APRIL 4, 2002

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING OF APRIL 11, 2002

AGENDA

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
City Hall, Second Floor, 901 Bagby, Houston, Texas 77002
April 11, 2002 12:00 Noon

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 February 21, 2002 — Michael Jones

Item 2 Presentation, Discussion and Possible Approval of Financial Items: — C. Kent Conine

a) Acceptance of Second Quarter Investment Report
b) Approval of a Proposed Issuance of Multifamily Mortgage Revenue Bonds for the Park Meadows Apartments, Boerne, Texas, in an Amount not to Exceed $4,700,000 and Other Related Matters
c) Approval of Recommendation to Amend the Guidelines Regarding The Amount of Assistance Available to Borrowers under the Single Family MRB Down Payment Assistance Program
d) Approval of the Senior Managing and Co-Senior Managing Underwriting Firms for Detailed Research and Preliminary Structuring of Revenue Bonds for Affordable Housing Preservation and Modernization and Other Related Matters
e) Approval of Recommendations Relating to the Prospective Issuance of Tax-Exempt Mortgage Revenue Bonds for Single Family Mortgage Loans and Other Related Matters
f) Approval of an Application to the Texas Bond Review Board for Reservation of Private Activity Bond Authority
g) Approval of Extension of Origination Period for Program 54

Item 3 Presentation, Discussion and Possible Approval of Programmatic Items: — Shadrick Bogany

a) Approval of Section 8 Program Public Housing Authority Plan for the Year 2002 and Other Related Matters
b) Approval of Proposed Housing Sponsor Report Rules
b) Approval of Proposed Rule 10 TAC1.13 Applicant Compliance with State and Federal Laws Prohibiting Discrimination
c) Approval of 2002 Proposed Bond Eligible Tenant Limits

d) Approval of Previously Disqualified Applications Who Are Now Eligible for Awards and Additional HOME CHDO Award Recommendations for:

App. No.	Applicant	Location	Activity	Region	Score	Amount
20020223	City of Bartlett	Bartlett	HBA	07	198.50	$100,000
20010144	City of Merkel	Merkel	OCC	02	242.00	$220,000
20010113	City of China	China	OCC	05	226.00	$495,000
20010139	EAC of Gulf Coast	Bay City	OCC	06	239.00	$495,000
20010101	City of La Coste	LaCoste	OCC	8A	241.00	$246,720
20010185	Community Services	Encinal	RHD	8B	189.00	$725,607
20010245	Statewide Consolidated	Beaumont	RHD	05	180.00	$636,841

Item 4 Presentation, Discussion and Possible Approval of Four Percent (4%) Low Income Housing Tax Credit Items: — Michael Jones

a) Approval and Possible Issuance of a Determination Notice to a Tax-Exempt Bond Project with TDHCA as Issuer:

01461 Park Meadows Apartments — Boerne, Texas

b) Approval and Possible Issuance of Determination Notices to Tax -Exempt Bond Projects with Local Bond Issuers:

01463	Grand Reserve Srs. Comm.	McKinney, Texas
01464	Arbor Bend Villas	Ft. Worth, Texas
01466	Copperwood Ranch	Houston, Texas
01467	Wintergreen Sr. Apartments	DeSoto, Texas
01468	Overton Park	Ft. Worth, Texas
01471	Gateway Georgetown	Georgetown, Tex
01481	Sierra Vista	El Paso, Texas
01483	Woodland Ridge	San Antonio, Tex
01485	Clearwood Villas	Houston, Texas

Item 5 Presentation, Discussion and Possible Approval of a Request to 2001 Nine Percent (9%) Low Income Housing Tax Credit Transaction For Request on Carryover Deadline for Project #02010, Champion Forest Apartments, Houston, Texas — Michael Jones

Item 6 Presentation, Discussion and Possible Approval of Waiver of Exhibit 108 Of the 2000 Qualified Allocation Plan for an Extension of the Submission Deadline for Appraisals on Developments with Funding from Rural Development — Michael Jones

Item 7 Presentation, Discussion and Possible Approval of Change(s) in the Process for Certifying Community Housing Development Organizations — Michael Jones

REPORT ITEMS

Executive Directors Report — Edwina Carrington

Taxable Junior Lien Mortgage Revenue Bonds,
Series 2002A Pricing and Closing

Collateralized Home Mortgage Revenue Bonds, Series 1991A,

GNMA Sale, Closing and Bond Redemption

Single Family Mortgage Revenue Bond Indenture Economics
Subprime Lending Program

Investment Banking Pool Teams and Rotation Update

Urban Affairs Meeting of 04-11-02
Legislative Visits/Trade Publication Interviews

EXECUTIVE SESSION Michael Jones

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception)

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

ADJOURN Michael Jones
Chair of Board

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.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

APRIL 11, 2002

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

Item 1 Presentation, Discussion and Possible Approval of Minutes of Board Meeting of February 21, 2002

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
City Council Chambers, 2 Civic Center, El Paso, Texas 79901
February 21, 2002 9:00 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 February 21, 2002 was called to order by Board Chair Michael Jones at 9:00 a.m. It was held at the City Council Chambers, 2 Civic Center, El Paso, Texas. Roll call certified a quorum was present. Vidal Gonzalez was absent.

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

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

Mr. Michael Jones thanked the City of El Paso for inviting the Board to their city to hold this meeting. He also stated several of the board members have had the privilege to work with James Daross from El Paso who served on the TDHCA board for several years. Mr. Jones stated Mr. Daross was a very effective and courageous board member and he wanted the City of El Paso to know that Mr. Daross served the region very well and always kept this region in the minds of the board members.

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 gave comments at this time.

<u>Paul Valenzuela, Pecos County Commissioner, Texas</u>

Mr. Valenzuela thanked the board for their continued work in rural West Texas. He stated for the past 12 years he has been fortunate to receive grants approved by the Board and stated Ms. Ruth Cedillo has been wonderful to them.

<u>Jerry Agan, Presidio County Judge, Texas</u>

Mr. Agan welcomed the Board to far West Texas and thanked them for grants of over $5 million that came through TDHCA for the Colonias of Presidio County. He stated he felt TDHCA is one agency that he could call and they would tell him what is going on and whether they can or cannot give assistance at that particular time.

Jesus Hernandez, Mayor, City of Socorro, Texas

Mayor Hernandez thanked the Board for coming to El Paso and for the tremendous amount of work that has been done in their area and to keep on doing a great job. He also thanked Ruth Cedillo for all her help in the past.

Frank DeSales, Executive Director, Sparks Housing Dev. Corp., Socorro, Texas

Mr. DeSales stated the mission of their organization is to better the life and well being of children and families residing in the Sparks colonia and the surrounding areas by providing housing, rehabilitation, educational opportunities, youth and social services. He stated TDHCA has helped demonstrate that colonia-based projects managed by communities for a community make a striking impact. They owed much if not all of their success to the department for helping by providing technical assistance and funding to organizations. TDHCA has helped in the construction of their community center, infrastructure development and rehab/construction of eight homes. He again thanked the board for this relationship and support throughout the years.

Jose Garza, Director of Intergovernmental Affairs, San Antonio Housing Authority, San Antonio, Texas

Mr. Garza commended the board and TDHCA for the excellent work that they are doing in housing. He stated they would like to partner with TDHCA to provide affordable housing throughout the state and felt that together, more could be done. He stated several months ago a group of people met to dialogue on how to better meet the challenges of housing people from low-income households. An idea was to create the Texas Housing Coalition which has dealt with many issues and they are trying to create partnerships to better serve clients. Out of this meeting also came an idea to create or recommend to TDHCA to create an advisory council composed of representatives of the Public Housing Authority. He asked for an advisory committee to be created to share information and serve as an exchange forum to educate each other on roles, responsibilities, needs and concerns of challenges to serve low income household. He also expressed his sincere appreciation to Ruth Cedillo who has helped them tremendously.

He then read a letter into from Texas NAHRO which stated:

> "Honorable members of the Board, I regret that I am unable to join you today due to a scheduling conflict. The membership of the Board of the Texas Chapter of NAHRO is most appreciative of the work performed by the Texas Department of Housing and Community Affairs. For our membership and the lower-income families we serve, TDHCA plays a critical and essential role in the development of affordable housing in Texas. The primary work of public housing agencies focuses on the development and delivery of affordable housing to various federal programs and tax credits. The collaborative effort of your Board, your agency, NAHRO, and the housing advocates and the people from the private sector, and other housing groups, the concept of forming an advisory council to TDHCA is being developed. In these challenging times of limited resources and growing need for more affordable housing within our communities, we believe that expanding partnerships and in housing collaboration and communications is critical. We fully support the concept of an advisory council, and encourage you to form and create it. Thank you for your consideration for this initiative. David Zappasodi, President, Texas NAHRO."

Randy Bowling, Tropicana Building Corporation and Patriot Mortgage, El Paso, Texas

Mr. Bowling read a letter to the Board prepared by Bobby Bowling which stated:

> "We are extremely happy with the changes that have been made in TDHCA in the past 12 months. Staff is doing a great job complying with the new sunset legislation, specifically with regard to the regional allocation formula. We've been able to report to our legislative team in El Paso that the changes intended by the legislation are being implemented rapidly. In El Paso, we've always been very sensitive to how TDHCA's money is distributed, because our needs are so great. While our population is not as large as

some other areas around the state, we feel our need for your funds is greater, because of our extremely low-income families. We are extremely pleased with the way the regional allocation formula has been figured, and feel that it takes into account the needs of poor border communities better than it has done in the past. Additionally, we are pleased to see the board direct the staff that points are the overwhelming determinant in allocating funds for the tax credit program. We again think this is a fair objective way of allocating funds, and think that the directive was long overdue. Finally, thank you for coming out to El Paso and including us in state policy." Thank you.

