6.780%	443,956	534,956		14,434,000
12/1/06	95,000	6.780%	440,871	535,871	1,070,827	14,339,000
6/1/07	98,000	6.780%	437,651	535,651		14,241,000
12/1/07	101,000	6.780%	434,328	535,328	1,070,979	14,140,000
6/1/08	105,000	6.780%	430,904	535,904		14,035,000
12/1/08	108,000	6.780%	427,345	535,345	1,071,249	13,927,000
6/1/09	112,000	6.780%	423,684	535,684		13,815,000
12/1/09	115,000	6.780%	419,887	534,887	1,070,571	13,700,000
6/1/10	120,000	6.780%	415,988	535,988		13,580,000
12/1/10	124,000	6.780%	411,920	535,920	1,071,909	13,456,000
6/1/11	127,000	6.060%	407,717	534,717		13,329,000
12/1/11	132,000	6.060%	403,869	535,869	1,070,586	13,197,000
6/1/12	136,000	6.060%	399,869	535,869		13,061,000
12/1/12	139,000	6.060%	395,748	534,748	1,070,617	12,922,000
6/1/13	144,000	6.060%	391,537	535,537		12,778,000
12/1/13	149,000	6.060%	387,173	536,173	1,071,710	12,629,000
6/1/14	153,000	6.060%	382,659	535,659		12,476,000
12/1/14	157,000	6.060%	378,023	535,023	1,070,682	12,319,000
6/1/15	163,000	6.060%	373,266	536,266		12,156,000
12/1/15	167,000	6.060%	368,327	535,327	1,071,593	11,989,000
6/1/16	172,000	6.060%	363,267	535,267		11,817,000
12/1/16	178,000	6.060%	358,055	536,055	1,071,322	11,639,000
6/1/17	182,000	6.060%	352,662	534,662		11,457,000
12/1/17	189,000	6.060%	347,147	536,147	1,070,809	11,268,000
6/1/18	194,000	6.060%	341,420	535,420		11,074,000
12/1/18	200,000	6.060%	335,542	535,542	1,070,963	10,874,000

6/1/19	206,000	6.060%	329,482	535,482		10,668,000
12/1/19	212,000	6.060%	323,240	535,240	1,070,723	10,456,000
6/1/20	219,000	6.060%	316,817	535,817		10,237,000
12/1/20	225,000	6.060%	310,181	535,181	1,070,998	10,012,000
6/1/21	233,000	6.060%	303,364	536,364		9,779,000
12/1/21	239,000	6.060%	296,304	535,304	1,071,667	9,540,000
6/1/22	246,000	6.060%	289,062	535,062		9,294,000
12/1/22	254,000	6.060%	281,608	535,608	1,070,670	9,040,000
6/1/23	262,000	6.060%	273,912	535,912		8,778,000
12/1/23	270,000	6.060%	265,973	535,973	1,071,885	8,508,000
6/1/24	277,000	6.060%	257,792	534,792		8,231,000
12/1/24	287,000	6.060%	249,399	536,399	1,071,192	7,944,000
6/1/25	294,000	6.060%	240,703	534,703		7,650,000
12/1/25	304,000	6.060%	231,795	535,795	1,070,498	7,346,000
6/1/26	313,000	6.060%	222,584	535,584		7,033,000
12/1/26	322,000	6.060%	213,100	535,100	1,070,684	6,711,000
6/1/27	333,000	6.060%	203,343	536,343		6,378,000
12/1/27	342,000	6.060%	193,253	535,253	1,071,597	6,036,000
6/1/28	353,000	6.060%	182,891	535,891		5,683,000
12/1/28	363,000	6.060%	172,195	535,195	1,071,086	5,320,000
6/1/29	374,000	6.060%	161,196	535,196		4,946,000
12/1/29	386,000	6.060%	149,864	535,864	1,071,060	4,560,000
6/1/30	397,000	6.060%	138,168	535,168		4,163,000
12/1/30	410,000	6.060%	126,139	536,139	1,071,307	3,753,000
6/1/31	422,000	6.060%	113,716	535,716		3,331,000
12/1/31	434,000	6.060%	100,929	534,929	1,070,645	2,897,000
6/1/32	448,000	6.060%	87,779	535,779		2,449,000
12/1/32	461,000	6.060%	74,205	535,205	1,070,984	1,988,000
6/1/33	475,000	6.060%	60,236	535,236		1,513,000
12/1/33	489,000	6.060%	45,844	534,844	1,070,080	1,024,000
6/1/34	505,000	6.060%	31,027	536,027		519,000
12/1/34	519,000	6.060%	15,726	534,726	1,070,753	0
Totals	14,700,000		20,080,847	34,780,847	34,780,847	

$14,700,000
Texas Department of Housing and Community Affairs
Multi-Family Housing Revenue Bonds
Series 2001
(Fallbrook Apartments)
DEBT SERVICE SCHEDULE

Combined Bonds

Date	Principal	Interest	Total	Annual Debt Serv.	Outstandi Bonds
12/21/01					14,70
6/1/02	0	399,760.00	399,760.00		14,70
12/1/02	0	449,730.00	449,730.00	849,490	14,70
6/1/03	0	449,730.00	449,730.00		14,70
12/1/03	0	449,730.00	449,730.00	899,460	14,70
6/1/04	0	449,730.00	449,730.00		14,70
12/1/04	0	449,730.00	449,730.00	899,460	14,70
6/1/05	86,000	449,730.00	535,730.00		14,61
12/1/05	89,000	446,814.60	535,814.60	1,071,545	14,52
6/1/06	91,000	443,797.50	534,797.50		14,43
12/1/06	95,000	440,712.60	535,712.60	1,070,510	14,33
6/1/07	98,000	437,492.10	535,492.10		14,24
12/1/07	101,000	434,169.90	535,169.90	1,070,662	14,14
6/1/08	105,000	430,746.00	535,746.00		14,03
12/1/08	108,000	427,186.50	535,186.50	1,070,933	13,92
6/1/09	112,000	423,525.30	535,525.30		13,81
12/1/09	115,000	419,728.50	534,728.50	1,070,254	13,70
6/1/10	120,000	415,830.00	535,830.00		13,58
12/1/10	124,000	411,762.00	535,762.00	1,071,592	13,45
6/1/11	127,000	407,716.80	534,716.80		13,32
12/1/11	132,000	403,868.70	535,868.70	1,070,586	13,19
6/1/12	136,000	399,869.10	535,869.10		13,06
12/1/12	139,000	395,748.30	534,748.30	1,070,617	12,92
6/1/13	144,000	391,536.60	535,536.60		12,77
12/1/13	149,000	387,173.40	536,173.40	1,071,710	12,62
6/1/14	153,000	382,658.70	535,658.70		12,47
12/1/14	157,000	378,022.80	535,022.80	1,070,682	12,31
6/1/15	163,000	373,265.70	536,265.70		12,15
12/1/15	167,000	368,326.80	535,326.80	1,071,593	11,98
6/1/16	172,000	363,266.70	535,266.70		11,81
12/1/16	178,000	358,055.10	536,055.10	1,071,322	11,63
6/1/17	182,000	352,661.70	534,661.70		11,45
12/1/17	189,000	347,147.10	536,147.10	1,070,809	11,26
6/1/18	194,000	341,420.40	535,420.40		11,07
12/1/18	200,000	335,542.20	535,542.20	1,070,963	10,87

6/1/19	206,000	329,482.20	535,482.20		10,66
12/1/19	212,000	323,240.40	535,240.40	1,070,723	10,45
6/1/20	219,000	316,816.80	535,816.80		10,23
12/1/20	225,000	310,181.10	535,181.10	1,070,998	10,01
6/1/21	233,000	303,363.60	536,363.60		9,77
12/1/21	239,000	296,303.70	535,303.70	1,071,667	9,54
6/1/22	246,000	289,062.00	535,062.00		9,29
12/1/22	254,000	281,608.20	535,608.20	1,070,670	9,04
6/1/23	262,000	273,912.00	535,912.00		8,77
12/1/23	270,000	265,973.40	535,973.40	1,071,885	8,50
6/1/24	277,000	257,792.40	534,792.40		8,23
12/1/24	287,000	249,399.30	536,399.30	1,071,192	7,94
6/1/25	294,000	240,703.20	534,703.20		7,65
12/1/25	304,000	231,795.00	535,795.00	1,070,498	7,34
6/1/26	313,000	222,583.80	535,583.80		7,03
12/1/26	322,000	213,099.90	535,099.90	1,070,684	6,71
6/1/27	333,000	203,343.30	536,343.30		6,37
12/1/27	342,000	193,253.40	535,253.40	1,071,597	6,03
6/1/28	353,000	182,890.80	535,890.80		5,68
12/1/28	363,000	172,194.90	535,194.90	1,071,086	5,32
6/1/29	374,000	161,196.00	535,196.00		4,94
12/1/29	386,000	149,863.80	535,863.80	1,071,060	4,56
6/1/30	397,000	138,168.00	535,168.00		4,16
12/1/30	410,000	126,138.90	536,138.90	1,071,307	3,75
6/1/31	422,000	113,715.90	535,715.90		3,33
12/1/31	434,000	100,929.30	534,929.30	1,070,645	2,89
6/1/32	448,000	87,779.10	535,779.10		2,44
12/1/32	461,000	74,204.70	535,204.70	1,070,984	1,98
6/1/33	475,000	60,236.40	535,236.40		1,51
12/1/33	489,000	45,843.90	534,843.90	1,070,080	1,02
6/1/34	505,000	31,027.20	536,027.20		51
12/1/34	519,000	15,725.70	534,725.70	1,070,753	
Totals	14,700,000	20,078,013	34,778,013	34,778,013	

$14,700,000
Texas Department of Housing and Community Affairs
Multi-Family Housing Revenue Bonds
Series 2001
(Fallbrook Apartments)
DEBT SERVICE SCHEDULE

Combined Tax-Exempt Bonds

Date	Principal	AMT Coupon	Interest	Total	Annual Debt Serv.	Outstandin Bonds
12/21/01						13,500
6/1/02	0	6.060%	363,600.00	363,600.00		13,500
12/1/02	0	6.060%	409,050.00	409,050.00	772,650	13,500
6/1/03	0	6.060%	409,050.00	409,050.00		13,500
12/1/03	0	6.060%	409,050.00	409,050.00	818,100	13,500
6/1/04	0	6.060%	409,050.00	409,050.00		13,500
12/1/04	0	6.060%	409,050.00	409,050.00	818,100	13,500
6/1/05	0	6.060%	409,050.00	409,050.00		13,500
12/1/05	0	6.060%	409,050.00	409,050.00	818,100	13,500
6/1/06	0	6.060%	409,050.00	409,050.00		13,500
12/1/06	0	6.060%	409,050.00	409,050.00	818,100	13,500
6/1/07	0	6.060%	409,050.00	409,050.00		13,500
12/1/07	0	6.060%	409,050.00	409,050.00	818,100	13,500
6/1/08	0	6.060%	409,050.00	409,050.00		13,500
12/1/08	0	6.060%	409,050.00	409,050.00	818,100	13,500
6/1/09	0	6.060%	409,050.00	409,050.00		13,500
12/1/09	0	6.060%	409,050.00	409,050.00	818,100	13,500
6/1/10	0	6.060%	409,050.00	409,050.00		13,500
12/1/10	44,000	6.060%	409,050.00	453,050.00	862,100	13,456
6/1/11	127,000	6.060%	407,716.80	534,716.80		13,329
12/1/11	132,000	6.060%	403,868.70	535,868.70	1,070,586	13,197
6/1/12	136,000	6.060%	399,869.10	535,869.10		13,061
12/1/12	139,000	6.060%	395,748.30	534,748.30	1,070,617	12,922
6/1/13	144,000	6.060%	391,536.60	535,536.60		12,778
12/1/13	149,000	6.060%	387,173.40	536,173.40	1,071,710	12,629
6/1/14	153,000	6.060%	382,658.70	535,658.70		12,476
12/1/14	157,000	6.060%	378,022.80	535,022.80	1,070,682	12,319
6/1/15	163,000	6.060%	373,265.70	536,265.70		12,156
12/1/15	167,000	6.060%	368,326.80	535,326.80	1,071,593	11,989
6/1/16	172,000	6.060%	363,266.70	535,266.70		11,817
12/1/16	178,000	6.060%	358,055.10	536,055.10	1,071,322	11,639
6/1/17	182,000	6.060%	352,661.70	534,661.70		11,457
12/1/17	189,000	6.060%	347,147.10	536,147.10	1,070,809	11,268
6/1/18	194,000	6.060%	341,420.40	535,420.40		11,074
12/1/18	200,000	6.060%	335,542.20	535,542.20	1,070,963	10,874

6/1/19	206,000	6.060%	329,482.20	535,482.20		10,668
12/1/19	212,000	6.060%	323,240.40	535,240.40	1,070,723	10,456
6/1/20	219,000	6.060%	316,816.80	535,816.80		10,237
12/1/20	225,000	6.060%	310,181.10	535,181.10	1,070,998	10,012
6/1/21	233,000	6.060%	303,363.60	536,363.60		9,779
12/1/21	239,000	6.060%	296,303.70	535,303.70	1,071,667	9,540
6/1/22	246,000	6.060%	289,062.00	535,062.00		9,294
12/1/22	254,000	6.060%	281,608.20	535,608.20	1,070,670	9,040
6/1/23	262,000	6.060%	273,912.00	535,912.00		8,778
12/1/23	270,000	6.060%	265,973.40	535,973.40	1,071,885	8,508
6/1/24	277,000	6.060%	257,792.40	534,792.40		8,231
12/1/24	287,000	6.060%	249,399.30	536,399.30	1,071,192	7,944
6/1/25	294,000	6.060%	240,703.20	534,703.20		7,650
12/1/25	304,000	6.060%	231,795.00	535,795.00	1,070,498	7,346
6/1/26	313,000	6.060%	222,583.80	535,583.80		7,033
12/1/26	322,000	6.060%	213,099.90	535,099.90	1,070,684	6,711
6/1/27	333,000	6.060%	203,343.30	536,343.30		6,378
12/1/27	342,000	6.060%	193,253.40	535,253.40	1,071,597	6,036
6/1/28	353,000	6.060%	182,890.80	535,890.80		5,683
12/1/28	363,000	6.060%	172,194.90	535,194.90	1,071,086	5,320
6/1/29	374,000	6.060%	161,196.00	535,196.00		4,946
12/1/29	386,000	6.060%	149,863.80	535,863.80	1,071,060	4,560
6/1/30	397,000	6.060%	138,168.00	535,168.00		4,163
12/1/30	410,000	6.060%	126,138.90	536,138.90	1,071,307	3,753
6/1/31	422,000	6.060%	113,715.90	535,715.90		3,331
12/1/31	434,000	6.060%	100,929.30	534,929.30	1,070,645	2,897
6/1/32	448,000	6.060%	87,779.10	535,779.10		2,449
12/1/32	461,000	6.060%	74,204.70	535,204.70	1,070,984	1,988
6/1/33	475,000	6.060%	60,236.40	535,236.40		1,513
12/1/33	489,000	6.060%	45,843.90	534,843.90	1,070,080	1,024
6/1/34	505,000	6.060%	31,027.20	536,027.20		519
12/1/34	519,000	6.060%	15,725.70	534,725.70	1,070,753	
Totals	13,500,000		19,565,558	33,065,558	33,065,558	