Demetrio Jimenez, Greater El Paso Chamber of Commerce, El Paso, Texas

Mr. Jimenez congratulated the Board for the changes made in the last 12 months as he felt the changes have been significant, especially with the tax credit program. He also stated the border field offices have helped him in working with the department to help devise ways to better perform and the deliver affordable homes. He also welcomed the board and staff to El Paso.

Imelda Garcia, Bienestar Familiar, Socorro, Texas

Ms. Garcia stated the El Paso office has helped their organization tremendously and she stated non-profits need more capacity building.

Chairman Jones thanked Anabel Olague and Alex Cossio with the El Paso Office of TDHCA for all their hard work throughout the year but especially for all the help given to make this board meeting successful. He also thanked the City of El Paso for their hospitality and the Chamber of Commerce for their hosting the reception on Wednesday in honor of the TDHCA board and staff.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of the Board Meeting of January 17, 2002

Motion made by Beth Anderson and seconded by Shadrick Bogany to approve the minutes of the Board Meeting of January 17, 2002.

Passed Unanimously

At this time Mr. Jones re-ordered the agenda.

EXECUTIVE SESSION

Deliberate and Discuss Employment of an Executive Director for the Texas Department of Housing and Community Affairs Under Section 551.074 Texas Government Code Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception); Consultation with Attorneys Concerning Pending Litigation Cause No. GN2-00408, CMH Homes, Inc., Waterwood Development Co. Ltd., and the Texas Manufactured Housing Association, Inc., v. Texas Department of Housing and Community Affairs, Ruth Cedillo, in her official capacity as the Acting Executive Director thereof, and the Manufactured Housing Board in the 200th Judicial District Court of Travis County. The Board may discuss any item listed on this agenda in Executive Session

Mr. Jones stated: "On this February 21, 2002 at a regular board meeting of the Texas Department of Housing and Community Affairs held in El Paso, 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, February 21, 2002, at 9:22 a.m. The subject matter of this executive session deliberation is to deliberate and discuss employment of an Executive Director for the Texas Department of Housing and Community Affairs Under Section 551.074 Texas Government Code; Litigation and anticipated litigation, (potential or threatened, under Section 551.071 and 551.103, Texas Government Code litigation exception); Consultation with attorneys concerning pending litigation, Cause No. GN2-00409, CMH Homes, Inc. Waterwood Development Co. Ltd., and the Texas Manufactured Housing Association, Inc. v. Texas Department of Housing and Community Affairs, Ruth Cedillo, in her official capacity as the Acting Executive Director and the Manufactured Housing Board in the 200th Judicial District Court, Travis County, Texas. The board may discuss any item listed on the agenda in executive session."

The Board went into Executive Session at 9:22 a.m. and returned to Open Session at 9:30 a.m.

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Mr. Jones stated: "The Board of Directors has completed its executive session of the Texas Department of Housing and Community Affairs on February 21, 2002 at 9:30 a.m. The subject matter of this executive deliberation was as follows: Deliberate and Discuss Employment of an Executive Director for the Texas Department of Housing and Community Affairs Under Section 551.074 Texas Government Code; Action taken: none. Litigation and anticipated litigation, potential or threatened, under Section 551.071 and 551.103, Texas Government Code litigation exception; Action taken: none. Consultation with attorneys concerning pending litigation, Cause No. GN2-00409, CMH Homes, Inc. Waterwood Development Co. Ltd., and the Texas Manufactured Housing Association, Inc. v. Texas Department of Housing and Community Affairs, Ruth Cedillo, in her official capacity as the Acting Executive Director and the Manufactured Housing Board in the 200th Judicial District Court of Travis County (by way of comment, that suit has been dismissed); Action taken, none; and the Board may discuss any item listed on the Board meeting agenda in executive session; Action taken, none. I hereby certify that this agenda of an 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 with the Secretary of State's Office seven days prior to the meeting pursuant to Sec. 551.044 of the Texas Government Code, and that all members of the board of directors were present with the exception of Vidal Gonzalez and that this is a true and accurate record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code." Signed by Michael Jones.

At this time, Chairman Jones re-ordered the agenda.

(4) Presentation, Discussion and Possible Approval of Report from Executive Director Search Committee:

Deliberate and Discuss Action on Employment of an Executive Director for the Texas Department of Housing and Community Affairs under Section 551.074 Texas Government Code and Possible Approval of Selection and Appointment of the Executive Director of the Texas Department of Housing and Community Affairs, Under Section 551.074 Texas Government Code

Mr. Conine stated he too would like to express thanks to the citizens of El Paso and the surrounding area for their hospitality. The reception sponsored by the Chamber of Commerce and others was outstanding and the Board is always happy to go to El Paso.

He further stated it was a pleasure to make this report to the Board and as the Board knows, the task of searching for the new executive director was given to a committee consisting of Mr. Shad Bogany, Mr. Norberto Salinas and Mr. Conine. He commended Mr. Bogany and Mr. Salinas for their time allocation and dedication to reviewing over 60 resumes and helping in the interview process. Mr. Salinas and Mr. Bogany were outstanding and their input has been tremendously valuable. The committee did evaluate about ten candidates in the first round of interviews. There was a second round of interviews held which consisted of four candidates. The committee was thoroughly impressed with the quality of the people who were applying for the job and knowing the challenges ahead, with both the sunset legislation coming forward for TDHCA and as well as compliance with Senate Bill 322 and other challenges, the Committee was pleased to have a tough decision. They did gain consensus on one candidate and stated it reminded him of a prodigal daughter in this case, that one of the former employees is coming back. She comes from the Texas Housing Finance Corporation where she has been Chief Executive Officer since 1994. In her capacity there, she worked diligently with the affordable housing programs of providing equity and housing related issues. The committee felt her experience and capacity to lead TDHCA is superb.

Motion made by C. Kent Conine and seconded by Shadrick Bogany to appoint Ms. Edwina Carrington as the new Executive Director for the Texas Department of Housing and Community Affairs.
Passed Unanimously

Ms. Carrington thanked the Board for their confidence and stated that the Committee asked the tough questions, they were extremely professional, and made the candidates think very long and hard about TDHCA and what needed to be done and what each candidate could contribute to TDHCA and to affordable housing in the state. She stated she was delighted, excited and looking forward to working at TDHCA. The department has a very committed board of directors, a very good staff and the first thing to focus on will be getting through sunset and then look to see what kind of model affordable housing programs can be created for low and moderate income citizens of Texas. She thanked the board for their trust and confidence.

Mr. Conine stated that Ms. Carrington would begin working at TDHCA on March 11, 2002.

Mr. Jones stated he asked Mr. Salinas, Mr. Bogany and Mr. Conine to do this task and they have done a wonderful job. The untold hours spent on reviewing 64 resumes were monumental for the state. He thanked them for doing this task and he felt from the bottom of his heart, that the board has made an excellent decision.

Michael Jones, Chair of the Board, thanked Ruth Cedillo, Acting Executive Director, for her leadership, through times that really needed a good leader. He stated she is a healer and has helped heal a lot of things in the department. He stated it is hard for an interim director to be a true leader but Ms. Cedillo has certainly been that. She received a standing ovation from everyone in attendance.

Ms. Cedillo thanked the board for giving her the opportunity to work with the staff of TDHCA. Ms. Carrington is inheriting a great staff at the Department of Housing and Community Affairs and Ms. Cedillo asked the staff to stand. Ruth stated that one is only as good as the staff that is behind you and she felt that the staff at TDHCA is greatest. She asked that the staff also receive thanks and there was applause for the staff. She also stated it has been a pleasure working with all of the board members. As many people knew, she worked with the CDBG Program for many years before taking the position as Deputy Executive Director and then as Acting Executive Director. She has found it very rewarding working in housing.

(2) Presentation, Discussion and Possible Approval of Financial Items:

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

Mr. Matt Pogor, SF Bond Finance Manager, stated at the August Board Meeting, the Board approved a request to research issuing taxable mortgage revenue bonds under the single-family mortgage revenue bond indenture to provide funds for non-traditional single-family lending programs. The staff and the departments bond finance counsel has determined that an issue is feasible and staff has been working structuring and documenting this bond issue. M.R. Beal is the senior underwriter. The issue being presented is a taxable issue and the size will be equal to about $10 million. The allocation of the bonds proceeds will be subject to authorization of departmental funding needs and public comment. No program funds will be allocated or disbursed to department divisions or programs unless the respective divisions receiving the allocation has established adequate written procedures and policies and satisfactory internal controls over the accounting for and monitoring of the program 58 mortgage loan disbursements under the respective division programs.

He further stated that the department divisions and programs receiving allocations and disbursements may be subject to review and/or to be audited by the internal auditing division prior to receiving program 58 allocations.