$14,700,000
Texas Department of Housing and Community Affairs
Multi-Family Housing Revenue Bonds
Series 2001
(Fallbrook Apartments)
DEBT SERVICE SCHEDULE

Series A Bonds

Date	Principal	AMT Coupon	Interest	Total	Annual Debt Serv.	Outstanding Bonds
12/21/01						12,030,000
6/1/02	0	6.060%	324,008.00	324,008.00		12,030,000
12/1/02	0	6.060%	364,509.00	364,509.00	688,517	12,030,000
6/1/03	0	6.060%	364,509.00	364,509.00		12,030,000
12/1/03	0	6.060%	364,509.00	364,509.00	729,018	12,030,000
6/1/04	0	6.060%	364,509.00	364,509.00		12,030,000
12/1/04	0	6.060%	364,509.00	364,509.00	729,018	12,030,000
6/1/05	0	6.060%	364,509.00	364,509.00		12,030,000
12/1/05	0	6.060%	364,509.00	364,509.00	729,018	12,030,000
6/1/06	0	6.060%	364,509.00	364,509.00		12,030,000
12/1/06	0	6.060%	364,509.00	364,509.00	729,018	12,030,000
6/1/07	0	6.060%	364,509.00	364,509.00		12,030,000
12/1/07	0	6.060%	364,509.00	364,509.00	729,018	12,030,000
6/1/08	0	6.060%	364,509.00	364,509.00		12,030,000
12/1/08	0	6.060%	364,509.00	364,509.00	729,018	12,030,000
6/1/09	0	6.060%	364,509.00	364,509.00		12,030,000
12/1/09	0	6.060%	364,509.00	364,509.00	729,018	12,030,000
6/1/10	0	6.060%	364,509.00	364,509.00		12,030,000
12/1/10	39,000	6.060%	364,509.00	403,509.00	768,018	11,991,000
6/1/11	113,000	6.060%	363,327.30	476,327.30		11,878,000
12/1/11	118,000	6.060%	359,903.40	477,903.40	954,231	11,760,000
6/1/12	121,000	6.060%	356,328.00	477,328.00		11,639,000
12/1/12	124,000	6.060%	352,661.70	476,661.70	953,990	11,515,000
6/1/13	128,000	6.060%	348,904.50	476,904.50		11,387,000
12/1/13	133,000	6.060%	345,026.10	478,026.10	954,931	11,254,000
6/1/14	136,000	6.060%	340,996.20	476,996.20		11,118,000
12/1/14	140,000	6.060%	336,875.40	476,875.40	953,872	10,978,000
6/1/15	145,000	6.060%	332,633.40	477,633.40		10,833,000
12/1/15	149,000	6.060%	328,239.90	477,239.90	954,873	10,684,000
6/1/16	153,000	6.060%	323,725.20	476,725.20		10,531,000
12/1/16	159,000	6.060%	319,089.30	478,089.30	954,815	10,372,000
6/1/17	162,000	6.060%	314,271.60	476,271.60		10,210,000
12/1/17	168,000	6.060%	309,363.00	477,363.00	953,635	10,042,000
6/1/18	173,000	6.060%	304,272.60	477,272.60		9,869,000
12/1/18	178,000	6.060%	299,030.70	477,030.70	954,303	9,691,000

6/1/19	184,000	6.060%	293,637.30	477,637.30		9,507,000
12/1/19	189,000	6.060%	288,062.10	477,062.10	954,699	9,318,000
6/1/20	195,000	6.060%	282,335.40	477,335.40		9,123,000
12/1/20	201,000	6.060%	276,426.90	477,426.90	954,762	8,922,000
6/1/21	208,000	6.060%	270,336.60	478,336.60		8,714,000
12/1/21	213,000	6.060%	264,034.20	477,034.20	955,371	8,501,000
6/1/22	219,000	6.060%	257,580.30	476,580.30		8,282,000
12/1/22	226,000	6.060%	250,944.60	476,944.60	953,525	8,056,000
6/1/23	233,000	6.060%	244,096.80	477,096.80		7,823,000
12/1/23	241,000	6.060%	237,036.90	478,036.90	955,134	7,582,000
6/1/24	247,000	6.060%	229,734.60	476,734.60		7,335,000
12/1/24	256,000	6.060%	222,250.50	478,250.50	954,985	7,079,000
6/1/25	262,000	6.060%	214,493.70	476,493.70		6,817,000
12/1/25	271,000	6.060%	206,555.10	477,555.10	954,049	6,546,000
6/1/26	279,000	6.060%	198,343.80	477,343.80		6,267,000
12/1/26	287,000	6.060%	189,890.10	476,890.10	954,234	5,980,000
6/1/27	297,000	6.060%	181,194.00	478,194.00		5,683,000
12/1/27	305,000	6.060%	172,194.90	477,194.90	955,389	5,378,000
6/1/28	315,000	6.060%	162,953.40	477,953.40		5,063,000
12/1/28	323,000	6.060%	153,408.90	476,408.90	954,362	4,740,000
6/1/29	333,000	6.060%	143,622.00	476,622.00		4,407,000
12/1/29	344,000	6.060%	133,532.10	477,532.10	954,154	4,063,000
6/1/30	354,000	6.060%	123,108.90	477,108.90		3,709,000
12/1/30	365,000	6.060%	112,382.70	477,382.70	954,492	3,344,000
6/1/31	376,000	6.060%	101,323.20	477,323.20		2,968,000
12/1/31	387,000	6.060%	89,930.40	476,930.40	954,254	2,581,000
6/1/32	399,000	6.060%	78,204.30	477,204.30		2,182,000
12/1/32	411,000	6.060%	66,114.60	477,114.60	954,319	1,771,000
6/1/33	423,000	6.060%	53,661.30	476,661.30		1,348,000
12/1/33	436,000	6.060%	40,844.40	476,844.40	953,506	912,000
6/1/34	450,000	6.060%	27,633.60	477,633.60		462,000
12/1/34	462,000	6.060%	13,998.60	475,998.60	953,632	0
Totals	12,030,000		17,435,176	29,465,176	29,465,176	

$14,700,000
Texas Department of Housing and Community Affairs
Multi-Family Housing Revenue Bonds
Series 2001
(Fallbrook Apartments)
DEBT SERVICE SCHEDULE

Series B Bonds

Date	Principal	AMT Coupon	Interest	Total	Annual Debt Serv.	Outstanding Bonds
12/21/01						1,470,000
6/1/02	0	6.060%	39,592.00	39,592.00		1,470,000
12/1/02	0	6.060%	44,541.00	44,541.00	84,133	1,470,000
6/1/03	0	6.060%	44,541.00	44,541.00		1,470,000
12/1/03	0	6.060%	44,541.00	44,541.00	89,082	1,470,000
6/1/04	0	6.060%	44,541.00	44,541.00		1,470,000
12/1/04	0	6.060%	44,541.00	44,541.00	89,082	1,470,000
6/1/05	0	6.060%	44,541.00	44,541.00		1,470,000
12/1/05	0	6.060%	44,541.00	44,541.00	89,082	1,470,000
6/1/06	0	6.060%	44,541.00	44,541.00		1,470,000
12/1/06	0	6.060%	44,541.00	44,541.00	89,082	1,470,000
6/1/07	0	6.060%	44,541.00	44,541.00		1,470,000
12/1/07	0	6.060%	44,541.00	44,541.00	89,082	1,470,000
6/1/08	0	6.060%	44,541.00	44,541.00		1,470,000
12/1/08	0	6.060%	44,541.00	44,541.00	89,082	1,470,000
6/1/09	0	6.060%	44,541.00	44,541.00		1,470,000
12/1/09	0	6.060%	44,541.00	44,541.00	89,082	1,470,000
6/1/10	0	6.060%	44,541.00	44,541.00		1,470,000
12/1/10	5,000	6.060%	44,541.00	49,541.00	94,082	1,465,000
6/1/11	14,000	6.060%	44,389.50	58,389.50		1,451,000
12/1/11	14,000	6.060%	43,965.30	57,965.30	116,355	1,437,000
6/1/12	15,000	6.060%	43,541.10	58,541.10		1,422,000
12/1/12	15,000	6.060%	43,086.60	58,086.60	116,628	1,407,000
6/1/13	16,000	6.060%	42,632.10	58,632.10		1,391,000
12/1/13	16,000	6.060%	42,147.30	58,147.30	116,779	1,375,000
6/1/14	17,000	6.060%	41,662.50	58,662.50		1,358,000
12/1/14	17,000	6.060%	41,147.40	58,147.40	116,810	1,341,000
6/1/15	18,000	6.060%	40,632.30	58,632.30		1,323,000
12/1/15	18,000	6.060%	40,086.90	58,086.90	116,719	1,305,000
6/1/16	19,000	6.060%	39,541.50	58,541.50		1,286,000
12/1/16	19,000	6.060%	38,965.80	57,965.80	116,507	1,267,000
6/1/17	20,000	6.060%	38,390.10	58,390.10		1,247,000
12/1/17	21,000	6.060%	37,784.10	58,784.10	117,174	1,226,000
6/1/18	21,000	6.060%	37,147.80	58,147.80		1,205,000
12/1/18	22,000	6.060%	36,511.50	58,511.50	116,659	1,183,000

6/1/19	22,000	6.060%	35,844.90	57,844.90		1,161,000
12/1/19	23,000	6.060%	35,178.30	58,178.30	116,023	1,138,000
6/1/20	24,000	6.060%	34,481.40	58,481.40		1,114,000
12/1/20	24,000	6.060%	33,754.20	57,754.20	116,236	1,090,000
6/1/21	25,000	6.060%	33,027.00	58,027.00		1,065,000
12/1/21	26,000	6.060%	32,269.50	58,269.50	116,297	1,039,000
6/1/22	27,000	6.060%	31,481.70	58,481.70		1,012,000
12/1/22	28,000	6.060%	30,663.60	58,663.60	117,145	984,000
6/1/23	29,000	6.060%	29,815.20	58,815.20		955,000
12/1/23	29,000	6.060%	28,936.50	57,936.50	116,752	926,000
6/1/24	30,000	6.060%	28,057.80	58,057.80		896,000
12/1/24	31,000	6.060%	27,148.80	58,148.80	116,207	865,000
6/1/25	32,000	6.060%	26,209.50	58,209.50		833,000
12/1/25	33,000	6.060%	25,239.90	58,239.90	116,449	800,000
6/1/26	34,000	6.060%	24,240.00	58,240.00		766,000
12/1/26	35,000	6.060%	23,209.80	58,209.80	116,450	731,000
6/1/27	36,000	6.060%	22,149.30	58,149.30		695,000
12/1/27	37,000	6.060%	21,058.50	58,058.50	116,208	658,000
6/1/28	38,000	6.060%	19,937.40	57,937.40		620,000
12/1/28	40,000	6.060%	18,786.00	58,786.00	116,723	580,000
6/1/29	41,000	6.060%	17,574.00	58,574.00		539,000
12/1/29	42,000	6.060%	16,331.70	58,331.70	116,906	497,000
6/1/30	43,000	6.060%	15,059.10	58,059.10		454,000
12/1/30	45,000	6.060%	13,756.20	58,756.20	116,815	409,000
6/1/31	46,000	6.060%	12,392.70	58,392.70		363,000
12/1/31	47,000	6.060%	10,998.90	57,998.90	116,392	316,000
6/1/32	49,000	6.060%	9,574.80	58,574.80		267,000
12/1/32	50,000	6.060%	8,090.10	58,090.10	116,665	217,000
6/1/33	52,000	6.060%	6,575.10	58,575.10		165,000
12/1/33	53,000	6.060%	4,999.50	57,999.50	116,575	112,000
6/1/34	55,000	6.060%	3,393.60	58,393.60		57,000
12/1/34	57,000	6.060%	1,727.10	58,727.10	117,121	0
Totals	1,470,000		2,130,383	3,600,383	3,600,383	

$14,700,000
Texas Department of Housing and Community Affairs
Multi-Family Housing Revenue Bonds
Series 2001
(Fallbrook Apartments)
DEBT SERVICE SCHEDULE

Series C Bonds

Date	Principal	Taxable Coupon	Interest	Total	Annual Debt Serv.	Outstanding Bonds
12/21/01						1,200,000
6/1/02	0	6.780%	36,160.00	36,160.00		1,200,000
12/1/02	0	6.780%	40,680.00	40,680.00	76,840	1,200,000
6/1/03	0	6.780%	40,680.00	40,680.00		1,200,000
12/1/03	0	6.780%	40,680.00	40,680.00	81,360	1,200,000
6/1/04	0	6.780%	40,680.00	40,680.00		1,200,000
12/1/04	0	6.780%	40,680.00	40,680.00	81,360	1,200,000
6/1/05	86,000	6.780%	40,680.00	126,680.00		1,114,000
12/1/05	89,000	6.780%	37,764.60	126,764.60	253,445	1,025,000
6/1/06	91,000	6.780%	34,747.50	125,747.50		934,000
12/1/06	95,000	6.780%	31,662.60	126,662.60	252,410	839,000
6/1/07	98,000	6.780%	28,442.10	126,442.10		741,000
12/1/07	101,000	6.780%	25,119.90	126,119.90	252,562	640,000
6/1/08	105,000	6.780%	21,696.00	126,696.00		535,000
12/1/08	108,000	6.780%	18,136.50	126,136.50	252,833	427,000
6/1/09	112,000	6.780%	14,475.30	126,475.30		315,000
12/1/09	115,000	6.780%	10,678.50	125,678.50	252,154	200,000
6/1/10	120,000	6.780%	6,780.00	126,780.00		80,000
12/1/10	80,000	6.780%	2,712.00	82,712.00	209,492	0
6/1/11	0	6.780%	0.00	0.00		0
12/1/11	0	6.780%	0.00	0.00	0	0
6/1/12	0	6.780%	0.00	0.00		0
12/1/12	0	6.780%	0.00	0.00	0	0
6/1/13	0	6.780%	0.00	0.00		0
12/1/13	0	6.780%	0.00	0.00	0	0
6/1/14	0	6.780%	0.00	0.00		0
12/1/14	0	6.780%	0.00	0.00	0	0
6/1/15	0	6.780%	0.00	0.00		0
12/1/15	0	6.780%	0.00	0.00	0	0
6/1/16	0	6.780%	0.00	0.00		0
12/1/16	0	6.780%	0.00	0.00	0	0
6/1/17	0	6.780%	0.00	0.00		0
12/1/17	0	6.780%	0.00	0.00	0	0
6/1/18	0	6.780%	0.00	0.00		0
12/1/18	0	6.780%	0.00	0.00	0	0