Motion made by C. Kent Conine and seconded by Shadrick Bogany to approve the documents relating to the issuance of taxable Junior Lien Single Family Mortgage Revenue Bonds, Series 2002A with approval of Resolution No. 02-13.
Passed Unanimously

Mr. Conine commended staff for this very innovative program, as it is tremendous to do nontraditional programs in areas that not only citizens around the state, but the Legislature has requested that TDHCA do.

e) Approval of an Inducement Resolution and Other Matters Related To a Proposed Issuance of Qualified 501(c)(3) Multifamily Mortgage Revenue Bonds in an Amount Not to Exceed $31,500,000 in Order to Refund the Department's Outstanding Multifamily Mortgage Revenue Bond (NHP Foundation Asmara Project), Series 1996, and to Finance Capital Improvements and Repairs to the Nine Apartment Projects Throughout Texas Which Were Originally Financed with Proceeds of the Series 1996 Bonds:
Arbour East Apartments, 300-Unit Complex, Dallas, Texas
Azalea Court, 57-Unit Complex, Dallas, Texas
Creek Hollow Apartments, 120-Unit Complex, Ft. Worth, Texas
Heritage Square Apartments, 112-Unit Complex, Dallas, Texas
Highlands Apartments, 136-Unit Complex, Dallas, Texas
Oak Brook Apartments, 222-Unit Complex, Houston, Texas
Players Club, 320-Unit Complex, Dallas, Texas
Stone Ridge Apartments, 204-Unit Complex, Arlington, Texas
Wellington Place, 164-Unit Complex, Dallas, Texas
Mr. Robert Onion, MF Bond Finance Director, stated this transaction is a refunding of an existing 501(c)(3) transaction that was approved by the Board in 1996. He stated with this refunding, there will be approximately $3 million to be made for improvements and reserving of placement for the projects in and around the Dallas/Ft. Worth area. It will extend the affordability of these projects from ten years to thirty years and will give the department an opportunity to change the rating on the bonds from A to AAA. Under the approved underwriters list the borrower has selected J.P. Morgan/Chase who is currently a co-manager on the list and they are requesting to act as a senior underwriter.

Motion made by C. Kent Conine and seconded by Shadrick Bogany to approve the inducement resolution for issuance of qualified 501(c)(3) multi-family mortgage revenue bonds in an amount not to exceed $31,500,000 to refund the Department's outstanding multi-family mortgage revenue bond (NHP Foundation Asmara Project), Series 1996 and to finance capital improvements and repairs to the nine apartment projects throughout Texas which were originally financed with proceeds of the Series 1996 bonds and these were: Arbour East Apartments, 300-Unit Complex, Dallas, Texas; Azalea Court, 57-Unit Complex, Dallas, Texas; Creek Hollow Apartments, 120-Unit Complex, Ft. Worth, Texas; Heritage Square Apartments, 112-Unit Complex, Dallas, Texas; Highlands Apartments, 136-Unit Complex, Dallas, Texas; Oak Brook Apartments, 222-Unit Complex, Houston, Texas; Players Club, 320-Unit Complex, Dallas, Texas; Stone Ridge Apartments, 204-Unit Complex, Arlington, Texas; Wellington Place, 164-Unit Complex, Dallas, Texas with approval of Resolution No. 02-15.
Passed Unanimously

f) Approval of Proposed Amendment to the Memorandum of Understanding Between the Texas Department of Housing and Community Affairs, and The Texas Bond Review Board, Pertaining to the Department's Qualified 501(c)(3) Multifamily Mortgage Revenue Bond Program
Mr. Onion stated this amended MOU eliminates the provision of 50% of the transactions for 501(c)(3) having to be new construction/acquisition/substantial rehab. It gives the department a greater deal of flexibility in reviewing 501(c)(3) transactions that is required by legislation.

Motion made by C. Kent Conine and seconded by Shadrick Bogany to approve the amendment to the Memorandum of Understanding between the Texas Department of Housing and Community Affairs, and The Texas Bond Review Board, pertaining to the department's qualified 501(c)(3) Multifamily Mortgage Revenue Bond Program.
Passed Unanimously

g) Approval of Investment Policy by Board Resolution

Mr. Bill Dally, CFO, stated the Investment Policy is the policy that the department has had for several years. This is without any amendments or changes but TDHCA's Board is required under the Public Funds Investment Act to review and consider policies and strategies. The investment officers for the department will be the Chief Financial Officer and the Director of Bond Finance.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the investment policy by board resolution No. 02-10.
Passed Unanimously

h) Approval of Resolution Regarding Amendment for Signature Authority

Ms. Cedillo stated this resolution authorizes the Vice-Chairman to sign in the absence of the Chairman.

Motion made by Norberto Salinas and seconded by Shadrick Bogany to approve Resolution No. 02-11 regarding signature authority for the Department.
Passed Unanimously

i) Discussion of First Quarter Investment Report

Mr. Bill Dally stated the Investment Report covers a portfolio that grew a large amount due to the issuance of the RMRB indenture of $124 million. There were three multifamily issues totaling about $36 million increase. He stated with the mortgage backed securities originated the Department has $17.7 million in that investment. The market value increased about $5.2 million overall.

Mr. Conine asked that Mr. Dally present at the next board meeting his opinion of how the department does business as related to the recent criticisms of both Fannie Mae and Freddie Mac.

Motion made by C. Kent Conine and seconded by Elizabeth Anderson to accept the Investment Report as presented.
Passed Unanimously

(3) Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items:

c) Approval of Request for Extension of Commencement of Substantial Construction for: 00133, Cameron Village Apartments, Alice, Texas

Mr. David Burrell stated Cameron Village is requesting an extension for commencement of substantial construction for this 76-unit project. Staff is recommending that the extension be granted through February 22, 2002.

Mr. Mike Segur of Simpson Housing Solutions stated they entered into a joint venture agreement with a HUB but Simpson Housing Solutions has now taken control of the property and will get back on schedule.

Motion made by Norberto Salinas and seconded by Shadrick Bogany to approve the extension request to February 22, 2002, for commencement of substantial construction for 00133, Cameron Village Apartments, Alice, Texas.
Passed Unanimously

At this time the Board returned to the public comment period.

Moises Morales, Ft. Hancock (through an interpreter)
Mr. Morales stated he was presenting public comments from people in Ft. Hancock. They need services such as water, electricity, sewer lines and paved and lighted streets. The people of the colonia are paying taxes but do not have any privileges. They are places about 3 to 4 miles away that have water services and lights. He stated the community leaders say the area has legal problems and they don't have sufficient water services. The colonias are growing and Hudspeth County is doing nothing to help on any services. The public water that is available is very poor.

Mr. Cabello of the OCI Department stated the Attorney General's office has filed litigation against the developer of the subdivision. The county is not interested in providing services because of the litigation issues with the Attorney General's office. One of the issues is capacity and another is the colonia not getting water. The county was not interested in the contract for deed conversion program because they said they did not have the capacity to initiate the program.

Mr. Salinas stated it is the county's (elected officials) duty to stop more colonias from being developed. He further stated the counties need to apply to the state for help in getting water and sewer services. He also stated the county will be in trouble as the law states to be able to have a lot (land) there has to be water available.

Daniel Solis, El Paso, Texas
Mr. Solis stated they are working with the people in Ft. Hancock and the Commissioners Court do not care about the residents in Ft. Hancock. The colonia has grown so big that the majority of the population of Hudspeth County is located in Ft. Hancock. The only reason the issue is coming forth is they have been working through the OCI office in El Paso who has been trying to work with the officials. He asked for help from the state level, from the Secretary of State and from the Attorney General's office to force the counties to implement the laws that they are supposed to be implementing.

Mayor Salinas stated the Department should be asking the Attorney General to be looking into these county commissioners and that the AG's office can direct the county commissioners to stop doing wrong. When a person sells a piece of property the services need to be on this land. He felt everyone could do more to help these people.

Ruth Cedillo stated that the CDBG Program has been transferred to the Office of Rural Community Affairs and she encouraged the citizens of Ft. Hancock to work with our staff in El Paso. TDHCA will make sure the Office of Rural Community Affairs gets a copy of this board meeting transcript so they will be informed about the problems these people are experiencing.

Mayor Salinas stated he would contact the state representatives office to make sure they know of the problems these people are experiencing.

Maria Ortiz, Elizario, Texas (through an interpreter)
Ms. Ortiz stated they need water services and a contract for deed conversion program. They know there are programs that TDHCA can help them with but they need the warranty deeds in order to qualify for these programs.

Mr. Hernandez, Habitat for Humanity, El Paso, Texas
Mr. Hernandez also welcomed the board and staff to El Paso and stated with the help of funds from TDHCA they were able to hire two staff members and double new home constructions for last year. He thanked the board for all their help.

Olga Thomas, Allianza Organization Committee of Hueco Tanks
Ms. Thomas stated their issue is water. They asked TDHCA to provide them with the necessary tools so that they can create alternative methods to obtain water for the community. Their community consists of about 300 families with five to six members in each family. They are in need of water. The county has ignored them and they need help now.

Ramona Vega, San Elizario, Texas

Ms. Vega welcomed everyone to El Paso and said thank you to the board for the assistance she received from the HOME Program. She wished there was more money to help additional colonia residents with the kind of assistance she has received.

Mr. Conine stated he felt the voter mobilization efforts would help in dealing with the county commissioners would help if they have the county residents turn out the next time the commissioners are elected. He also felt the Attorney Generals office will hear about a lot of the concerns expressed at this meeting. The Office of Rural Community Affairs now handles the water and sewer capacity so information will be given to them on the problems the colonias are having. He also stated that staff squeezing the $10 million out of the junior lien program is something that was not achievable several years ago. He applauded the board and staff for all efforts.

At this time people from Hueco Tanks, Vista Monta,] San Elizario, Tornillo, the County of Hudspeth, and Ft. Hancock all stood up so the Board could see all the residents in attendance.

Mr. Solis again stated that the tasks are tremendous. They need money to convert the contract for deeds, for infrastructure and need legal assistance or a legal entity coming from TDHCA so that they can deal with the developers. He asked that a task force be formed so they will work in conjunction with other state agencies and force these agencies to put some teeth into the lasts.

Trini Lopez, City Councilman, City of Socorro
Mr. Lopez congratulated the people of the county who have come to express their concerns, opinions and complaints that they have. The City of Socorro has about 80% of the people living in colonias.

John Rodrigo Mercado, Community Development, El Paso, Texas
Mr. Mercado stated the funding has been transferred from TDHCA to ORCA for infrastructure projects and they need more money. He stated that some of the people do receive water from the City of El Paso as the county has no water or no water district.

REPORT ITEMS
Executive Directors Report

Ms. Cedillo stated that the Ex Parte Rule was tabled at the January Board Meeting but will be presented at the next Board meeting.

Ms. Beth Anderson thanked all the people who attended this board meeting along with the City of El Paso and County of El Paso for all they did for the board meeting to be held in El Paso.

Mr. Conine announced that there would be a press conference on Friday at 2:00 pm at the State Capitol announcing Ms. Carrington as the new Executive Director and invited others to attend.

ADJOURN
Motion made by Beth Anderson and seconded by Norberto Salinas to adjourn the meeting.
Passed Unanimously

The meeting adjourned at 11:15 a.m.

Respectfully submitted,

Delores Groneck
Board Secretary

Item 2(a) Presentation, Discussion and Possible Approval of Financial Items: Acceptance of Second Quarter Investment Report

ACTION ITEM

Acceptance of Second Quarter Investment Report.

BACKGROUND

The Investment Report is presented to the Board each quarter.

RECOMMENDATIONS

Staff is requesting the Board to accept the Second Quarter Investment Report.

TEXAS DEPARTMEN
HO

PUBLIC FUNDS INVESTMENT ACT

Internal M
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(b) (4) Summary statement of each pooled fund group:

INDENTURE	FAIR VALUE (MARKET) @ 11/30/01	CARRYING VALUE @ 11/30/01	CHANGE IN C ACCRETION/ PURCHASES	AMORTIZATION/ SALES
Single Family	351,474,599.29	351,336,845.44	37,711,034.67	(22,622,919.85
RMRB	562,975,515.52	563,420,177.77	17,556,419.13	(22,555,566.25
CHMRB	89,198,809.36	86,453,832.63	13,576,918.77	(16,483,013.29
Multi Family	135,058,973.43	135,058,973.43	68,664,499.01	(24,051,262.57
SF CHMRB 1993	30,946,508.53	29,953,720.75	225,056.17	(16,701.82
SF CHMRB 1994/1995	60,026,555.27	57,968,472.77	70,255.60	(699,633.17
Commercial Paper	3,447,755.10	3,447,755.10	12,950,000.00	(3,363,002.97
General Fund	10,413,553.47	10,413,553.47	43,522.94	(937,488.57
Housing Trust Fund	7,872,654.43	7,872,654.43	232,877.61	(34,334.90
Administration	128,516.25	128,516.25	1,480.23	0.0
Compliance	3,566,566.60	3,566,566.60	518,308.58	0.0
Housing Initiatives	3,147,056.41	3,147,056.41	370,041.18	(1,196,981.20
TOTAL	1,258,257,063.66	1,252,768,125.05	151,920,413.89	(91,960,904.59

* No relationship can be drawn between the "ACCRUED INT RECVBL @ 02/28/02" figures and the corresponding investment values, because of various factors (e.g. purchase date of investment; interest payment terms-daily, monthly & semi-annual; etc..). In addition to the aforementioned factors with regards to the Multi Family Indenture, the Department is carrying $156,214,235 of investments pledged as reserves by participating entities. The Department is carrying these investments with their corresponding liability purely for tracking the flow of funds.

(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

Beginning Carrying Value	1,252,768,125.05
Ending Carrying Value	1,291,132,398.87
Change in Carrying Value	(38,364,273.82)

Beginning Market Value	1,258,257,063.66
Ending Market Value	1,297,469,166.77
	(39,212,103.11)
Change in Carrying Value	(38,364,273.82)
Less Change in FMV	(39,212,103.11)
FMV Adjustment	847,829.29
	(0.00)

PUBLIC FUNDS INVESTMENT ACT
INTERNAL MANAGEMENT REPORT (SEC. 2256.023)
QUARTER ENDING FEBRUARY 28, 2002

Supplemental Information:

1) Pie Chart for Quarter Ending 02/28/02-Beginning Market Valuation by Fund Group
2) Pie Chart for Quarter Ending 02/28/02-Ending Market Valuation by Fund Group
3) Supplemental Public Funds Investment Act Report by Investment Type
4) Pie Chart for Quarter Ending 02/28/02-Beginning Market Valuation by Investment Type
5) Pie Chart for Quarter Ending 02/28/02-Ending Market Valuation by Investment Type
6) Detail of Investments including maturity dates by Fund Group

TEXAS DEPARTMENT OF

HOUSING

PUBLIC FUN

Supple

Quarter End

(b) (4) Summary statement of each pooled investment group:

INVESTMENT TYPE	FAIR VALUE (MARKET) @ 11/30/2001	CARRYING VALUE @ 11/30/2001	CHANGE ACCRETION/ PURCHASES	AMORTIZAT SALES
Mortgage-Backed Securities	791,104,944.52	788,028,218.20	12,664,532.00	(13,107,22
GNMA IIs	1,143,212.63	972,417.46	0.00	
Guaranteed Inv Contracts	191,573,852.50	191,573,852.50	30,496,217.64	(41,127,21
Investment Agreements	192,845,245.77	192,845,245.77	29,401,784.66	(20,499,81
Money Markets	375,072.25	375,072.25	14,665.24	
Treasury-Backed Mutual Funds	11,613,983.41	11,613,983.41	26,997,399.42	(6,060,59
Repurchase Agreements	57,158,712.93	57,158,712.93	52,299,403.13	(10,872,16
Treasury Bills	72,900.07	72,900.07	3,018.22	
Treasury Bonds/Notes	12,369,139.58	10,127,722.46	43,393.58	(293,89
TOTAL	1,258,257,063.66	1,252,768,125.05	151,920,413.89	(91,960,90

(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

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TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

HOUSING FINANCE DIVISION - MULTIFAMILY

REQUEST FOR BOARD APPROVAL OF MULTIFAMILY MORTGAGE REVENUE BOND ISSUANCE

2002 PRIVATE ACTIVITY MULTIFAMILY REVENUE BONDS

PARK MEADOWS APARTMENTS

$4,600,000 (*) Tax Exempt – Series 2002

TABLE OF EXHIBITS

(*) Preliminary - subject to change

507 Sabine, Suite #800
Austin, Texas 78701
(512) 475-2213/(512) 475-3362 [Fax]
Attn: Director of Multifamily Finance

FINANCE COMMITTEE AND BOARD APPROVAL MEMORANDUM

April 11, 2002

PROJECT: Park Meadows Apartments, Boerne, Kendall County, Texas

PROGRAM: Texas Department of Housing & Community Affairs
2002 Private-Activity Multifamily Housing Revenue Bonds
(Reservation received 01/09/2002)

ACTION REQUESTED: Approve the issuance of multifamily housing 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 Boerne Park Meadows Apartments, L.P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipment and long-term financing of a proposed, 100 unit multifamily residential rental development to be constructed in Boerne, Kendall County, Texas 78006. (the "Project"). The Bonds will be tax-exempt by virtue of the Project's qualifying as a residential rental project.

BOND AMOUNT: $4,600,000 Series 2002, Tax Exempt Bonds (*)

(*) 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.

ANTICIPATED CLOSING DATE: The Department received a volume cap allocation for the Bonds on January 9, 2002 pursuant to the Texas Bond Review Board's 2002 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before May 9, 2002, the anticipated closing date is April 5, 2002.

BORROWER: Boerne Park Meadows Apartments, L.P., a Texas limited partnership, the managing general partner of which is Boerne Park Meadows Developers, L.L.C. The principals of the general partner are J. Steve Ford, Manager and G. G. MacDonald, Manager. SunAmerica Affordable Housing Partners, Inc. will provide the equity for the transaction by purchasing a 99.99% limited partnership interest.

COMPLIANCE HISTORY: The Compliance Report reveals that the above principles have eight properties monitored by the Department. Of the eight properties being monitored, three have not received a compliance score and five have received a compliance score of zero (no compliance issues). All of the

** Preliminary - Represents Maximum Amount* compliance scores are well below the material non-compliance score of 30.

ISSUANCE TEAM & ADVISORS:

SunAmerica, Inc. (Equity Provider)
SunAmerica, Inc. (Construction Phase Credit Facility Provider)
Bank One, National Association, (Trustee)
Kirkpatrick Pettis (Bond Purchaser)
Vinson & Elkins L.L.P. (Bond Counsel)
Dain Rauscher, Inc. (Financial Advisor)
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)

BOND PURCHASER: The Bonds will be privately purchased by Kirkpatrick Pettis. The purchaser and any subsequent purchaser will be required to sign the Department's standard traveling investor letter.

PROJECT DESCRIPTION: The Project is a 100-unit multifamily residential rental development to be constructed to be constructed on approximately 13.788 acres of land located on the second lot on the west side of Calk Lane north of the intersection of Calk Lane and West San Antonio Street, in Boerne, Kendall County, Texas 78006. Site density will be 13.79 dwelling units per acre. The Project will include a total of twenty-five (1) one story wood-framed buildings with a total of 95,756 net rentable square feet and an average unit size of 958 square feet. Each unit will be handicap adaptable having grab bars in the bathroom, extra wide doorways throughout the unit, lever-action door hardware, and wheelchair turnarounds in all kitchens and bathrooms. The project will include a clubhouse with offices, a community/card room, a full kitchen facility, an exercise room with exercise equipment and public restrooms. On-site amenities will include a swimming pool, picnic area area, and barbecue grill. 226 uncovered parking spaces are provided in the site plan.

Units	Unit Type	Square Feet
48	1-Bedroom/1-Bath	826
52	2-Bedrooms/1.5-Baths	1079
100		

SET-ASIDE UNITS: For Bond covenant purposes, at least forty (40%) of the residential units in the development will be set aside for 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: For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for fifty percent (50%)

of the area median income.