6/1/19	0	6.780%	0.00	0.00		0
12/1/19	0	6.780%	0.00	0.00	0	0
6/1/20	0	6.780%	0.00	0.00		0
12/1/20	0	6.780%	0.00	0.00	0	0
6/1/21	0	6.780%	0.00	0.00		0
12/1/21	0	6.780%	0.00	0.00	0	0
6/1/22	0	6.780%	0.00	0.00		0
12/1/22	0	6.780%	0.00	0.00	0	0
6/1/23	0	6.780%	0.00	0.00		0
12/1/23	0	6.780%	0.00	0.00	0	0
6/1/24	0	6.780%	0.00	0.00		0
12/1/24	0	6.780%	0.00	0.00	0	0
6/1/25	0	6.780%	0.00	0.00		0
12/1/25	0	6.780%	0.00	0.00	0	0
6/1/26	0	6.780%	0.00	0.00		0
12/1/26	0	6.780%	0.00	0.00	0	0
6/1/27	0	6.780%	0.00	0.00		0
12/1/27	0	6.780%	0.00	0.00	0	0
6/1/28	0	6.780%	0.00	0.00		0
12/1/28	0	6.780%	0.00	0.00	0	0
6/1/29	0	6.780%	0.00	0.00		0
12/1/29	0	6.780%	0.00	0.00	0	0
6/1/30	0	6.780%	0.00	0.00		0
12/1/30	0	6.780%	0.00	0.00	0	0
6/1/31	0	6.780%	0.00	0.00		0
12/1/31	0	6.780%	0.00	0.00	0	0
6/1/32	0	6.780%	0.00	0.00		0
12/1/32	0	6.780%	0.00	0.00	0	0
6/1/33	0	6.780%	0.00	0.00		0
12/1/33	0	6.780%	0.00	0.00	0	0
6/1/34	0	6.780%	0.00	0.00		0
12/1/34	0	6.780%	0.00	0.00	0	0
Totals	1,200,000		512,455	1,712,455	1,712,455	

RENT CAP EXPLANATION
Houston MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is **"affordable"** if the total housing expense (rent and utilities) that the tenant pays is **e**
than 30% of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adju
size. Therefore, rent caps will vary from property to property depending upon the local area median inc
specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for t
definition the market is "affordable". This situation will occur in some larger metropolitan areas wit
incomes. In other words, the rent caps will not provide for lower rents to the tenants because the re
affordable. This situation, however, does not ensure that individuals and families will have access to a
units in the area. The set-aside requirements under the Department's bond programs ensure availability o
markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2001

MSA/County: Houston **Area Median Family Income (Annual):** $58,500

ANNUALLY

Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules			
# of Persons	At or Below 50%	60%	80%
1	$ 20,500	$ 24,600	32,750
2	23,400	28,080	37,450
3	**26,350**	**31,620**	**42,100**
4	29,250	35,100	46,800
5	31,600	37,920	50,550
6	33,950	40,740	54,300
7	36,250	43,500	58,050
8	38,600	46,320	61,750

FIGURE 1

MONTHLY

Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type (provided by the local PHA)	Maximum R… is Allowed t… Set-Aside U…
Unit Type	At or Below 50%	60%	80%		At o… 50%
Efficiency	$ 512	$ 615	$ 818		$ 512 $
1-Bedroom	548	658	877	70	478
2-Bedroom	**658**	**790**	**1,052**	**90**	**568**
3-Bedroom	760	912	1,216	110	650
4-Bedroom	848	1,018	1,357		848
5-Bedroom	935	1,122	1,497		935

FIGURE 2 **FIGURE 3** **FIG…**

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

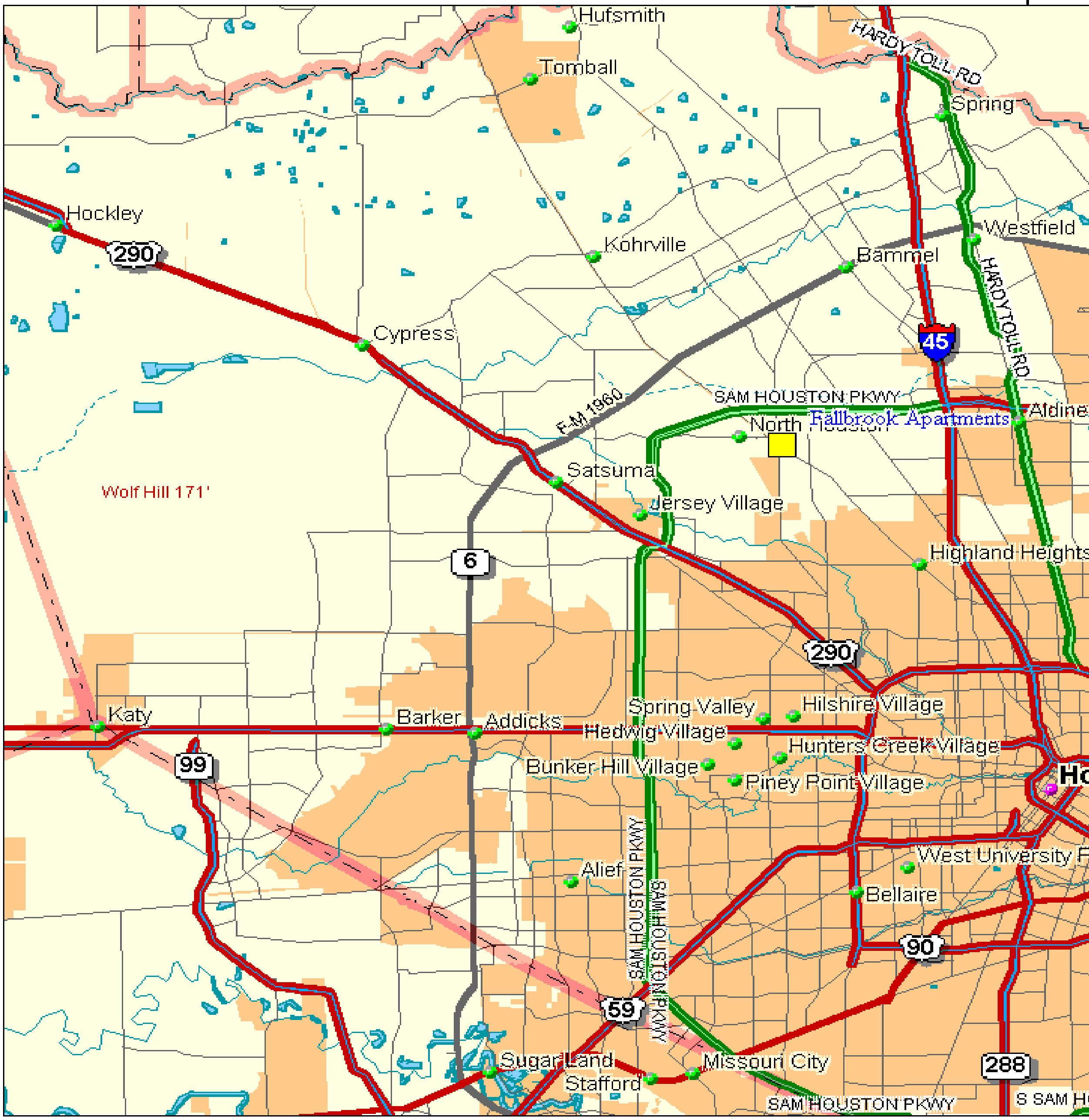
For example, a family of three earning $30,000 per year would fall in the 60% set-

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

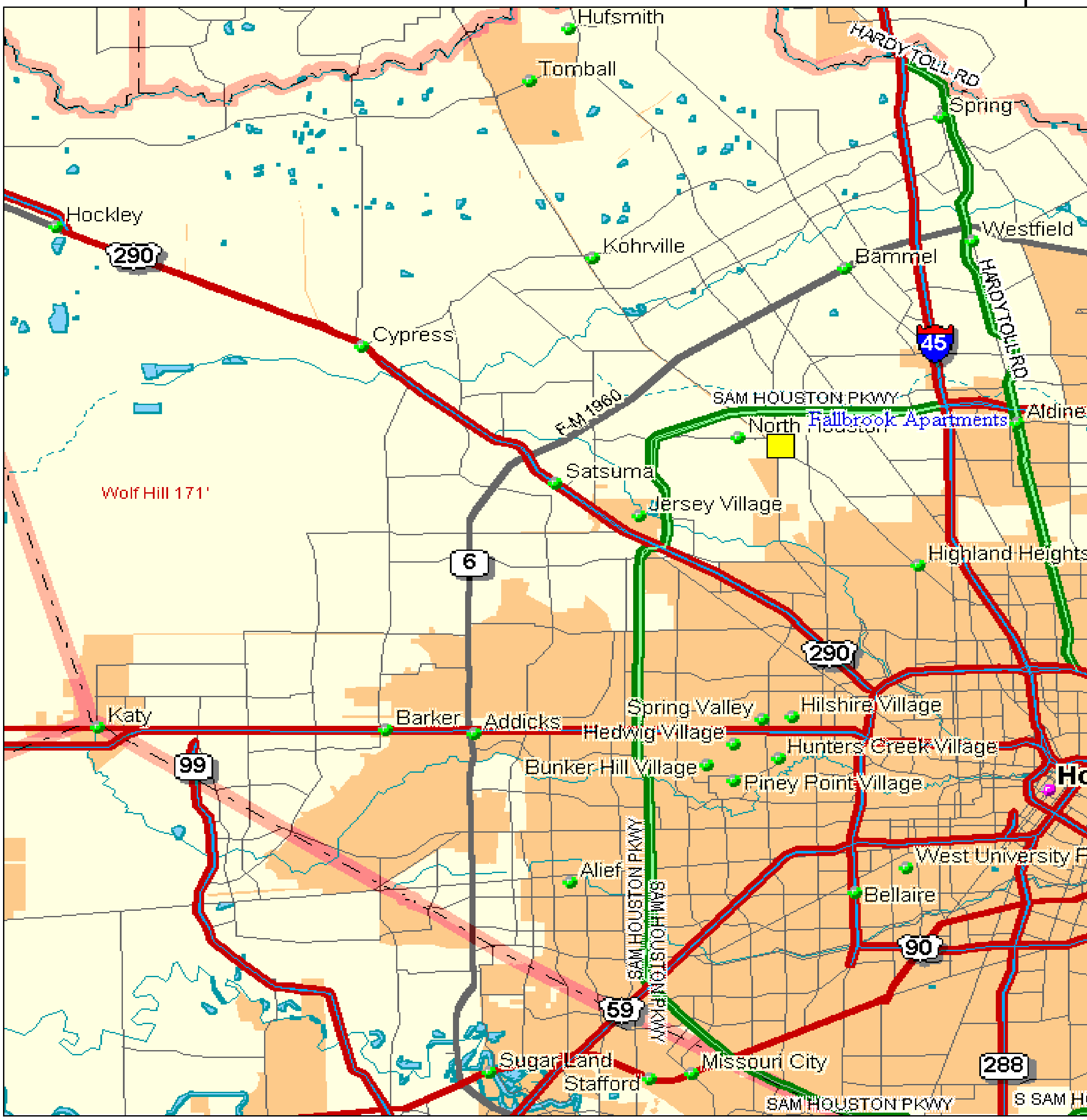
For example, a family of three in the 60% income bracket earning $31,620 could not pay more than $790 for rent and utilities under the

Figure 4 displa
maximum rent th
for each unit typ
set-aside bracket
the rent cap for th

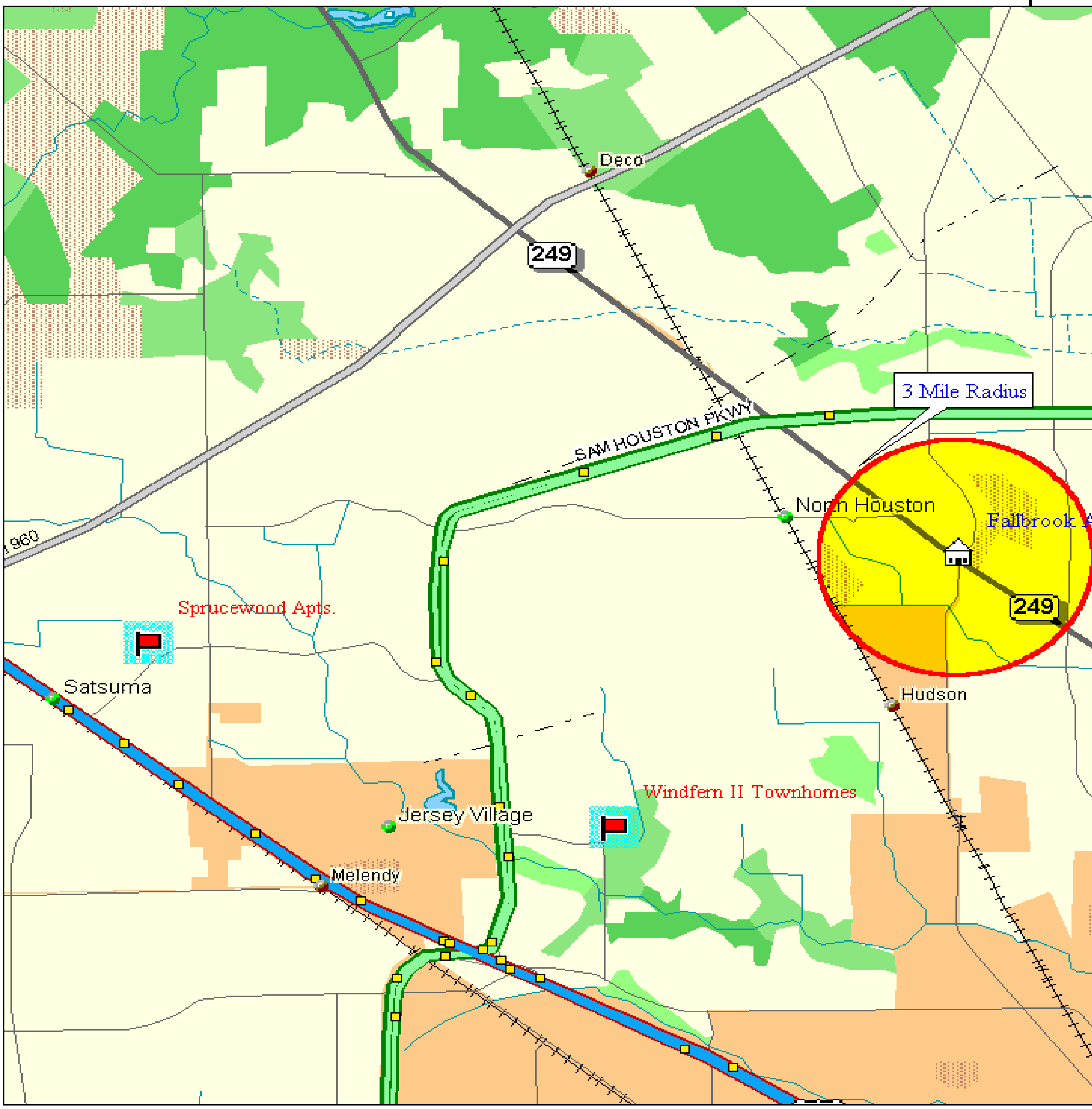
The rent cap i
subtracting the ut



Scale 1 : 275,000 Zoom Level: 8-6 Datum: WGS84



Hufsmith
Tomball
HARDY TOLL RD
Spring
Hockley
290
Kohrville
Westfield
Bammel
HARDY TOLL RD
Cypress
45
F-M 1960
SAM HOUSTON PKWY
North Houston
Fallbrook Apartments
Aldine
Satsuma
Wolf Hill 171'
Jersey Village
6
Highland Heights
290
Katy
Barker
Addicks
Spring Valley
Hilshire Village
Hedwig Village
Hunters Creek Village
99
Bunker Hill Village
Piney Point Village
West University
Alief
SAM HOUSTON PKWY
SAM HOUSTON PKWY
Bellaire
90
59
Sugar Land
Stafford
Missouri City
288
SAM HOUSTON PKWY



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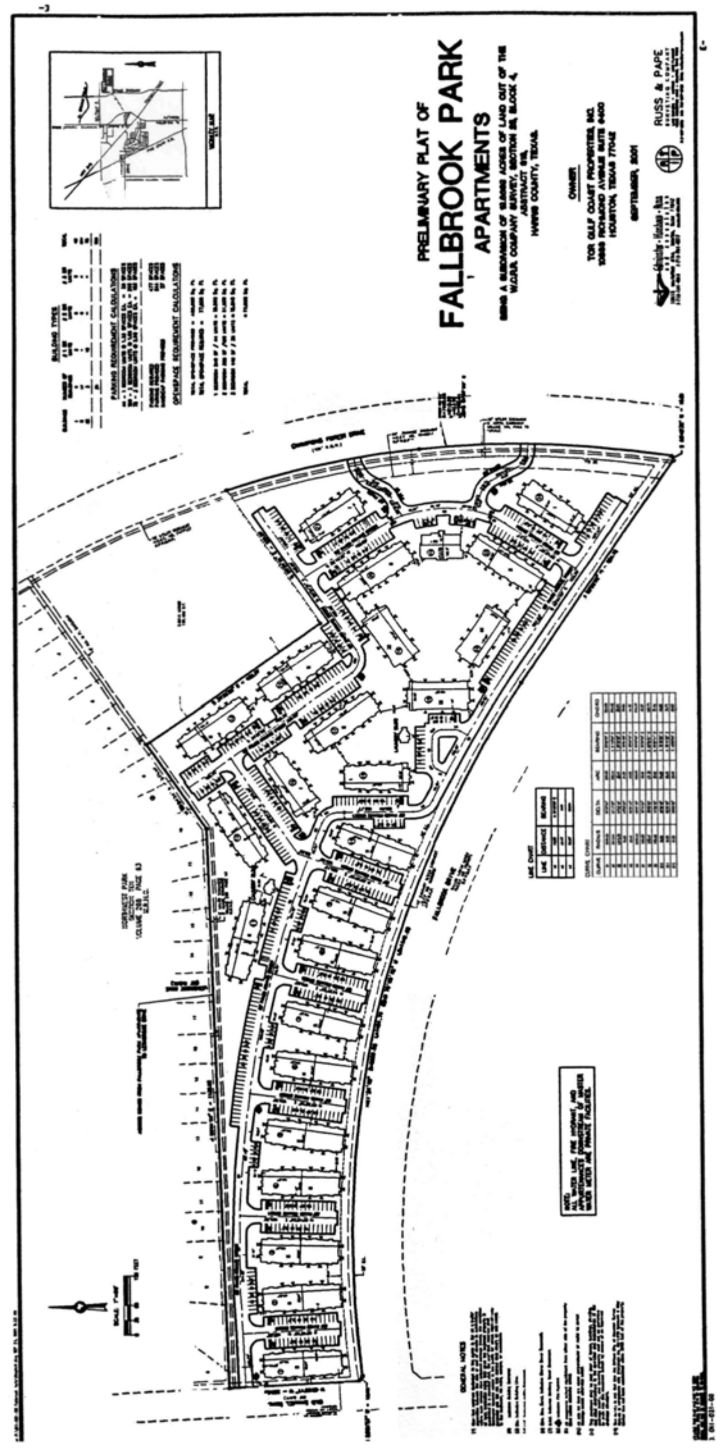
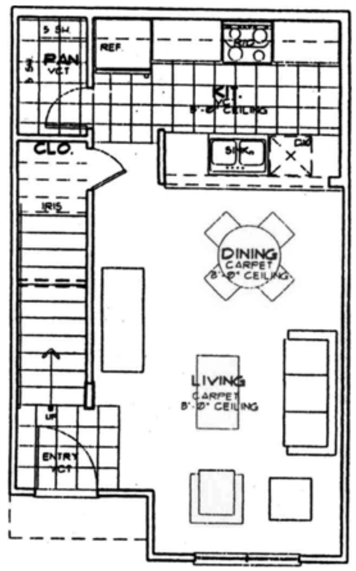
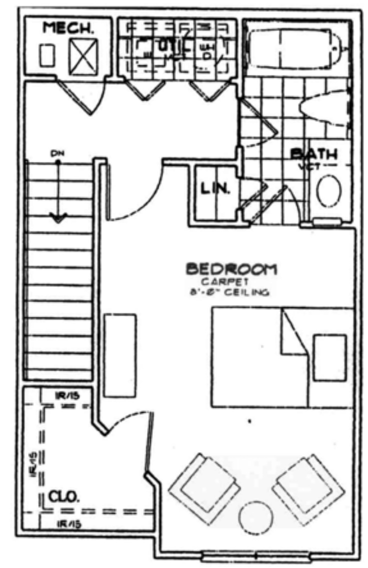
Scale: 1 : 68,750 Zoom Level: 10-6 Datum: WGS84


PRELIMINARY PLAT OF
FALLBROOK PARK
APARTMENTS
RUSS & PAPE



FIRST FLOOR PLAN
AREA = 406 S.F

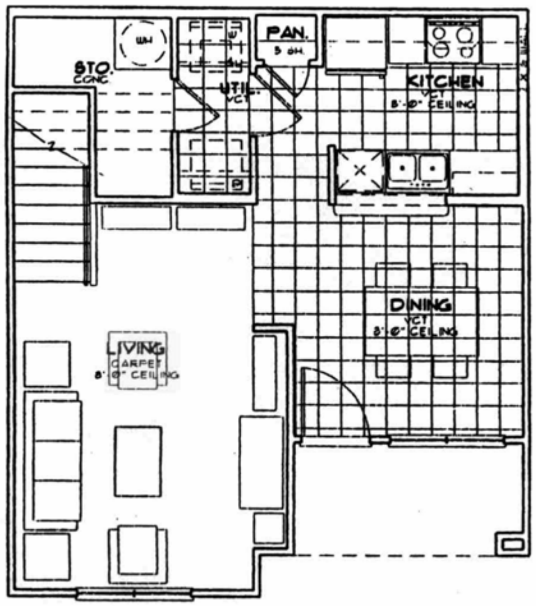


SECOND FLOOR PLAN
AREA = 381 S.F.

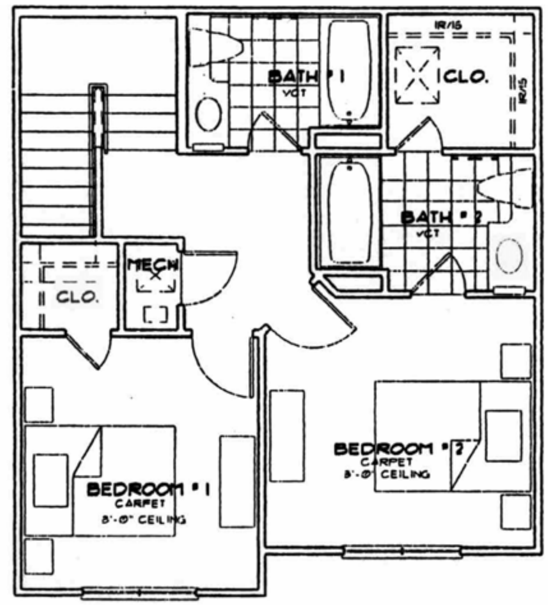
THI UNIT
SCALE 1/8 0"
TOTAL ARE 78

TCR
TRAMMELL CROW RESIDENTIAL
FALLBROOK APARTMENTS

ARCHITECTS, INC.



FIRST FLOOR PLAN
AREA = 525 S.F.



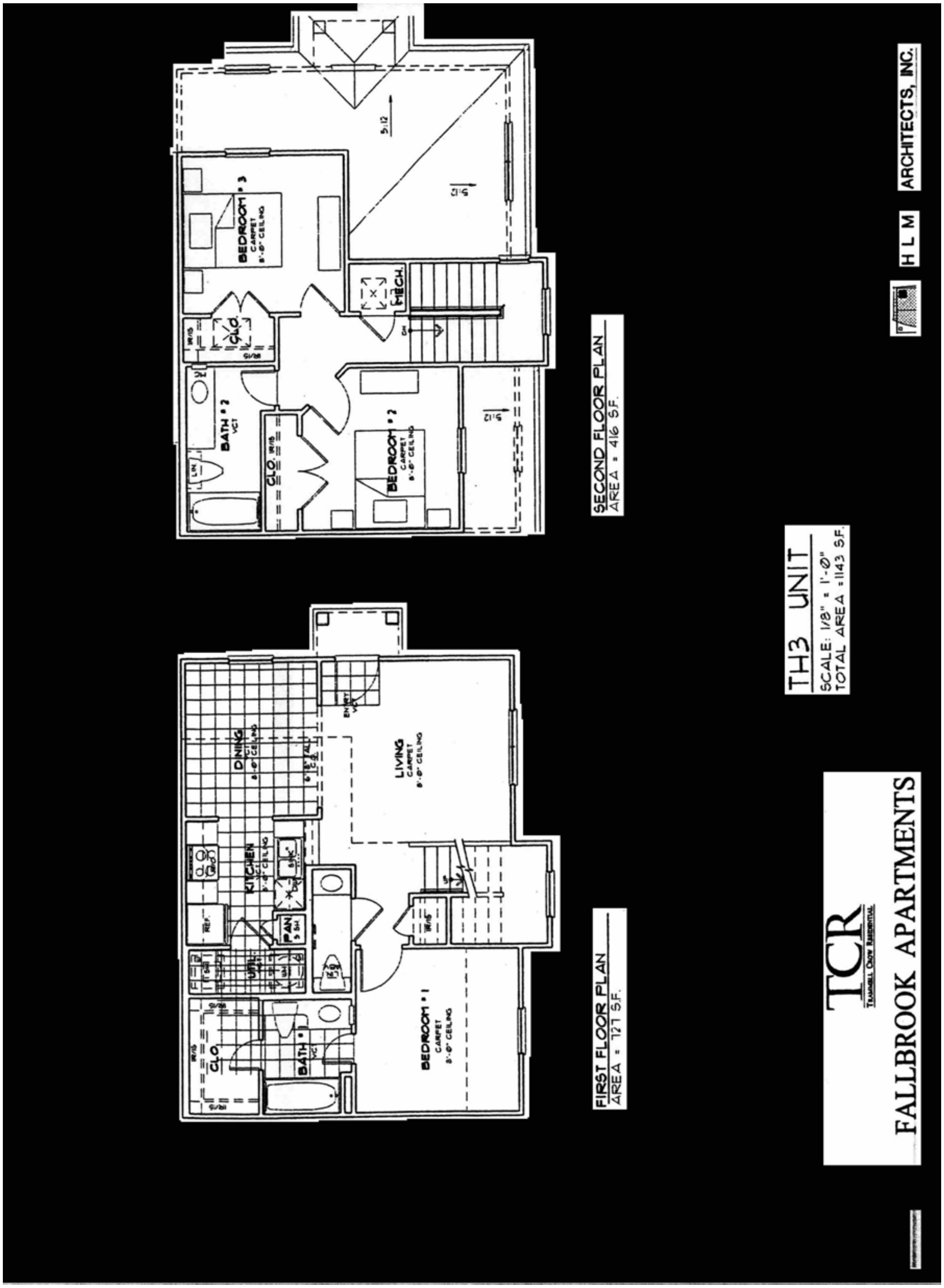
SECOND FLOOR PLAN
AREA = 502 S.F.