TENANT SERVICES: The Borrower has contracted with Community Council of South Central Texas, Inc. to provide a Tenant Services Plan based on the tenant profile upon lease-up that conforms to the Department's program guidelines.

DEPARTMENT ORIGINATION FEES:

$1,000 Pre-Application Fee (Paid).
$10,000 Application Fee (Paid).
$23,000 Issuance Fee (.50% of the bond amount paid at closing).

DEPARTMENT ANNUAL FEES:

$4,600 Bond Administration (0.10% per annum of the aggregate principal amount of Bonds outstanding)
$2,500 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: $2,500 to TSAHC or assigns ($25/unit/year adjusted annually for CPI)

TAX CREDITS: The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to $222,368 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 $1,778,943 of net equity proceeds 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 the Bond Purchaser, and will mature over a term of 32 years. During the construction and lease-up period, the Bonds will pay as to interest only. The Bonds will be secured by a first lien on the Project.

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.

Subsequent to the original issuance of the Bonds: (i) the Borrower may deliver to the Trustee a Credit Facility securing the Bonds which will cause the Bonds to convert from unrated Bonds to Bonds having a rating of "A" or better or (ii) the Bonds will be deposited with a bank or trust company pursuant to a trust or custody agreement under which certificates will be issued evidencing direct ownership interest in the Bonds, the payments of principal of and interest on which will be secured by such Credit Facility.

BOND INTEREST RATES: The interest rate on the Bonds will be approximately 6.50%.

CREDIT ENHANCEMENT: Initially, the bonds will be unrated with no credit enhancement.

FORM OF BONDS: The Bonds will be issued in book entry form and in denominations of $100,000 or any integral multiple of $5,000 in excess of $100,000 and on and after the Conversion Date, $5,000 or any integral multiple of $5,000.

MATURITY/SOURCES & METHODS OF REPAYMENT: The Bonds will bear interest at a fixed rate until maturity and will be payable monthly. During the construction phase, the Bonds will be payable as to interest only, from an initial deposit at closing to the General Account of the Revenue Fund, earnings derived from amounts held on deposit in an investment agreement, and other funds deposited to the Revenue Fund specifically for capitalized interest during a portion of the construction phase. After conversion to the permanent phase, the Bonds will be paid from revenues earned from the Mortgage Loan.

TERMS OF THE MORTGAGE LOAN: The Mortgage Loan is a non-recourse 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:

Mandatory Redemption:

(a) Under certain circumstances, the Bonds are subject to mandatory redemption in whole or in part: (1) to achieve Stabilization; (2) in the event of damage to or destruction or condemnation of the Project to the extent that insurance proceeds or a condemnation award in connection with the Project are not applied to restoring and repairing the mortgaged property; (3) in the event the mortgage loan amount is re-determined; or, (4) for certain default.

(b) A portion of the Bonds are subject to mandatory redemption from proceeds remaining in the Mortgage Loan Fund that are not needed to complete the project which are not qualified project costs.

(c) The Bonds are subject to a mandatory redemption in part according to the dates and amounts indicated on the Mandatory Sinking Fund Schedule.

Optional Redemption:

(a) The Bonds are subject to redemption, in whole, at the option of the Borrower, at any time on or after May 1, 2012, based upon an optional prepayment of the Loan by the Borrower.

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 Four (4) funds with the following general purposes:

1. Mortgage Loan Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Mortgage Loan Fund which consists of one (1) main account called the Bond Account.

   (a) Bond Account– representing the Net Bond Proceeds of the sale of the bonds. Net Bond Proceeds are used to pay for Qualified Project Costs;

2. Cost of Issuance Fund – Fund into which all Cost of Issuance

Deposits are held including deposits paid directly by the Borrower and deposits funded with Net Bond Proceeds, if any.

(a.) Cost of Issuance Deposit Account – representing a portion of the initial equity contribution of the Borrower exclusively set-aside for the payments of the Costs of Issuance.

(b.) Net Bond Proceeds Account – representing Net Bond Proceeds derived from the sale of the Bonds and funds received from the borrower to be applied to pay Costs of Issuance.

3. Revenue Fund – Revenues from the project are deposited to the Revenue Fund and disbursed to sub-accounts for payment to the various funds according to the order designated under the Indenture: (1) to the payment of Interest on the Bonds; (2) to the payment of the principal or redemption price, including premium, if any on the Bonds; (3) to the payment of the amounts owing under the Credit Facility; (4) to the payment of the fees of the Trustee, the Rebate Analyst, the Servicer, the Issuer and the Asset Oversight Agent, if any, due and owing under the Loan Documents and the Indenture.

(a.) General Account – representing the accrued interest on the bonds in addition to the Initial Debt Service Deposit received from the Borrower.

(b.) Redemption Account – representing any prepayment of principal of the Mortgage Loan and other amounts required by the terms of the Trust Indenture.

(c.) Credit Facility Account – representing all amounts advanced under the Credit Facility. This account shall be closed when there is no continuing liability under the Credit Facility.

(d.) Fees Account – representing Issuer Fees, Asset Oversight Agent's Fee, and all Third Party Fees (including annual fees to the Trustee and the Rebate Analyst) to the extent that such fees are not included in the Mortgage Note Rate or paid in advance on the Closing Date.

4. Rebate Fund – Fund into which certain investment earnings are transferred that are required to be rebated periodically to the appropriate Internal Revenue Service Center as directed by the Borrower 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.

Essentially, all of the bond proceeds will be deposited into the Bond Account within the Mortgage Loan Fund and disbursed therefrom during the construction phase to finance the construction of the Project. Although costs of issuance of up to two percent (2%) of the principal amount of the 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 selected 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.

4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 1998.

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.

2002-002 Park Meadows Apartments

General Information		**Principal Contact**	
Bond Amount	$6,500,000	Boerne Park Meadows Apts., L.P.	
Program:	2002 Private Activity	G. Granger MacDonald	
Bond Structure:	SunAmerica/AMBAC	5651 Fall Creek Road	
Purpose:	New Construction	Kerrville, Texas 78028	
Status:	Full Application	830-257-5323	Leslie
A/O:	RFO		

Project(s)	**City**	**Units**
Park Meadows Apartments	Boerne	120

Project History - Timeline	**Responsibility**	**Due Date**	**Status**
Deadline to submit TEFRA notice to Tx Reg	TDHCA	1/2/2002	Done
TEFRA notice in newspaper	V&E, Applicant	1/4/2002	Done
BRB Reservation received	BRB	1/9/2002	Done
Complete Application due to TDHCA	Applicant	1/9/2002	Done
TEFRA notice published in Tx Reg	Texas Register	1/11/2002	Done
TEFRA Signage on property	Applicant	1/14/2002	Done
TEFRA Hearing (6:00pm)	TDHCA, Applicant	1/28/2002	Done
35 day reservation filing	V&E	2/13/2002	Done
Kick-of conference call (3:00 CST)	All	2/19/2002	Done
1st draft of Bond Documents	V&E	2/21/2002	Done
1st due diligence conference call (3:00 cst)	All	3/1/2002	Done
2nd draft of Bond Documents	V&E		
2nd due diligence conference call	All		
Final construction plans, appraisal, and all other due diligence materials are due to TDHCA	**Applicant**	**3/25/2002**	**Done**
All third party debt & equity commitments, Sources & Uses and Debt Service Schedule are due to TDHCA	**Applicant**	**3/25/2002**	**Done**
TDHCA Board draft write-up due	TDHCA	3/25/2002	Done
Notice of Intent to the BRB	TDHCA	3/28/2002	Done
TDHCA underwriting due	TDHCA	3/28/2002	Done
Board final write-ups due	TDHCA	3/28/2002	Done
Bond Review Board application due	TDHCA	4/2/2002	Scheduled
Final Bond Docs and Resolution (by 12:00 Noon)	V&E	4/2/2002	Scheduled
TDHCA Board Meeting agenda published	TDHCA	4/3/2002	Scheduled
3rd due diligence conference call	All		
File transcripts with Attorney General	V&E	4/9/2002	Scheduled
BRB Planning session	TDHCA, V&E, FA, Applicant	4/9/2002	Scheduled
TDHCA Board Meeting	TDHCA, V&E, FA, Applicant	4/11/2002	Scheduled
Bond Review Board Meeting	TDHCA, V&E, FA, Applicant	4/18/2002	Scheduled
Circulate draft of closing memorandum	Underwriter	4/18/2002	Scheduled
Circulate Closing Memorandum	Underwriter	4/22/2002	Scheduled
Final Building permits due to TDHCA	Applicant	4/24/2002	Scheduled
Pre-close Bonds	All	4/24/2002	Scheduled
Close Bonds	All	4/25/2002	Scheduled
Reservation Expiration Date	BRB	5/9/2002	Scheduled

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: March 25, 2002 **PROGRAM:** Multifamily Bonds 4% LIHTC **FILE NUMBER:** 2002-002 01461

DEVELOPMENT NAME

Park Meadows Apartments

APPLICANT

Name: Boerne Park Meadows Apartments, L.P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 2951 Fall Creek Road **City:** Kerrville **State:** TX

Zip: 78028 **Contact:** G. Granger MacDonald **Phone:** (830) 257-5323 **Fax:** (830) 257-3168

PRINCIPALS of the APPLICANT

Name	(%)	Title
Boerne Park Meadows Developers, L.L.C.	.01	Managing General Partner
SunAmerica Affordable Housing Partners, Inc.	99.99	Initial Limited Partner
G. G. MacDonald, Inc.		50% Owner of MGP
Resolution Real Estate Services, L.L.C. (RRES)		50% Owner of MGP
Steve Ford		Owner of RRES