TH2 UNIT
SCALE: 1/8" '-0"
TOTAL AREA 1027

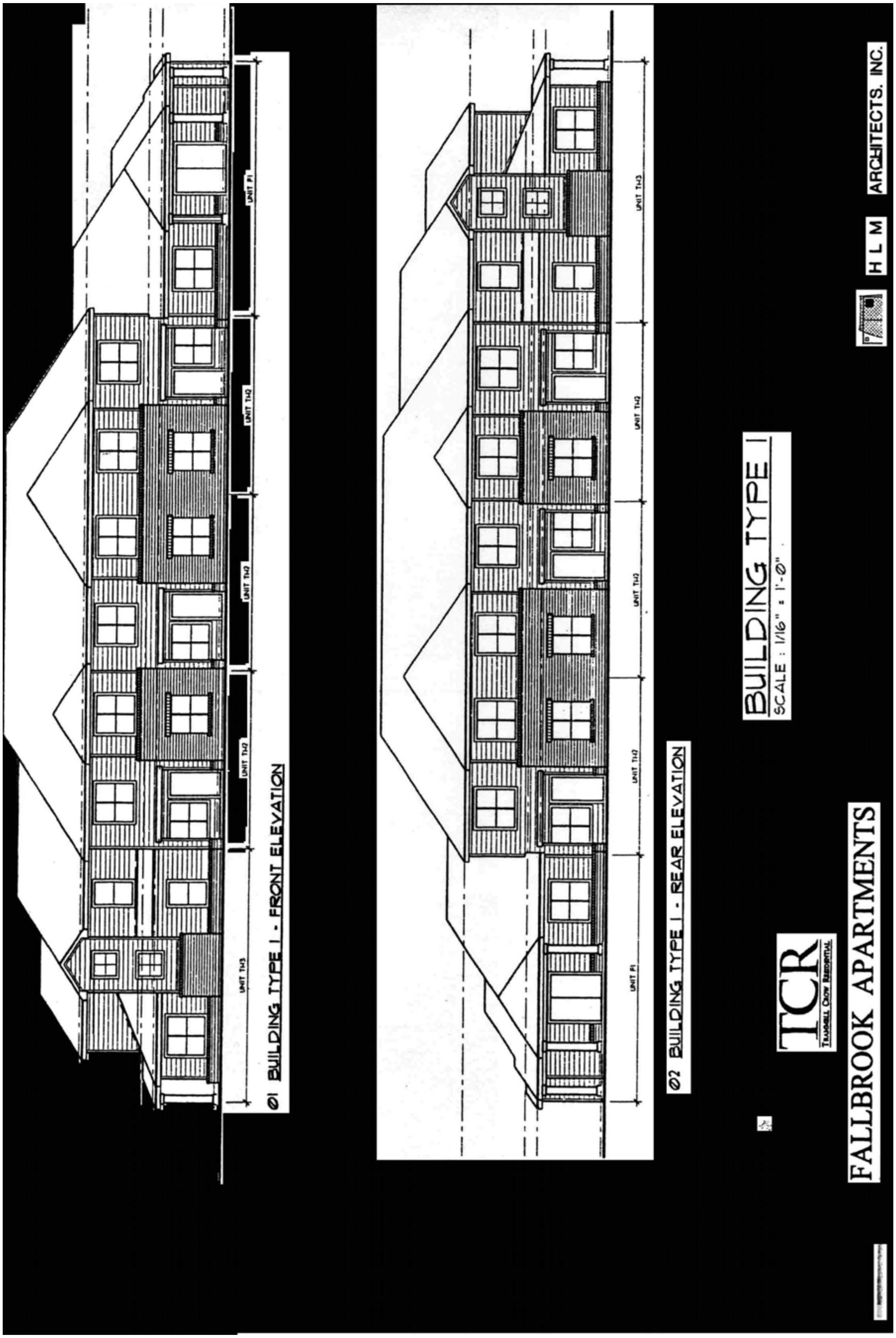
TCR
TRAMMELL CROW RESIDENTIAL

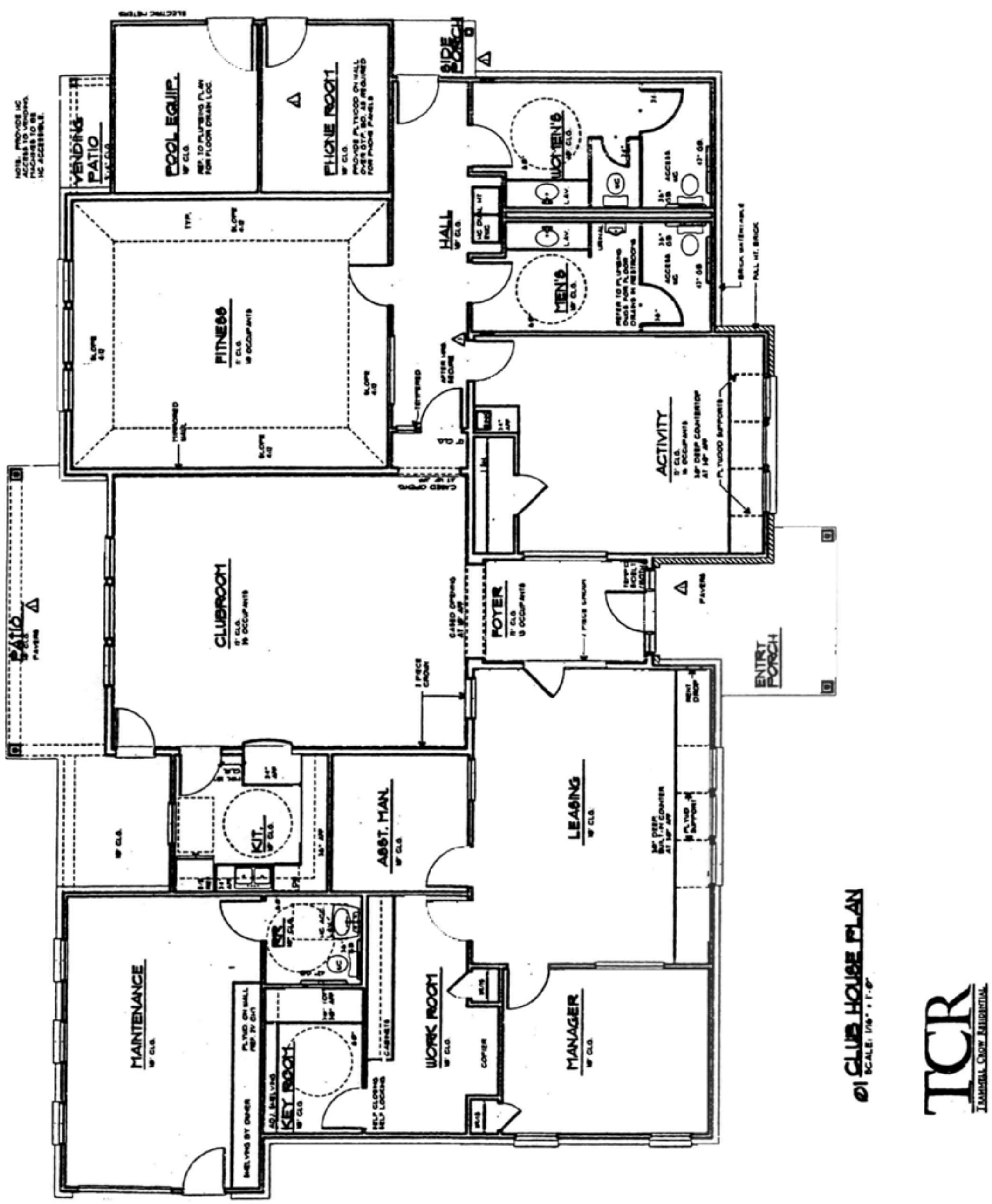
FALLBROOK APARTMENTS

HLM ARCHITECTS, INC.



SECOND FLOOR PLAN
AREA = 416 S.F.
BEDROOM # 3
BEDROOM # 2
BATH # 2
CLO.
MECH.
FIRST FLOOR PLAN
AREA = 727 S.F.
BEDROOM # 1
BATH # 1
CLO.
LIVING
DINING
KITCHEN
UTIL.
PAN
REF.
TH3 UNIT
SCALE: 1/8" = 1'-0"
TOTAL AREA = 1143 S.F.
TCR
FALLBROOK APARTMENTS
H L M ARCHITECTS, INC.


01 BUILDING TYPE I - FRONT ELEVATION
02 BUILDING TYPE I - REAR ELEVATION
BUILDING TYPE I
SCALE : 1/16" = 1'-0"
TCR
FALLBROOK APARTMENTS
H L M ARCHITECTS, INC.



01 CLUB HOUSE PLAN
SCALE: 1/16" = 1'-0"

Fallbrook Apartments

EXHIBIT 8

Participation of Women and Minorities - Department Advisors

A. Bond Counsel

Vinson & Elkins L.L.P. ("V&E"). V&E pursues a policy of recruiting and hiring that encourages women and minorities to join the firm. V&E is committed to equal employment opportunities without regard to age, race, sex, color, religion, national origin or handicapped status, consistent with federal and state laws.

The minority and female representation within the firm as of November 2001 was as follows:

Legal Personnel

Number of Attorneys Employed:	866
Male	610
Female	256
Number of Minority Attorneys Employed:	69
Black	23
Hispanic	29
Asian	16
Native American	1
Number of Minority Law Clerks and/or Paralegals Employed:	15
Black	4
Hispanic	8
Asian	3
Native American	0
Number of Women Law Clerks and/or Paralegals Employed:	120
Number of Law Clerks and/or Paralegals Employed:	147
Number of Minority Legal Personnel Hired During the Last 12 Months:	
Attorneys	30
Law Clerks/Paralegals	4

Non-Legal Personnel

Number of Non-Legal Personnel Employed:	1086
Male	202
Female	884
Black	144
Hispanic	133
Asian	47

Native American 2

B. Financial Advisor

Dain Rauscher, Inc. It is the policy of Dain Rauscher, Inc. to provide equal opportunity to all persons without regard to race, color, national origin, religion, political affiliation, disability, marital status, sex or age. This policy will affect all employment practices, including (but not limited to) recruiting selection, placement, transfer, promotion, training, compensation, other benefits, layoff and recall, terminations, and in all company sponsored activities.

It is the responsibility of each member of management at every level throughout Dain Rauscher, Inc. to ensure the implementation of this policy and support it through positive leadership and personal example.

It is the responsibility of each employee to create an atmosphere on the job which is conducive to this policy.

Current information regarding Dain Rauscher, Inc.'s women and minority employment status is shown on the following page.

As of January 2, 2001

	Officials and Managers	Professionals	Technicians	Sales Workers	Non Exempt	Total
White						
Male	258	535	20	1,009	209	2,031
Female	191	275	5	227	868	1,566
American Indian						
Male	1	-	-	1	2	4
Female	-	1	-	-	7	8
Black						
Male	6	8	1	6	25	46
Female	3	10	1	-	51	65
Hispanic						
Male	1	6	1	6	4	18
Female	2	10	-	5	32	49
Asian or Pacific Islander						
Male	3	32	1	12	11	59
Female	2	17	-	1	19	39
Unidentified						
Male	2	12	1	13	9	37

Female	1	2	1	-	25	29
Total	**470**	**908**	**31**	**1,280**	**1,262**	**3,951**

C. Disclosure Counsel - McCall, Parkhurst & Horton, L.L.P

AFFIRMATIVE ACTION

McCall, Parkhurst & Horton L.L.P. maintains employment practices that are nondiscriminatory. In addition, the firm is committed to taking affirmative action to assure equal employment opportunities to all groups within the work force. These affirmative action goals relate to all aspects of the employment process including recruitment, retention as an employee, training and job description, compensation and advancement. The firm will continue to implement and maintain its affirmative action program to mirror the representation in the work force based on race, color and gender, with particular emphasis on employees for legal positions within the firm.

As of March 1, 2001

Legal Personnel

Number of Attorneys:	18
Male Attorneys	16
Female Attorneys	2
Number of Minority Attorneys:	
African American Attorneys	1
Hispanic Attorneys	2

Non-Legal Personnel

Number of Law Clerks and/or Paralegals employed:	2
Male Law Clerks/Paralegals	0
Female Law Clerks/Paralegals	2
Number of Support Personnel (excluding Law Clerks and Paralegals) employed:	20
Male	2
Female	18
African American	1
Hispanic	4
Other Minority (Native American)	1

D. Trustee - BANK ONE, TEXAS, NA

Bank One's Statement of Equal Employment Opportunity: It is the policy of Bank One to take affirmative action in accordance with all applicable Federal and State laws, rules, regulations, and guidelines covering employment, including recruiting, hiring, training, education, promotion, transfer, termination, compensation, benefits, company sponsored social and recreational activities, and use of company facilities. These actions shall be administered without regard to race, color, religion, sex, sexual orientation, ancestry, national origin, handicap, disability, age or veteran status. It is also Bank One's intent to employ and advance in employment only those persons who are either citizens or aliens certified under the Immigration Reform and Control Act of 1986 as eligible for employment.

The Chief Executive Officers have the final authority and responsibility for the administration of Equal Employment Opportunity. The Chief Executive Officers working through the Senior Executive of Human Resources will assure that all officers, division managers, and supervisors share this responsibility. Performance appraisals of officers, managers, and supervisors will include evaluation of their compliance with the Bank's Affirmative Action Program. Senior Management will annually review this policy and monitor the results. The Affirmative Action Program, as required, will be available for review by employees or applicants through the Affirmative Action Manager during normal business hours.

All employees are expected to assist in Bank One's effort to achieve Equal Employment Opportunity. Each employee is encouraged to strive to insure the entry and growth of minorities and women in the work force until it is emphatically clear that equality of opportunity at Bank One is a fact as well as an ideal.

Current information regarding Bank One's women and minority employment status is shown on the following page.

BANK ONE TEXAS, NA
EQUAL EMPLOYMENT OPPORTUNITY
NUMBER OF EMPLOYEES
AS OF JANUARY 2000

	Officials and Managers	Professionals	Technicians	Sales Workers	Office and Clerical	Operatives	Tota
White							
Male	333	470	12	199	347	-	**1,3**
Female	473	965	9	253	1,899	1	**3,6**
Black							
Male	43	55	8	28	239	-	**37**
Female	103	214	1	25	1,527	-	**1,8**
Hispanic							
Male	26	46	7	38	254	-	**37**
Female	67	130	9	51	845	-	**1,1**
Asian or Pacific Islander							
Male	10	27	4	3	64	-	**10**
Female	12	27	2	12	227	-	**28**
American Indian							
Male	3	3	1	2	4	-	**13**
Female	2	4	-	1	17	-	**24**
Total	**1,072**	**1,941**	**53**	**612**	**5,423**	**1**	**9,1**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2001

FALLBROOK APARTMENTS

PUBLIC HEARING

Oak Forest Library
1349 W. 43rd Street
Houston, Texas 77010

November 19, 2001
6:45 p.m.

BEFORE:

MARLIN W. HARLESS
ROBBYE G. MEYER

I N D E X

P R O C E E D I N G S

MR. HARLESS: Good evening. My name is Wayne Harless. And now that the question-and-answer period is ended, I would like to proceed with the public hearing. Let the record show that it is now -- I have 7:45 p.m. -- excuse me -- 6:45 p.m. My magnifiers are in the car, I think. I'll be reading this from a distance.

This is Monday, November 19, 2001, and we are at the Oak Forest Branch Library at 1349 West 43rd Street, Houston, Texas. I am here to conduct the public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of tax-exempt multifamily revenue bonds for a residential rental community.

This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to collect comments that will be provided to the highest elected official with jurisdiction over this issue, which for this issue is the Attorney General of the State of Texas. No decisions regarding the project will be made at this hearing. There are no department members -- board members present.

The department board will meet to consider the transaction on December 12, 2001, upon recommendation by the Finance Committee. In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the Finance Committee or the board at any of their meetings. Department staff will also accept written comments from the public via facsimile at 512/475-3362 up to 5:00 p.m. on December 3, 2001. Copies of all written material to the board members.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed $13,500,000 an taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs, the issuer.

The proceeds of the bonds will loaned to Fallbrook Apartments, Limited Partnership, or a related person or affiliate entity thereof to finance a portion of the cost of acquiring, constructing, and equipping a multifamily rental housing community described as follows: a 280-unit multifamily resident rental development to be constructed on approximately 19.66 acres of land located on the west side of Bammel-North Houston Road, directly across from the intersection of Deer Ridge Lane and Bammel-North Houston Road, Houston, Harris County, Texas 77086. The proposed multifamily rental housing community will be initially owned and operated by Fallbrook Apartments, Limited Partnership, or a related person or affiliate thereof.

I would like to now open the floor for public comment. If you have signed up to speak, I will call your name from the roster here as you have signed in, and at that time you will please come forward and use the microphone so that we can get this all recorded. And then you'll have three minutes to make your comments. And if you've not already signed in, please come forward at this time before we start.

Okay. First on the list I have Bill Olsen.

MR. OLSEN: I'll reserve my comments, please.

MR. HARLESS: He would like to wait till later. Okay.

Next, Gary Pile.

MR. PILE: I have no further comments.

MR. HARLESS: Okay. Next, Jesse Farillo.

MR. FARILLO: The comment I have is not related directly with the development but with future requirements that may come up in that particular area of Northwest Park that the public hearings be held in a place convenient to the residents of Northwest Park or any other subdivision within that area. And if -- and I will notify you of the contact people in order to get those public hearings in that area.

The other is possibly provide an explanation of the operational structure of your organization to me so that we can understand how the public unit that you represent handles these kinds of affairs and when notices are sent out and how they're sent out, from that end of it. Thank you.

MR. HARLESS: Thank you.

John --

MR. MONTENEGRO: Montenegro.

MR. HARLESS: Montenegro. Yes. Thank you.

MR. MONTENEGRO: My comments are I think that we need more apartments of this type to maintain a higher level where we do not get real, real low-income apartments in our area. By the looks of the pictures and all that, I think this will maintain our value of our homes higher, and I more than welcome this apartments here. That's my comment.

MR. HARLESS: Okay. Thank you.

Brent Stewart.

MR. STEWART: My name is Brent Stewart with Trammell Crow Residential. My comments are to just try to assure the homeowners that are in the area that we will be building a quality development. We will be managing that asset, as we manage all of our properties, with great care and great concern for the surroundings and the neighborhood.

We want to be a part of the neighborhood to the extent that an owner of property coming in from the outside can be. I'm not trying to pretend to be a neighbor, but we can certainly come in there and we can be a part of that neighborhood and help with things that are going on in the neighborhood as it relates to the homeowners association and other things.

We believe that quality affordable housing of this type is needed in this area of Houston. This is a quality development that I think at the end of the day that the neighborhood would be proud to see. Thanks.

MR. HARLESS: Thank you.

So far the comments are just taking one minute -- about one minute each, so it gives you an idea that three minutes is a little longer than it might seem.

So, Sandy Pile.

MS. PILE: I'd like to reserve.

MR. HARLESS: Sandy Pile, would you like to speak? Okay.

Scott Wise.

MR. WISE: I'll reserve.

MR. HARLESS: Okay. Last on the list is Sharon Olsen.

MS. OLSEN: Do I have to go up there?

MR. HARLESS: Yes. If you'd like to speak, please speak into the microphone.

MS. OLSEN: I'm Sharon Olsen. I'll be up front and say I'm dead set against it. I don't want what I feel, once you have an income level, will end up to be low-income apartments in an area that is just now coming back from the '80s when the housing market dived to a market that our houses are worth something again. I'm not against affordable housing, but I am against it, putting it next to an established subdivision.

And the other thing I'd like to know, the December 12 board meeting, I want the phone number, the fax number, and the address to send my letter to.

MR. HARLESS: Certainly. We can provide that to you.

MS. OLSEN: Okay. Thank you.

MR. HARLESS: Thank you.

For those persons that reserved comments, back to the top. Bill?

MR. OLSEN: My name is Bill Olsen, and I've been a resident of Northwest Park for some 19 years now. When we first joined this neighborhood, I would say that we were middle class. It's gone through a lot of transition, and I see it coming back now. In fact, I'm very, very please with it.

There were some questions that I have though. One of them, as was pointed out by Jesse, was a transportation study of the number of people moving in and making access and, of course, access out -- I'd sure like to know more about that and what the plans were there.

I have some general comments. Number one, the sign alerting us that something was going up was rather neatly planned. I'm sure, as I heard prior to the meeting, you couldn't see the sign, or at least that was my thought -- or not thought, but perhaps I misunderstood that. But, yes. Kind of at an angle.

MR. MEYER: Kind of --

MR. OLSEN: Wasn't that interesting? I thought that was very interesting.

The meeting time at six o'clock, when people are coming out of work, was -- perhaps that a state time that you have to do that. The location, I agree with Jesse as well, this is not even representative of the number of people that live in Northwest Park, if you see the five or six people here. This is not representative, and it's almost a travesty. Excuse me. All right?

December 12, yes. I think I'm going to show up to this thing, because it will give me a little bit more time to prepare my comments. And with that, yes, I'm against this.

MR. HARLESS: Thank you.

Is there anyone else that would like to speak? Did we pass someone up again before?

(No response.)

MR. HARLESS: Okay. Given that there are no other comments at this time, I'd like to thank everybody for attending this hearing. Your comments have been recorded, and this meeting is now adjourned.

And the time is now 6:57 p.m.

(Whereupon, at 6:57 p.m., the public hearing was concluded.)

C E R T I F I C A T E

IN RE: Multifamily Revenue Bond Public Hearing

LOCATION: Houston, Texas

DATE: November 19, 2001

I do hereby certify that the foregoing pages, numbers 1 through 42, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Margo Luhrs before the Texas Department of Housing and Community Affairs.

11/26/01
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

-----Original Message-----
From: Alan Buttler [SMTP:purchaser@huckster.com]
Sent: Monday, December 03, 2001 9:42 AM
To: ronion@tdhca.state.tx.us
Subject: Fallbrook Apartments -final bond vote, December 2001

I'm a current resident of Northwest Park Subdivision opposite the proposed Trammel Crowe development : Fallbrook Apartments. After residing for 19 years in this subdivision, I'm most adamant to the approval of this project. Let me clarify: 1) I see no reason for an additional 1,000 people to live adjacent to an established subdivision , 2) the increase of traffic activity necessitates widening of the current roads, which will only add to more traffic problems ranging from slow-downs to accidents, 3) drainage problems from the new subdivision already tells me to expect more of this problem. Let me go on to say that there are numerous parcels of land available for development within a two mile radius which are just as attractive, have ready access to roads,water, and other utilities. Bill Olson. 7010 Winding Trace, Houston, Texas 77086

November 26, 2001

Mr. Jesse Varela
President
Northwest Park Homeowner's Association
7127 Sandswept Lane
Houston, Texas 77086

Re: Proposed Development of the Fallbrook Apartments
West side of Bammell North Houston Road

Dear Mr. Varela:

Thank you for the opportunity to work with your homeowner association on the development of the Fallbrook Apartments. We appreciate being invited to formally present the development plans to your Board, this evening, as well as spending time with us informally on November 12th.

Outlined below are solutions to some specific concerns or issues about the development that we have heard from neighbors and Board members:

1. Traffic along Bammell North Houston Road – Responding to a comment at the public hearing regarding traffic, we will request permission from Harris County to create a left-turn lane into the property. This will eliviate any left-turn congestion into the site.
2. Landscaping – Landscaping and maintaining the esplanades in front of our property will serve to beautify that area and allow the homeowner's association to use its limited maintenance resources elsewhere along Bammell North Houston Road or other areas throughout the neighborhood. The site itself will be landscaped extensively which will add to the neighborhood appeal.
3. Lighting – The site will be attractively lighted which will brighten the overall area in front of the site as well as provide security within the development. The site plan was specifically designed to place buildings away from the adjoing homes to prevent flooding backyards with light from the development.
4. Density & Product Type – Fallbrook is a low-density development, just over 14 units per acre. Typically, multifamily garden-style apartments are 20 to 24 units per acre. The low density as well as the townhome design provides a natural transition from the high-density commercial use along Highway 249 to the single-family homes in the neighborhood. The townhome product being only two stories is also shorter than the typical three or four story garden-style development. This also serves as a developmental transition into the neighborhood.
5. Security – The property will be secured with perimeter fencing and electronic access gates (remote devices). Security of the residents as well as the neighborhood is a paramount issue that is dealt with aggressively by our management staff. Our property, a $22,000,000 investment, is only successful if residents feel safe in the

property. Therefore, we are committed to maintaining high levels of safety within the development as well as in the neighborhood.

6. Home Values – There are many factors that can influence housing values. Generally, areas that are experiencing new housing developments are also experiencing increased home values. We certainly want our property to increase in value just as your homeowners want continued increases in their property values. We believe that the proposed development with our management will further support their home values and not detract from the marketability of the neighborhood or their homes. In fact, our development would serve to protect the neighborhood from non-residential uses on the site (such as commercial or industrial use), which could prove detrimental to single-family home values. Our development may also inspire other multifamily property owners in the area to improve the condition and curb appeal of their properties, which will aid the overall desirability of the area.

Again, thank you for the opportunity to work with the neighborhood association on this development and present this information to you. We certainly desire to be a valued asset in the neighborhood and a good neighbor.

Please contact me should you need additional information or have any questions.

Sincerely,

TCR Gulf Coast Properties, Inc.

Darren R. Schackman
Vice President

Compliance Status

ID#	01452	Type Funding
Project Name	Fallbrook Apartments	☒LIHTC 9%
Address	E. of Old Bammel N. Houston, W. of Champion	☐LIHTC 4%
City	Houston, TX 77086	☐BOND
		☐HOME
		☐HTF
		☐HSG. INFRAS.

Owner Name: Fallbrook Apartments Limited Partnership
Contact: Kenneth J. Valach

Development Team	Role
J. Ronald Terwilliger	G.P./ Director
Kenneth J. Valach	G.P./ L.P./ Pres.
Christopher J. Bergmann	L.P./ Vice Pres.
Scott C. Wise	L.P./ Vice Pres.

Boxes marked if applicable	Type of Participation	Status(*)
☒	Projects monitored by Dept. (compliance status report(s) attached)	Material Non-Compliance N/A ☐ No ☒ Yes☐
☒	Projects monitored by other states (National Previous Participation and Background Certification(s) attached)	Issues of Compliance N/A ☐ No ☒ Yes☐
☐	Audit Resolution (Summary of finding(s) attached if applicable)	Issues of Compliance N/A ☒ No ☐ Yes☐ - Single Audit not required.
☐	Program Monitoring (Summary of finding(s) attached if applicable)	Issues of Compliance N/A ☐ No ☐ Yes☐ None

Completed by: (signatures required from each compliance area)

		Date
CMCM	Sara Carr Newsom	11-19-2001
CMAD	[illegible]	11-19-2001
CMPM	Ralph Hendricks	11/19/2001

(*) Status column will indicate: 1) Yes, if Material Non-compliance score is 30 or more points *or* unresolved compliance issues, 2) No, if no compliance issues, 3) N/A, if a review has not been conducted *or* the results are pending *or* another state failed to respond.

Properties Monitored by the Department

Application ID # _01452

Fallbrook Apartments, Houston

ID#	Project Name	Score
96188	Oaks at Georgetown Apartments	6
99-03T	Mayfield Apartments	0
99017T	The Park at Fort Bend Apartments	N/A
99161	Parkview Gardens Townhomes	N/A
99018T	Collingwood Village Apartments	N/A
00036T	Highland Meadow Village Apartments	N/A
00037T	Collingham Park Apartments	N/A
00058	Windfern II Townhomes	N/A
06547*	Parkwood Place	11
06871*	Surrey Row Apartments	1
93153*	The Lakes of Eldorado	3
93155*	The Fountains of Rosemeade	0
[* Trammell Crow Residential - Management (no ownership interest)]		

A score of material non-compliance (30 of above), reflected in the scoring column, was determined as of April 23, 2001. A Zero (0) score signifies the compliance review resulted in zero compliance violations. N/A in the scoring column indicated that a compliance review has not been conducted or results are pending.

RESOLUTION NO. 01-53

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (FALLBROOK APARTMENTS) SERIES 2001A, SERIES 2001B AND TAXABLE SERIES 2001C; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Fallbrook Apartments) Series 2001A (the "Series A Bonds"), Series 2001B (the "Series B Bonds") and Taxable Series 2001C (the "Series C Bonds") (the Series A Bonds, the Series B Bonds and the Series C Bonds are referred to herein, collectively, as the "Bonds"), pursuant to and in accordance with the terms of an Indenture of Trust (the "Indenture") by and between the Department and Bank One, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Fallbrook Apartments Limited Partnership, a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 13, 2000 declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and Bank of America, N.A., as the "Bondowner Representative," will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Mortgage Loan") to the Borrower to enable the Borrower to finance the cost of acquisition, construction and equipping of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department three Promissory Notes (the "Promissory Notes") in an aggregate principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Promissory Notes will be secured by a Construction Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (the “Deed of Trust”) from the Borrower for the benefit of the Department; and

WHEREAS, the Department's interest in the Mortgage Loan, including the Promissory Notes and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note with respect to each Promissory Note (collectively the “Assignments”) from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the “Regulatory Agreement”), with respect to the Project which will be filed of record in the real property records of Harris County; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, and the Regulatory Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.11, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; **NOW, THEREFORE,**

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Series A Bonds shall be 6.06%, the interest rate on the Series B Bonds shall be 6.06% and the interest rate on the Series C Bonds shall be 6.78%; (ii) the aggregate principal amount of the Series A Bonds shall be $12,030,000, the aggregate principal amount of the Series B Bonds shall be $1,470,000 and the aggregate principal amount of the Series C Bonds shall be $1,200,000; (iii) the final maturity of the Series A Bonds and the Series B Bonds shall occur on December 1, 2034, and the final maturity of the Series C Bonds shall occur on December 1, 2010; and (iv) the fee paid to the placement agent in connection with the marketing of the Bonds shall not exceed the amount approved by the Texas Bond Review Board.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower, the Bondowner Representative and the Trustee, as appropriate.

Section 1.5--Acceptance of the Mortgage and Promissory Notes. That the Mortgage and the Promissory Notes are hereby accepted by the Department.

Section 1.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved; and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.7--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.8--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B	-	Indenture
Exhibit C	-	Loan Agreement
Exhibit D	-	Regulatory Agreement
Exhibit E	-	Assignments

Section 1.9--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.10--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman of the Board, Executive Director of the Department, Acting Executive Director of the Department, Deputy Executive Director of the Department, Chief Financial Officer of the Department, Director of Bond Finance, Director of Multifamily Finance of the Department, the Secretary of the Board, and the Assistant Secretary of the Board.

Section 1.11--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or the Acting Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code, as amended.

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Projects shall not exceed the amounts attached as Exhibit H to the Regulatory Agreement and shall be annually redetermined by the Issuer as stated in Section 5 of the Regulatory Agreement.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director or Acting Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) the Borrower is financially responsible,

(iv) the financing of the Project is a public purpose and will provide a public benefit, and

(v) the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income, and

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as its deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 35 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--Notice of Meeting. That written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 12th day of December, 2001.