GENERAL PARTNER

Name: Boerne Park Meadows Developers, L.L.C. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 2951 Fall Creek Road **City:** Kerrville **State:** TX

Zip: 78028 **Contact:** G. Granger MacDonald **Phone:** (830) 257-5323 **Fax:** (830) 257-3168

PROPERTY LOCATION

Location: Calk Lane and West San Antonio Street ☐ **QCT** ☐ **DDA**

City: Boerne **County:** Kendall **Zip:** 78006

REQUEST

Amount	Interest Rate	Amortization	Term
❶ $250,039	N/A	N/A	N/A
❷ $4,700,000	6.5%	30 yrs	30 yrs

Other Requested Terms: ❶ Annual ten-year allocation of low-income housing tax credits
❷ Tax-exempt mortgage revenue bonds
The Applicant has also recently made application for $375,000 in Housing Trust Funds

Proposed Use of Funds: New construction

SITE DESCRIPTION

Size: 13.788 acres 600,605 square feet **Zoning/ Permitted Uses:** R-1, Single-Family Residential, approved by city council for proposed use

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

DESCRIPTION of IMPROVEMENTS

Total Units: 100 **# Rental Buildings** 25 **# Common Area Bldngs** 1 **# of Floors** 1 **Age:** N/A yrs **Vacant:** N/A at

Number	Bedrooms	Bathroom	Size in SF
48	1	1	826
52	2	1.5	1,079

Net Rentable SF: 95,756 **Av Un SF:** 958 **Common Area SF:** 2,289 **Gross Bldng SF** 98,045

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% stone veneer/75% 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, ceiling fans, laminated counter tops, individual water heaters.

ON-SITE AMENITIES

1,905 SF community building with game room, management offices, fitness & laundry facilities, restrooms, swimming pool, meeting rooms, picnic area, perimeter fencing with limited access gate and monitored security. Also contains a 384 SF utility building.

Uncovered Parking: 226 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Michael Fowler

Principal Amount: $4,700,000 **Interest Rate:** 6.5%

Additional Information: Tax-exempt bond proceeds, interest-only payments

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

LONG TERM/PERMANENT FINANCING

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Michael Fowler

Principal Amount: $4,700,000 **Interest Rate:** 6.5%

Additional Information: Tax-exempt bond proceeds

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

Annual Payment: $356,260 **Lien Priority:** 1st **Commitment Date** 2/ 10/ 2002

LIHTC SYNDICATION

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Michael Fowler

Address: 1 SunAmerica Center, Century City **City:** Los Angeles

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

Net Proceeds: $1,778,943 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 80¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 10/ 2002

Additional Information: Commitment letter reflects proceeds of $1,778,943 based on credits of $2,223,902

APPLICANT EQUITY

Amount: $311,106 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: 13.788 ac. $103,410 **Assessment for the Year of:** 2001

Valuation by: Kendall County Appraisal District

Total Assessed Value: $103,410 **Tax Rate:** 2.4002

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Warranty deed

Closing Date: 8/ 30/ 2001

Acquisition Cost: $ 468,792 **Other Terms/Conditions:**

Seller: National Exchange Services, Inc. for Tri-County Service Co., Inc. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

Park Meadows Apartments was submitted and underwritten in the 2001 LIHTC 9% cycle. The underwriting analysis recommended the project be approved subject to the following condition:

- Receipt, review, and acceptance of evidence of a zoning change for the site to R-1, Single-Family Residential District, and approval by the Boerne City Council of the placement of an elderly housing project in this zone. This condition has been satisfied.

The project did not receive an allocation in the 2001 cycle.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Park Meadows Apartments is a proposed new construction project of 100 units of affordable elderly housing located in far west Boerne. The project is comprised of 25 residential buildings as follows:

- Twelve Building Style 826 with four 1-bedroom units;
- Thirteen Building Style 1079 with four 2-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building and swimming pool located near the center of the site. The 1,905-square foot community building is planned to have the management office, a 556-square foot community room, exercise and meeting rooms, restrooms, and laundry facilities. Each unit will have an area available for tenant gardening if desired. The site plan also shows a utility building with 384 SF.

Supportive Services: The Applicant has contracted with the Community Council of South Central Texas, Inc. to provide the following supportive services to tenants: meals and nutrition information, budget and money management counseling, Medicaid transportation, health screenings and testing, utility bill payment assistance and energy conservation training, and information and referral services for other local service providers. 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 a fee of $100 per month (or a mutually agreeable sum) per month for these support services.

Schedule: The Applicant anticipates construction to begin in July of 2002, to be completed in March of 2003, to be placed in service in June of 2003, and to be substantially leased-up in February of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, but all (100%) of the units will be reserved for low-income, elderly tenants. Although this allows for prospective tenants to be qualified at the 60% of AMGI or less income level, as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI.

Special Needs Set-Asides: Five units (5%) will be handicapped-accessible and the remaining units will be adaptable for accessibility and usability for tenants with disabilities.

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

MARKET HIGHLIGHTS

A market feasibility study dated September 10, 2001 was prepared by Mark C. Temple Real Estate Economist, Market Analyst and highlighted the following findings:

Definition of Market/Submarket: "The primary or defined market area for the Boerne Park Meadows Apartments is considered [to be] Kendall County" (p. I-1)

Total Local/Submarket Market Demand for Rental Units: "The Boerne, Kendall County, Texas area experienced a strong increase in population during the past decade. Future population trends indicate similar statistics through 2006. Factors that have contributed to this growth pattern include proximity to the San Antonio MSA, the availability of economic opportunities, and a quality of the environment." (p. II-1)

Capture Rate: Calculated by the analyst to be 30.2% (based upon 120 proposed units, should be 25.1% based on 100 units) (p.IV-3). The Underwriter regards this figure to in fact represent a <u>penetration</u> rate of the target market, and calculated a capture rate of 56% based upon the Underwriter's analysis of the market analyst's data. This rate, although high, is acceptable under TDHCA guidelines for a rural project.

Local Housing Authority Waiting List Information: No information provided.

ANNUAL INCOME-ELIGIBLE MARKET DEMAND SUMMARY*		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	13	7%
Turnover Demand	89	50%
Existing Overburdened/Substandard	78	43%
TOTAL ANNUAL DEMAND	**180**	**100%**

*NOTE: These figures were calculated by the Underwriter from data provided by the market analyst. The market analyst calculated 42 units of growth demand based on an improbably low average household size of 1.0 and did not include turnover demand in total demand.

Market Rent Comparables: The market analyst surveyed seven multifamily apartment projects totaling 382 units in the market area. None of these were elderly projects.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type	**Proposed**	**Program Max**	**Differential**	**Ave. Market**	**Differential**
1-Bedroom	$570	$570	$0	$533	+$37
2-Bedroom	$662	$662	$0	$690	-$28

(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) (p.III-1)

Submarket Vacancy Rates: "The occupancy level of the market area is presently 99.3%." (p. III-1)

Absorption Projections: "Based upon current positive multifamily indicators and present absorption levels of 10 to 15 units per month, it is estimated that a 95+ percent occupancy level can be achieved in an eight to twelve month time frame." (p. I-12)
Known Planned Development: The analyst indicated that a building permit for 100 units of multifamily housing was issued in 2000 but provided no other information. (p. III-30)
Effect on Existing Housing Stock: "The proposed project, in light of the vacancy and absorption rates for the applicable market area, is not likely to result in an unreasonably high vacancy rate for comparable units within the market area" (certificate, para. C)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation, but was deficient in documenting elderly-specific comparables (or the lack thereof). Additionally, the analyst did not document certain calculations (e.g., the deletion of residents of group homes from the average household size calculation) and modifications to source material (e.g., the halving of the IREM turnover rate based on empirical data). Although the analyst did not address possible demand from nearby San Antonio, the Underwriter regards this as a significant likely source of demand for the project.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Boerne is located in central Texas, approximately 20 miles northwest of San Antonio in Kendall County. The site is an irregularly-shaped parcel located in the far western area of Boerne, approximately one-half mile from the central business district. The site is situated on the west side of Calk Lane.
Population: The estimated total 2001 population of City of Boerne was 5,315 and is expected to increase by 6.6% to approximately 5,665 by 2006. The estimated 2001 elderly population of the primary market area (Kendall County) was 6,345 and is expected to increase by 21.8% by 2006. Within the primary market area there were estimated to be 3,726 elderly households in 2001.
Adjacent Land Uses: Land uses in the overall area in which the site is located are primarily residential and agricultural, with commercial and retail within one mile. Adjacent land uses include:

- **North:** Single-family residential
- **South:** Agricultural land
- **East:** Calk Lane with a single-family residential property with agricultural land beyond
- **West:** Agricultural land