[SEAL]

By:________________________________
Chairman

Attest:____________________
Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

The Project is a 280-unit multifamily facility to be known as Fallbrook Apartments and to be located on the west side of Bammel North Houston Road directly across from the intersection of Deer Ridge Lane and Bammel North Houston Road in Houston, Harris County, Texas. It will consist of two story residential apartment buildings with 283,796 net rentable square feet. The unit mix will consist of:

44	one-bedroom/one-bath units
160	two-bedroom/two-bath units
76	three-bedroom/two and one-half-bath units
280	Total Units

Unit sizes will range from approximately 686 square feet to approximately 1,143 square feet.

Common areas will include swimming pool, playground with equipment and a club house. All ground units will be wheelchair accessible, and all individual units will have washer/dryer connections.

AGENDA ITEM 5E
FINANCE COMMITTEE AND BOARD APPROVAL

MEMORANDUM

December 12, 2001

PROJECT: Hillside Apartments, 6100 block of Ledbetter, Dallas County, Dallas, Texas 75216

PROGRAM: Texas Department of Housing & Community Affairs
2001 Private-Activity Multifamily Mortgage Revenue Bonds
(Reservation received 8/21/2001)

ACTION REQUESTED: The Board of Directors of the Texas Department of Housing and Community Affairs approved the issuance of bonds for the Hillside Apartments on November 14, 2001. The bonds were approved to be placed privately with Charter Mac Equity Issuers Trust (Charter Mac). Subsequent to approval by the Board, Charter Mac agreed to reduce the interest rate on the tax-exempt bonds during the permanent phase from 7.20% to 7.00%. The interest rate on the taxable bonds will remain the same at 9.25%, however the maturity of the taxable bonds has changed from December 1, 2009 to October 1, 2009. Because the Board approves the specific terms of a privately placed bond transaction, any change in the interest rate, bond size, or maturity date, requires approval by the Board.

RECOMMENDATION: Approve the attached amended and restated Board Resolution changing the interest rate on the tax exempt bonds, and the maturity date of the taxable bonds.

AMENDED AND RESTATED RESOLUTION NO. 01-50

AMENDED AND RESTATED RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (HILLSIDE APARTMENTS) SERIES 2001A, AND TAXABLE MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (HILLSIDE APARTMENTS) SERIES 2001B; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Hillside Apartments) Series 2001A (the “Series A Bonds”), and Taxable Multifamily Housing Mortgage Revenue Bonds (Hillside Apartments) Series 2001B (the “Series B Bonds”) (the Series A Bonds, and the Series B Bonds are referred to herein, collectively, as the “Bonds”), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank Texas, N.A. (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Tx Hillside Apartments, L.P., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 13, 2000, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust and Security Agreement (with Power of Sale) (the "Deed of Trust") from the Borrower for the benefit of the Department and the Trustee; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Borrower and Charter Municipal Mortgage Acceptance Company, a Delaware business trust, will execute a Bond Purchase Agreement (the "Purchase Agreement"), with respect to the sale of the Bonds; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Dallas County; and

WHEREAS, the Board has determined that the Department, the Trustee and First Union National Bank, a national banking association, will enter into an Intercreditor Agreement (the "Intercreditor Agreement") that will outline the interests of the various parties with respect to the Indenture, Loan Agreement, Deed of Trust and Regulatory Agreement; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Purchase Agreement and the Intercreditor Agreement, all of which are attached to and comprise a part of this Amended and Restated Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.11, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE V

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 5.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Amended and Restated Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser thereof.

Section 5.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) subject to the reset provisions contained in the Indenture, the interest rate on the Series A Bonds shall be (A) from the date of issuance through, and including, February 28, 2003, 7.9% per annum, and (B) thereafter until the maturity date thereof, 7.0%, and the interest rate on the Series B Bonds shall be from the date of issuance to the maturity date thereof, 9.25%; (ii) the aggregate principal amount of the Series A Bonds shall be $12,500,000 and the aggregate principal amount of the Series B Bonds shall be $400,000; and (ii) the final maturity of the Series A Bonds shall occur on December 1, 2041, and the final maturity of the Series B Bonds shall occur on October 1, 2009.

Section 5.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Amended and Restated Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 5.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Amended and Restated Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 5.5--Acceptance of the Deed of Trust and Note. That the Deed of Trust and the Note are hereby accepted by the Department.

Section 5.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Amended and Restated Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 5.7--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Amended and Restated Resolution each are authorized hereby to execute and deliver the Purchase Agreement.

Section 5.8--Approval, Execution and Delivery of the Intercreditor Agreement. That the form and substance of the Intercreditor Agreement are hereby approved, and that the authorized representatives of the Department named in this Amended and Restated Resolution each are authorized hereby to execute, attest and deliver the Intercreditor Agreement.

Section 5.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Amended and Restated Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Amended and Restated Resolution.

Section 5.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Amended and Restated Resolution for all purposes:

Exhibit B-Indenture
Exhibit C-Loan Agreement
Exhibit D-Regulatory Agreement
Exhibit E -Assignments
Exhibit F-Purchase Agreement
Exhibit G - Intercreditor Agreement

Section 5.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Amended and Restated Resolution, the authorized representatives of the Department named in this

Amended and Restated Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Amended and Restated Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Amended and Restated Resolution.

Section 5.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman of the Board, Executive Director of the Department, Acting Executive Director of the Department, Deputy Executive Director of the Department, Chief Financial Officer of the Department, Director of Bond Finance, Director of Multifamily Finance of the Department, the Secretary of the Board, and the Assistant Secretary of the Board.

Section 5.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or the Acting Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE VI

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 6.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 6.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 6.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 6.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 6.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit F to the Loan Agreement and shall be annually redetermined by the Issuer as stated in Section 2.3(s) of the Loan Agreement.

Section 6.6--Ratifying Other Actions. That all other actions taken by the Executive Director or Acting Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE VII

CERTAIN FINDINGS AND DETERMINATIONS

Section 7.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) the Borrower is financially responsible,

(iv) the financing of the Project is a public purpose and will provide a public benefit, and

(v) the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income, and

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 7.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as its deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 7.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 7.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 7.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 35 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Amended and Restated Resolution and the bond documents authorized hereunder.

ARTICLE VIII

GENERAL PROVISIONS

Section 8.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 8.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 8.3--Effective Date. That this Amended and Restated Resolution shall be in full force and effect from and upon its adoption.

Section 8.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Amended and Restated Resolution was considered and of the subject of this Amended and Restated Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Amended and Restated Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Amended and Restated Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Amended and Restated Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 12th day of December, 2001.

By:___________________________________
Chairman

Attest: ______________________
Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Tx Hillside Apartments, L.P., a Texas limited partnership

Project: The Project is a 236-unit multifamily facility to be known as Hillside Apartments and to be located at 6100 Block of Ledbetter at Pemberton Hill Road, Dallas, Dallas County, Texas. The Project will include a total of thirteen (13) two and three story residential apartment buildings with a total of 243,800 net rentable square feet and an average unit size of 1033 square feet. The unit mix will consist of:

132 two-bedroom/two-bath units
84 three-bedroom/two-bath units
20 four-bedroom/two-bath units

236 Total Units

Unit sizes will range from approximately 950 square feet to approximately 1,300 square feet.

Common areas will include a picnic area, a swimming pool, a children's play area, and a community center with kitchen facilities and laundry facilities. All ground units will be wheelchair accessible and all individual units will have washer/dryer connections.

AGENDA ITEM 5F
FINANCE COMMITTEE AND BOARD APPROVAL

MEMORANDUM

December 12, 2001

PROJECT:	Oak Hollow Apartments, 2965 E. Ledbetter, Dallas County, Dallas, Texas 75216
PROGRAM:	Texas Department of Housing & Community Affairs 2001 Private-Activity Multifamily Mortgage Revenue Bonds (Reservation received 8/27/2001)
ACTION REQUESTED:	The Board of Directors of the Texas Department of Housing and Community Affairs approved the issuance of bonds for the Oak Hollow Apartments on November 14, 2001. The bonds were approved to be placed privately with Charter Mac Equity Issuers Trust (Charter Mac). Subsequent to approval by the Board, Charter Mac agreed to reduce the interest rate for the permanent loan from 7.20% to 7.00%. Because the Board approves the specific terms of a privately placed bond transaction, any change in the interest rate, bond size, or maturity date, requires approval by the Board.
RECOMMENDATION:	Approve the attached amended and restated Board Resolution changing the interest rate on the bonds.

AMENDED AND RESTATED RESOLUTION NO. 01-51

AMENDED AND RESTATED RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (OAK HOLLOW APARTMENTS) SERIES 2001; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Oak Hollow Apartments) Series 2001 (the “Bonds”), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank Texas, N.A. (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Oak Hollow Housing, L.P., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 13, 2000, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust and Security Agreement (with Power of Sale) (the "Deed of Trust") from the Borrower for the benefit of the Department and the Trustee; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Borrower and Charter Municipal Mortgage Acceptance Company, a Delaware business trust, will execute a Bond Purchase Agreement (the "Purchase Agreement"), with respect to the sale of the Bonds; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Dallas County; and

WHEREAS, the Board has determined that the Department, the Trustee and First Union National Bank, a national banking association, will enter into an Intercreditor Agreement (the "Intercreditor Agreement") that will outline the interests of the various parties with respect to the Indenture, Loan Agreement, Deed of Trust and Regulatory Agreement; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Purchase Agreement and the Intercreditor Agreement, all of which are attached to and comprise a part of this Amended and Restated Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.11, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE IX

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 9.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Amended and Restated Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser thereof.

Section 9.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Bonds shall be (A) from the date of issuance through, and including, February 28, 2003, 7.9% per annum, and (B) thereafter until the maturity date thereof, 7.0%; (ii) the aggregate principal amount of the Bonds shall be $8,625,000; and (iii) the final maturity of the Bonds shall occur on December 1, 2041.

Section 9.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Amended and Restated Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 9.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Amended and Restated Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 9.5--Acceptance of the Deed of Trust and Note. That the Deed of Trust and the Note are hereby accepted by the Department.

Section 9.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Amended and Restated Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 9.7--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Amended and Restated Resolution each are authorized hereby to execute and deliver the Purchase Agreement.

Section 9.8--Approval, Execution and Delivery of the Intercreditor Agreement. That the form and substance of the Intercreditor Agreement are hereby approved, and that the authorized representatives of the Department named in this Amended and Restated Resolution each are authorized hereby to execute, attest and deliver the Intercreditor Agreement.

Section 9.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Amended and Restated Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Amended and Restated Resolution.

Section 9.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Amended and Restated Resolution for all purposes:

Exhibit B-Indenture
Exhibit C-Loan Agreement
Exhibit D-Regulatory Agreement
Exhibit E -Assignments
Exhibit F-Purchase Agreement
Exhibit G - Intercreditor Agreement

Section 9.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Amended and Restated Resolution, the authorized representatives of the Department named in this Amended and Restated Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Amended and Restated Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Amended and Restated Resolution.

Section 9.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman of the Board, Executive Director of the Department, Acting Executive Director of the Department, Deputy Executive Director of the Department, Chief Financial Officer of the Department, Director of Bond Finance, Director of Multifamily Finance of the Department, the Secretary of the Board, and the Assistant Secretary of the Board.

Section 9.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or the Acting Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE X

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 10.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 10.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 10.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 10.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 10.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit F to the Loan Agreement and shall be annually redetermined by the Issuer as stated in Section 2.3(s) of the Loan Agreement.

Section 10.6--Ratifying Other Actions. That all other actions taken by the Executive Director or Acting Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE XI

CERTAIN FINDINGS AND DETERMINATIONS

Section 11.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) the Borrower is financially responsible,

(iv) the financing of the Project is a public purpose and will provide a public benefit, and

(v) the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income, and

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 11.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as its deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 11.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 11.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 11.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 35 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Amended and Restated Resolution and the bond documents authorized hereunder.

ARTICLE XII

GENERAL PROVISIONS

Section 12.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 12.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 12.3--Effective Date. That this Amended and Restated Resolution shall be in full force and effect from and upon its adoption.

Section 12.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Amended and Restated Resolution was considered and of the subject of this Amended and Restated Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Amended and Restated Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Amended and Restated Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Amended and Restated Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 12th day of December, 2001.

By:____________________________________

Chairman

Attest: ______________________
Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Oak Hollow Housing, L.P., a Texas limited partnership

Project: The Project is a 153-unit multifamily facility to be known as Oak Hollow Apartments and to be located at 2965 E. Ledbetter, Dallas, Dallas County, Texas. The Project will include a total of eight (8) two and three story residential apartment buildings with a total of 157,050 net rentable square feet and an average unit size of 1,026 square feet. The unit mix will consist of:

75 two-bedroom/two-bath units
78 three-bedroom/two-bath units

153 Total Units

Unit sizes will range from approximately 950 square feet to approximately 1,100 square feet.

Common areas will include a picnic area, swimming pool, a children's play area, and a community center with kitchen facilities and laundry facilities. All ground units will be wheelchair accessible and all individual units will have washer/dryer connections.

AGENDA ITEM 5G

INTEROFFICE MEMORANDUM

TO: Finance Committee and Board of Directors
Texas Department of Housing and Community Affairs

FROM: Ruth Cedillo
` Acting Executive Director

SUBJECT: Request for Approval to Extend Limit on Capital Budget Expenditures for Development of the Weatherization Assistance Program Evaluation Project and the Conversion of EASY Audit II to EASY Audit III Project

DATE: December 12, 2001

INTRODUCTION

On November 21, 2001, TDHCA submitted its Biennial Operating Plan (BOP) to the Legislative Budget Board. The BOP contains descriptions of all information technology projects and related budgeted or recommended appropriations for fiscal years 2002 through 2005. Funds for two BOP projects planned for Fiscal Years 2002 and 2003 are not included in the capital budget appropriations for those fiscal years. These projects are the **Weatherization Assistance Program (WAP) Project** and the **Conversion of EASY Audit II to EASY Audit III Project**.

In June 2001, the Department received increased funds for the Weatherization Assistance Program through the U.S. Department of Energy (DOE). Congress increased the state's 2002 allocation from $3.7 million to $5.6 million. The receipt of the funds occurred after the close of the 77th Legislative Session. The timely expenditure of these funds will assist the Department's subgrantees by providing funds necessary to weatherize approximately 2000 more homes. This benefit, however, can only be realized if program productivity of the EASY Audit II application is enhanced and converted into a web-based application.

REQUIRED FUNDING

Funding for both projects will come from the DOE Weatherization Assistance Program (WAP), Low Income Housing and Energy Assistance Program (LIHEAP), and Investor Owned Utility (IOU) Administration. In order to proceed, the Board must request approval from the Governor's Office and the Legislative Budget Board to exceed the limitation on capital budget expenditures as defined in the General Appropriations Act.

We have prepared a letter for your signature to move forward with this initiative.

To complete the WAP Project, $150,000 is required in FY 2002 for a contract with National Laboratories, a working partner of the Department of Energy (DOE), and $130,000 is required in FY 2003 for a contract with (CRN) Applications. CRN Applications has assisted the Department with the EASY Audit II and PRISM programs.