Site Access: Access to the property is from the north or south from Calk Lane. The project is to have two entries, both from Calk Lane. Access to Interstate Highway 10 is one-half mile west and Business 87 is one-half mile east, which provides connections to all other major roads serving the Boerne area as well as San Antonio and other communities.
Public Transportation: Public transportation is not available in Boerne.
Shopping & Services: The site is within one mile of all significant facilities in Boerne, and within 30 minutes driving time of San Antonio. A seniors activity center is located within walking distance.
Site Inspection Findings: A TDHCA staff member performed a site inspection on 5/3/01 and found the location to be acceptable for the proposed development. The inspector noted the site is within walking distance of a seniors recreation center.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 6, 2001 was prepared by TriCo Inspecting Service, Inc and contained the following finding: "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 rent projections are the maximum rents allowed under LIHTC guidelines, and are generally substantiated by the market study (although the 1-BR unit rents are $37 higher than the market average, the proposed units would be newer and feature superior amenities). Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $2,878 per unit is 5.7% lower than an adjusted TDHCA database-derived estimate of $3,053 per unit for comparably-sized projects. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($8.1K lower), payroll ($10K higher), repairs and maintenance ($9.5K lower), water, sewer, and trash ($5.6K lower), insurance ($9.2K higher), and property tax ($14.5K lower).
Conclusion: The Applicant's estimated total estimated operating expense is 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. Due primarily to the difference in estimated expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.05 is slightly less than the program minimum standard of 1.10. The Underwriter's proforma suggests that up to $14K of the TDHCA administrative fees may need to be deferred in order to maintain a 1.10 DCR in the first year of stabilized occupancy, and indicates a steadily improving DCR in future years.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $34K/acre or $0.78/SF is 453% of the tax assessed value but is assumed to be reasonable since it is an arm's-length transaction. The market analyst provided no data regarding recent comparable land sales for comparison.
Sitework Cost: The Applicant's claimed sitework costs of $5,035 per unit are considered reasonable compared to historical sitework costs for multifamily projects.
Direct Construction Cost: The Applicant's direct construction cost estimate is $307K or 8% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This would suggest that the Applicant's direct construction costs may be understated, the Applicant is intending to build to less than average quality, or this difference may reflect cost savings realized by the use of a related general contractor.
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 by $85,000 with the overage effectively moved to ineligible costs. The Applicant incorrectly included $40K in construction loan broker's fee (to be paid to a co-developer) as an eligible cost; the Underwriter moved this fee to developer's fee, where it contributed to an overstatement of allowable developer fee of $54,121.
Interim Financing Fees: The Underwriter reduced the Applicant's interim financing fees by $53,592 to reflect the net effect of the Applicant's projection of that amount in income from a guaranteed investment contract, which results in an equivalent reduction in eligible basis. In addition, the Applicant included a fully drawn two years interest expense as eligible construction interest and includes the full amount of tax counsel fees and underwriting fees for the bonds as eligible when they should have been prorated and only the amount for the construction financing included as eligible. These issues were clarified in correspondence with the Applicant and amount to an additional reduction in the Applicant's eligible basis of $438,786.
Conclusion: The Applicant's total project cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. As a result, the Applicant's adjusted eligible basis of $6,162,550 is used to determine a credit allocation of $226,166 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with six types of financing from five sources: a conventional interim to permanent loan based on tax-exempt bond proceeds, syndicated LIHTC equity, a Housing Trust Fund grant, income from operations, interest income from a guaranteed investment contract, and deferred developer's fees.
Bonds and Conventional Interim to Permanent Loan: There is a commitment for interim to permanent financing based on tax-exempt bond proceeds through SunAmerica Affordable Housing Partners, Inc. in the amount of $4,700,000 during both the interim period and at conversion to permanent. The bonds are tax-exempt private activity mortgage revenue bonds to be issued by TDHCA and placed privately with SunAmerica. The bonds will be amortized over 30 years following a two-year interest-only construction period, at an estimated interest rate of 6.5%. The final interest rate will be made available approximately ten days prior to closing.

LIHTC Syndication: SunAmerica has also offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $1,778,943 based on a syndication factor of 80%. The funds would be disbursed in a four-phased pay-in schedule:

1. 4% upon admission to the partnership;
2. 75% upon completion of construction;
3. 15% upon receipt of an audited cost certification and attainment of 90% physical and a DCR of 1.15 for three consecutive months;
4. 6% upon receipt of IRS Forms 8609.

SunAmerica will also make a bridge loan of $1,333,360,available to the partnership at the time of admission to the partnership and bond closing, with interest accruing on any balance above $1,067,366 at the rate of the prime rate + 1%. This loan will be paid off by the second equity contribution.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $311,106 amount to 38% of the total fees.

Housing Trust Fund Grant: The Applicant has applied for a grant of $375,000 from the Housing Trust Fund. This application is pending, but appears unlikely to be awarded as it does not meet the requirement of spending 40% of HTF funding on extremely low-income (ELI) (30% AMI) units. The requested $375,000 proposes to include two ELI units. At a program-defined maximum of $70,000 per ELI unit, the $140,000 used for ELI units only amounts to 37% of the funds requested. If the grant is not awarded, sufficient developer fee exists to substitute for this source. Moreover, the HTF funds were not part of the Applicant's sources and uses of funds in either the bond application or the LIHTC application and do not appear to be an integral part of the financing for this project.

Income from Operations: The Applicant forecast rental income of $172,200 from lease-up prior to project completion. The Underwriter regards this income source as speculative and therefore does not rely on it but rather allows this to be funded out of deferred developer fees.

GIC Interest Income: The Applicant included $53,592 in GIC income; the Underwriter has removed this amount as a source of funds and removed an equivalent amount from interim financing interest cost to compensate.

Financing Conclusions: Since the Applicant's total development costs were approximately 3.7% lower than the Underwriter's estimate, the Applicant's adjusted development costs were used to determine eligible basis. These adjustments reduced the Applicant's eligible basis by $631,999 and account for the majority of the reduction in the recommended credit amount. The applicable percentage rate was adjusted in order to reflect the current underwriting rate of 3.67% rather that the 3.68% used by the Applicant. These adjustments combine to decrease the recommended tax credit allocation to $226,166 per year, resulting in syndication proceeds of approximately $1,809,143. As discussed above, the Underwriter estimates that the project will be unable to service the $4.7M in first lien debt and all fees at a DCR of 1.10 or above, and deferral of all or some portion of the TDHCA administration, compliance, and asset oversight fees for the first year of stabilized operation may be required in order to achieve a minimum 1.10 DCR, or acceptance of a potential initial DCR that is projected to be slightly below the 1.10 guideline, is required. The project is subject to a mandatory redemption which will ensure that at the time stabilization occurs the DCR is satisfactory to the lender. The Underwriter has estimated the maximum potential amount of bonds to be redeemed to be $184K if rents and expenses were to remain flat. It is more likely, however that TDHCA fees could be deferred in an amount sufficient to meet any debt coverage obligation and no redemption would be required. This deferral of fees is estimated to be all of the fees in the first year and $5,820 in the second year and could be repaid out of cash flow. The Housing Trust Fund grant is unlikely to be approved for programmatic considerations, and therefore 100% of the developer fee will need to be deferred as well as $154K of contractor fees, which can be accomplished due to the related party general contractor. This represents an increase in deferred fees to $957,314 which is not forecast to be repayable within ten years but is projected to be repayable within 15 years. In the event of a cost overrun or mandatory redemption of any of the bonds due to debt coverage shortages, there will not be significant additional fees to defer and fill the gap. Therefore the cushion for this project is extremely slim.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The units are in fourplex structures with mixed Hardiplank and native stone veneer exterior finish and pitched roofs. Each unit has a private, covered entry patio with a small outdoor utility closet with hookups for full-size appliances.

Unit Floorplans:

1. Entry to the 1-BR/1-BA unit is directly into the living and dining area, and the galley kitchen is adjoins the dining area. The bathroom is accessible from the living area and has a linen closet. The bedroom is off a short hall beyond the living area and has a walk-in closet.
2. The 2-BR/1-BA unit is basically identical to the 1-BR unit, with the second bedroom and bathroom added behind the dining area. There are two separate half-baths which share a tub/shower. Both bedrooms have walk-in closets.

IDENTITIES of INTEREST

Granger MacDonald, the 50% Co-Developer and co-owner of the General Partner, also owns the General Contractor. 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.
- The General Contractor, G.G. MacDonald, Inc., submitted an unaudited financial statement as of 8/31/01 reporting total assets of $5.6M and consisting of $91K in cash, $930K in receivables, $139K in machinery, equipment, and fixtures, and ($27K) in investments. Liabilities totaled $5.4M, resulting in a net worth of $184K.
- The Co-Managing General Partner, Resolution Real Estate Services, LLC, submitted an unaudited financial statement as of 6/30/01 reporting total assets of $898K and consisting of $140K in cash, $700K in receivables, $28K in machinery, equipment, and fixtures, and 30K in investments. Liabilities totaled $95K, resulting in a net worth of $803K.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The General Contractor, G. Granger MacDonald, has participated as general partner, developer, and/or general contractor on nine affordable and conventional housing projects totaling 975 units since 1994.
- The Co-Managing General Partner, J. Steve Ford, has participated as general partner, developer, and/or general contractor on four affordable and conventional housing projects totaling 844 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- The project appears unlikely to generate sufficient net operating income in the first year of stabilized operation to service its debt and all TDHCA fees at a DCR of 1.10 or greater.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years could be removed from eligible basis.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $226,166 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☑ RECOMMEND ISSUANCE OF TAX-EXEMPT BONDS AS REQUESTED IN THE AMOUNT OF $4,700,000, TO BE FULLY AMORTIZED OVER 30 YEARS. THE INTEREST RATE OF THE BONDS WILL BE 6.5%.

CONDITIONS

1. TDHCA Board acceptance of the potential deferral of all of the TDHCA administration, compliance, and asset oversight fees for the first year of stabilized operation and approximately $6K in the second year in order to achieve a minimum 1.10 DCR, or acceptance of a potential initial DCR that is projected to be slightly below the 1.10 guideline.