To complete the Conversion of EASY Audit II to EASY Audit III Project, $190,000 is required in FY 2002 and $50,000 is required in FY 2003 for a contract with CRN Applications. CRN Applications works closely with Oakridge Laboratories, a contractor of the Department of Energy, and has provided services to the Department with existing software programs.

PROJECT DESCRIPTIONS FROM THE BIENNIAL OPERATING PLAN

The remainder of this memorandum provides the descriptions and justifications for the two projects. Most of the content is taken from the most recently submitted Biennial Operating Plan November 21, 2001.

Project #1

Weatherization Assistance Program (WAP) Project

Project Description

The Weatherization Assistance Program (WAP) Evaluation will allow for accurate measurement of energy savings associated with WAP measures, especially as it relates to cooling measures. TDHCA will contract with two third-party contractors to implement the project. One contractor will be Oak Ridge National Laboratory (ORNL), which possesses skills unique to research in cooling energy consumption analysis. The Department will seek another contractor with skills related to software development for energy consumption analysis. The first part of this project, undertaken by Oak Ridge National Laboratory (ORNL), will analyze existing energy consumption data. ORNL will develop and test two types of aggregate models that may prove to be suitable alternatives to the standard Princeton Scorekeeping Method (PRISM). These model types are: 1) aggregate weather-normalization models, which will use the basic PRISM approach to weather-normalization, but which will eliminate the high linear model failure rates of standard PRISM by performing weather adjustments only on larger groups of households and 2) longitudinal multivariate regression models, which will adjust for yearly variations in weather (this is an essential step in any effort to measure program impacts) and also will incorporate a number of other important independent variables. Some additional independent variables that may be incorporated into the longitudinal model structures include dwelling characteristics (as reported in the EASY Audit files) and occupant characteristics (such as the number and ages of household members). The second part of the project would entail development and testing of software that would incorporate the design and implementation of the above model types #1 and #2.

Needs Analysis Summary

In order to ensure high quality standards in the weatherization program, TDHCA conducts on-going analysis of weatherized dwelling units to determine the energy savings associated with various weatherization measures. The Department of Energy (DOE) caps weatherization measures at $1,500 per household, thereby restricting the number of measures each household can receive through these funds. TDHCA must therefore evaluate which measures will be cost-effective for specific households to ensure that WAP clients receive the greatest benefit from the program. At present, TDHCA lacks software to adequately evaluate the effectiveness of "cooling" weatherization measures installed. TDHCA currently analyzes cost-effectiveness of measures using PRISM. When PRISM was developed, it was tailored around existing DOE Weatherization Assistance Program standards. The DOE program has subsequently been modified to allow "cooling" weatherization measures to be installed in warm climate states such as Texas. The PRISM software, as currently configured, has been unable to perform the analysis of these measures. A method to accurately evaluate energy savings derived from cooling measures such as installing Energy Star rated refrigerated air conditioner units does not exist. TDHCA needs an improved energy saving analysis software that can accurately capture energy savings associated with both heating and cooling measures. Developing software of this nature will require two separate contractors, one possessing skills to perform research in cooling energy consumption analysis and one with skills related to software development for energy consumption analysis.

Project Justification

Weather related crises in recent years associated with heat-waves and sharp increases in energy costs underscore the need to ensure that low income citizens benefit from energy efficient cooling and heating systems that allow them to maintain their homes in healthy temperatures. Towards that end, TDHCA has the responsibility to provide the most effective measures to households served through WAP. It is important that TDHCA accurately identify which weatherization measures will be effective for specific homes. In this manner, installation of unnecessary or ineffective measures can be avoided, making WAP more cost effective. The current system used to evaluate the effectiveness of weatherization measures is no longer adequate for contemporary standards and does not capture cost savings associated with cooling measures such as installation of energy-efficient air-conditioners. TDHCA needs a software program that provides more accurate data and that can measure both heating and cooling methods. This will allow TDHCA to provide better and more service to its clients while meeting increasingly stringent federal and state energy efficiency requirements. Both DOE's WAP and the System Benefit Fund energy efficiency program stress the need for more aggressive energy savings. Achieving the energy savings goals for these programs requires an improved system of measurement.

Fiscal Measures

This project will increase the cost effectiveness of the weatherization program. With limited DOE expenditures allowed per household, it becomes increasingly important that only those weatherization measures determined by actual analytical evaluation be installed on weatherized homes. Current efforts to measure energy savings of cooling elements are narrow in scope and expensive. The Department is currently involved in three such projects with ORNL that involve the installation of SPEED meters on each of 70 houses. The meter is directly connected to the electric utility meter and provides via modem actual usage of each electric appliance in a house. These projects will determine the level of electric baseload energy consumption at each house both twelve months before and twelve months after weatherization. While this will be valuable information for determining the future direction of the DOE Weatherization Assistance Program, it is costly ($7,500 per meter) and cannot serve to evaluate the energy savings on 5000 to 6000 units weatherized each year through TDHCA. TDHCA needs an improved energy saving analysis software that can accurately capture energy savings associated with both heating and cooling measures.

Performance Measures

There are two performance measurements for each part of the project that will be made during this project: 1) developments and 2) testing.

For the first phase of this project, ORNL will prepare a report documenting the test results of each model development effort. This report will include appendices that provide the detailed mathematical equations needed to support the second phase of the project, which is the software development by CRN Applications. ORNL also will provide additional information at the request of CRN Applications so that they can create the software needed to determine program impacts with the models that ORNL develops on an ongoing basis and in the future. The specific task for the development of both model types will include:

1) Design of the mathematical model structure(s)
2) Reformat Standard PRISM meter and temperature input files to fit the new model structure(s)
3) Run model test and evaluate the results, using the feedback obtained to tune the model structures

Development of the longitudinal models would also include adding independent variables from EASY Audit files into the model structures being tested.

For the second phase of this project, the software development, 30% of the project time will be spent in specification development of the browser interface, 10% integrating the required database files, 40-45% programming the interface and calculation engine on the server and 10% on testing and documentation. The Information Systems Division (ISD) will be the Project Manager and oversee and ensure that all development work is done according to the standards established for our Department.

Acquisition of Alternatives Analysis

ORNL has been involved with the Department in working in a variety of weatherization analysis projects for the past six to seven years. Currently, ORNL is ~~the~~ in the process of submitting a final report on traditional PRISM analysis on 1997 data. It is this data that will be used by ORNL in developing new models for analysis. In discussion with ORNL on the preliminary project report, and with the realization that the traditional linear PRISIM analysis does not in fact correctly analyze cooling measures, the possibilities of developing alternative models for analysis surfaced. ORNL is in a unique position to conduct phase one of this project. CRN Applications has been involved with the Department over the past seven years in the development and refinement of EASY Audit. The institutional knowledge of CRN Applications of the Weatherization Assistance Program, and its relationship with DOE and ORNL make it uniquely qualified to perform the second part of the project.

Project #2
Conversion of EASY Audit II to EASY Audit III

Project Description

The EASY Audit II system for Texas is currently a stand-alone audit system used by each of TDHCA's thirty-six Weatherization Assistance Program sub-grantees to conduct 5000-6000 energy audits per year. Audits for homes weatherized are currently provided to TDHCA by each of the agencies via a 6-8 page fax or by downloading a copy of the audit to disc mailing the disc to TDHCA. This cumbersome and time-consuming process often contributes to delays in the delivery of services. This project will link sub-grantees to TDHCA, allowing electronic transferal of data. The project would also integrate the system into the Department's planned web-based central database system. The project would first develop workflow, design and create data tables, design and develop JSP pages, deploy audit JAVA beans, code the calculation engine, code the analysis engine and write end-user technical and training manuals. Portal technology in the project will create greater controls between TDHCA and sub-grantees. This project would be implemented by the 3rd party vendor (CRN) and maintained by TDHCA Information Systems Division (ISD) staff. Close monitoring by ISD staff will also be done to ensure that the system is compatible with the central database. The goal of ISD staff will be to develop full knowledge of the program and maintain the integrity of the data, which will ensure the efficiency of future maintenance.

Needs Analysis Summary

The current system resides as a stand-alone system on individual laptop computers. For reports, individual queries are required on each laptop and then consolidated to make one final report. For the Department to effectively and efficiently administer and track the anticipated increase in production, the EASY Audit II application should be converted to a web-based program so that all audits are immediately available to Energy Assistance staff for review. The web-based audits would be stored in a central database, Oracle. The Department would maintain a secure file of all audits. Maintaining the audits in a central database will enable Energy Assistance staff to ensure that all audits are correctly and accurately delivered. This project would be implemented by the 3rd party vendor (CRN) and maintained by TDHCA Information Systems Division staff. Close monitoring by ISD staff will also be needed to ensure the development of the web-based system in conjunction the central database. The goal of ISD staff will be to develop full knowledge of the program and maintain the integrity of the data, which will ensure the efficiency of future maintenance.

Project Justification

In June 2001, the Department received increased funds for the Weatherization Assistance Program through the U.S. Department of Energy (DOE). Congress increased the state's 2002 allocation from $3.7 million to $5.6 million. The Department has also received SBF appropriations for use in energy efficiency programs. This increased funding will allow TDHCA and its sub-grantees to provide service to approximately 2000 additional households. However, this benefit can only be realized if program productivity is increased. This project will increase sub-grantee productivity allowing them to serve more households. Clients will also receive better service since homes will be weatherized more quickly through this process. In order to ensure expeditious use of SFY 2002 funds, the Department ~~will~~ seeks board approval for this project in the December board meeting. The current EASY Audit II application is a stand-alone system utilizing a non-conforming database to the Oracle database system established by TDHCA. Each energy audit is performed on an individual laptop. There is not a consolidation of this information other than running separate queries on each laptop and then consolidating this information to make decision-making reports. The developer responsible for the Easy Audit application will be providing the conversion developer via JAVA over to a web-based system that will integrate with the Central Database Project. The TDHCA Senior Database Administrator (DBA) will work closely with the 3rd party ensuring that all TDHCA standards are maintained. This development will meet all DOE requirements. This upgrade will incorporate sophisticated analysis tools in evaluating program effectiveness.

Fiscal Measures

This project will help ensure timely expenditure of approximately $2 million in additional DOE funding for SFY 2002 as well as $17 million in System Benefit Fund appropriations over the biennium. Timely expenditure of these funds will assist the Department sub-grantees to provide weatherization of approximately 2000 more homes. If the approvals sought via waiver for this project are not approved, in-house development staff will have to re-create the proprietary application and will not be able to funnel their full resources to the overall Department's Central Database Project.

Performance Measures

There are two performance measurements that will be made during this project, 1) implementation and 2) production. The contractor will utilize Microsoft Project to monitor performance of the overall implementation of the project for timelines and milestones for the deliverables. The contract will conform to a deliverables method of payment. This will ensure activities are completed before payments are made. Weekly meetings and/or status reports on tasks associated with the project will be closely monitored to ensure success at meeting the production date set out by the plan. Post implementation performance will be measured by all field inspectors for Energy Assistance being able to upload and download information to their laptops directly into the central database. Timely report generation will also be an indication of post implementation success. And, most importantly, timely energy audits will enhance delivery of weatherization service delivery.

Acquisition of Alternatives Analysis

The current EASY Audit II application is actually a third generation product developed by a company called CRN in Austin, Texas. CRN has worked closely with the U.S. Department of Energy (DOE) and the Energy Assistance section at TDHCA. The software application includes a calculation engine with many of the required thresholds established by the DOE already built into the application. No other vendors were found to have the knowledge or comparable application available for purchase. Application development by in-house staff is estimated to have a negative impact on the Central Database Project timeline. The best alternative is to remain with the same 3rd party, CRN, and assist in the integration with their web-based version of the program with the Department's overall Central Database Project. The development staff will work closely with CRN to ensure TDHCA software development standards are maintained.

Mr. John Keel
Legislative Budget Board
105 West 15th Street, Suite 300
Austin, Texas 78701

December 12, 2001

Re: Request for Approval to Exceed the Limitation on Capital Budget Expenditures for the Development of the Weatherization Assistance Program Evaluation Project and the Conversion of EASY Audit II to EASY Audit III Project

Dear Mr. Keel:

As Chairman of the Board of Directors of the Texas Department of Housing and Community Affairs (Department), I am writing to request approval for the Department to exceed the limitation on Capital Budget expenditures for SFY 2002 and SFY 2003 in order to develop the Weatherization Assistance Program (WAP) Evaluation Project and to convert the existing EASY Audit II software application to EASY Audit III, a web-based application pursuant to SB1, Article IX, Section 6.17 (b).

The Department of Energy (DOE) caps weatherization expenditures at $1,500 per household, thereby limiting the service level that each household can receive with these funds. To ensure that WAP clients receive the greatest benefit from the program, the Department must evaluate the weatherization needs of the household and determine the level of service that will be cost-effective for specific households. At present, the Department lacks software to adequately evaluate the work, and the effectiveness of devices installed for "cooling" a dwelling.

In June 2001, the Department received increased funds for the Weatherization Assistance Program through DOE. Congress increased the state's 2002 allocation from $3.7 million to $5.6 million. This increased funding will allow the Department and its sub-grantees to provide service to approximately 2000 additional households. This benefit, however, can only be realized if program productivity of the EASY Audit II application is enhanced and converted into a web-based application. The current EASY Audit II system is stand-alone and resides on individual laptop computers.

On December 12, 2001, the TDHCA Board of Directors agreed to request approval from the Legislative Budget Board to exceed the Department's Capital Budget expenditures by $520,000. These funds will be used in the development of the two above-mentioned projects. Funding for these projects will come from the Department of Energy's Weatherization Assistance Program, the Low Income Housing Energy Assistance Program (LIHEAP) and the Investor Owned Utility (IOU) Administration.

Without the expansion and enhancement of these applications, critical agency initiatives will not be able to proceed.

Thank you in advance for your consideration and approval of our proposed projects.

Sincerely,

Michael Jones
Chair
Board of Directors
Texas Department of Housing and Community Affairs
ATTACHMENT

cc: Mr. Wayne Roberts, Governor's Budget Office

Mr. Wayne Roberts
Office of the Governor
1100 San Jacinto, Room 4.300
Austin, Texas 78701

December 12, 2001

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Michael Jones
Chair
Board of Directors
Texas Department of Housing and Community Affairs

ATTACHMENT

cc: Mr. John Keel, Legislative Budget Board

REPORT ITEMS

Executive Directors Report
RMRB, Series 2001 A-E Pricing and Closing
Projected Single Family Bond Issuance in 2002

EXECUTIVE SESSION

Personnel Matters
Personnel Matters on Executive Director Position and Applications
Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception)
Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code
Consultation with Attorneys Concerning Litigation on Cause No. GN102058, Kenneth H. Mitchell, The Grand Texas, Ltd., and One Buena Vista, Ltd. v. Texas Department of Housing and Community Affairs, in the 53rd District Court of Travis County
The Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

Individuals who require auxiliary aids, services or translators for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.