Underwriter:	*Carl Hoover*	**Date:**	March 25, 2002
Credit Underwriting Supervisor:	*Jim Anderson*	**Date:**	March 25, 2002
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	March 25, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Park Meadows Apartments, Boerne, MFB #2002-002/4% LIHTC #01461

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (50%)	48	1	1	826	$598	$570	$27,341	$0.69	$28.39	$24.18
TC (50%)	52	2	1.5	1,079	717	662	34,424	0.61	55.00	30.39
TOTAL:	100		AVERAGE:	958	$660	$618	$61,765	$0.65	$42.23	$27.41

					TDHCA	APPLICANT			
INCOME	Total Net Rentable Sq Ft:		95,756		TDHCA	APPLICANT			
POTENTIAL GROSS RENT					$741,183	$739,983			
Secondary Income			Per Unit Per Month:	$10.00	12,000	12,000	$10.00	Per Unit Per Month	
Other Support Income:					0	0			
POTENTIAL GROSS INCOME					$753,183	$751,983			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(56,489)	(56,399)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$696,695	$695,585			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.54%	$316	$0.33	$31,647	$23,500	$0.25	$235	3.38%
Management		5.00%	348	0.36	34,835	34,779	0.36	348	5.00%
Payroll & Payroll Tax		8.88%	619	0.65	61,900	71,900	0.75	719	10.34%
Repairs & Maintenance		5.26%	366	0.38	36,613	27,100	0.28	271	3.90%
Utilities		1.85%	129	0.13	12,922	14,000	0.15	140	2.01%
Water, Sewer, & Trash		4.72%	329	0.34	32,891	27,305	0.29	273	3.93%
Property Insurance		2.23%	156	0.16	15,562	24,800	0.26	248	3.57%
Property Tax	2.5748	8.29%	577	0.60	57,748	43,200	0.45	432	6.21%
Reserve for Replacements		2.87%	200	0.21	20,000	20,000	0.21	200	2.88%
Other: Supportive Services		0.17%	12	0.01	1,200	1,200	0.01	12	0.17%
TOTAL EXPENSES		43.82%	$3,053	$3.19	$305,316	$287,784	$3.01	$2,878	41.37%
NET OPERATING INC		56.18%	$3,914	$4.09	$391,378	$407,801	$4.26	$4,078	58.63%
DEBT SERVICE							0.00%	$0	0
First Lien Loan		51.17%	$3,565	$3.72	$356,486	$356,260	$3.72	$3,563	51.22%
Trustee Fee		0.50%	$35	$0.04	$3,500	0	$0.00	$0	0.00%
TDHCA Admin. Fees		0.67%	$47	$0.05	4,700	0	$0.00	$0	0.00%
Asset Oversight & Compliance Fees		0.72%	$50	$0.05	5,000	2,500	$0.03	$25	0.36%
NET CASH FLOW		3.11%	$217	$0.23	$21,692	$49,041	$0.51	$490	7.05%
AGGREGATE DEBT COVERAGE RATIO					1.06	1.14			
BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					1.09				
BONDS-ONLY DEBT COVERAGE RATIO					1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldng)		6.07%	$4,700	$4.91	$470,000	$470,000	$4.91	$4,700	6.29%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.50%	5,035	5.26	503,500	503,500	5.26	5,035	6.74%
Direct Construction		47.68%	36,951	38.59	3,695,085	3,388,500	35.39	33,885	45.38%
Contingency	4.05%	2.19%	1,700	1.78	170,000	170,000	1.78	1,700	2.28%
General Requiremen	5.67%	3.07%	2,380	2.49	238,020	238,020	2.49	2,380	3.19%
Contractor's G & A	2.00%	1.08%	840	0.88	83,972	154,340	1.61	1,543	2.07%
Contractor's Profit	5.67%	3.07%	2,380	2.49	238,020	238,020	2.49	2,380	3.19%
Indirect Construction		3.04%	2,355	2.46	235,500	235,500	2.46	2,355	3.15%
Ineligible Expenses		8.31%	6,443	6.73	644,286	644,286	6.73	6,443	8.63%
Developer's G & A	2.26%	1.65%	1,282	1.34	128,178	134,042	1.40	1,340	1.80%
Developer's Profit	12.74%	9.34%	7,239	7.56	723,890	723,890	7.56	7,239	9.70%
Interim Financing		6.66%	5,164	5.39	516,359	516,359	5.39	5,164	6.92%

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.28	$3,952,615
Adjustments				
Exterior Wall Finish	2.75%		$1.14	$108,697
Elderly	5.0%		2.06	197,631
Roofing			0.00	0
Subfloor			(1.96)	(187,682)
Floor Cover			1.82	174,276
Porches/Balconies	$28.10	13,505	3.96	379,483
Plumbing	$585	104	0.64	60,840
Built-In Appliances	$1,550	100	1.62	155,000
Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	135,016
Garages/Carports			0.00	0
Comm &/or Aux bldngs	$59.23	2,289	1.42	135,580
Other:			0.00	0
SUBTOTAL			53.38	5,111,457
Current Cost Multiplier	1.03		1.60	153,344
Local Multiplier	0.86		(7.47)	(715,604)
TOTAL DIRECT CONSTRUCTION COSTS			$47.51	$4,549,196
Plans, specs, survy, bld prm	3.90%		($1.85)	($177,419)
Interim Construction Interest	3.38%		(1.60)	(153,535)
Contractor's OH & Profit	11.50%		(5.46)	(523,158)
NET DIRECT CONSTRUCTION COSTS			$38.59	$3,695,085

PAYMENT COMPUTATION

Primary	$4,700,000	Term	360
Int Rate	6.50%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.08

Additional		Term	
Int Rate		Aggregate DCR	1.06

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$356,486
Trustee Fee	3,500
TDHCA Fees	9,700
NET CASH FLOW	$21,692

Primary	$4,700,000	Term	360
Int Rate	6.50%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.09

Additional		Term	
Int Rate		Aggregate DCR	1.06

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$741,183	$763,419	$786,321	$809,911	$834,208	$967,076	$1,121,106	$1,299,670	$1,746,647
Secondary Income	12,000	12,360	12,731	13,113	13,506	15,657	18,151	21,042	28,279
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	753,183	775,779	799,052	823,024	847,715	982,733	1,139,257	1,320,712	1,774,926
Vacancy & Collection Loss	(56,489)	(58,183)	(59,929)	(61,727)	(63,579)	(73,705)	(85,444)	(99,053)	(133,119)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$696,695	$717,595	$739,123	$761,297	$784,136	$909,028	$1,053,813	$1,221,658	$1,641,806
EXPENSES at 4.00%									
General & Administrative	$31,647	$32,913	$34,229	$35,599	$37,023	$45,044	$54,802	$66,675	$98,696
Management	34,835	35,880	36,956	38,065	39,207	45,451	52,691	61,083	82,090
Payroll & Payroll Tax	61,900	64,376	66,951	69,629	72,414	88,103	107,191	130,414	193,045
Repairs & Maintenance	36,613	38,077	39,600	41,184	42,831	52,111	63,401	77,137	114,182
Utilities	12,922	13,438	13,976	14,535	15,116	18,391	22,376	27,224	40,298
Water, Sewer & Trash	32,891	34,207	35,575	36,998	38,478	46,814	56,957	69,296	102,576
Insurance	15,562	16,184	16,831	17,505	18,205	22,149	26,948	32,786	48,531
Property Tax	57,748	60,058	62,460	64,959	67,557	82,193	100,001	121,666	180,096
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	1,200	1,248	1,298	1,350	1,404	1,708	2,078	2,528	3,742
TOTAL EXPENSES	$305,316	$317,181	$329,509	$342,320	$355,632	$430,431	$521,077	$630,947	$925,628
NET OPERATING INCOME	$391,378	$400,415	$409,614	$418,977	$428,504	$478,597	$532,736	$590,711	$716,178
DEBT SERVICE									
First Lien Financing	$356,486	$356,486	$356,486	$356,486	$356,486	$356,486	$356,486	$356,486	$356,486
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500

LIHTC Allocation Calculation - Boerne, MFB #2002-002/4% LIHTC #01461

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$470,000	$470,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$503,500	$503,500	$503,500	$503,500
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$3,388,500	$3,695,085	$3,388,500	$3,695,085
(4) Contractor Fees & General Requirements				
Contractor overhead	$154,340	$83,972	$77,840	$83,972
Contractor profit	$238,020	$238,020	$233,520	$238,020
General requirements	$238,020	$238,020	$233,520	$238,020
(5) Contingencies	$170,000	$170,000	$170,000	$170,000
(6) Eligible Indirect Fees	$235,500	$235,500	$235,500	$235,500
(7) Eligible Financing Fees	$516,359	$516,359	$516,359	$516,359
(8) All Ineligible Costs	$644,286	$644,286		
(9) Developer Fees			$803,811	
Developer overhead	$134,042	$128,178		$128,178
Developer fee	$723,890	$723,890		$723,890
(10) Development Reserves	$50,000	$102,168		
TOTAL DEVELOPMENT COSTS	$7,466,457	$7,748,977	$6,162,550	$6,532,524

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		$6,162,550	$6,532,524
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$6,162,550	$6,532,524
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$6,162,550	$6,532,524
Applicable Percentage		3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS		$226,166	$239,744
Syndication Proceeds	**0.7999**	**$1,809,143**	**$1,917,757**

EXHIBIT 6

RENT CAP EXPLANATION
Kendall County

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) - 2002

MSA/County: Kendall **Area Median Family Income (Annual):** $63,800

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 Persons	At or Below 50%	At or Below 60%	At or Below 80%	Unit Type	At or Below 50%	At or Below 60%	At or Below 80%	(provided by the local PHA)	At or Below 50%	At or Below 60%	At or Below 80%
1	$ 22,350	$ 26,820	$ 35,750	Efficiency	$ 558	$ 670	$ 893		$ 558	$ 670	$ 893
2	25,500	30,600	$ 40,850	1-Bedroom	598	717	957	28.00	570	689	929
	28,700	**34,440**	**$ 45,950**	**2-Bedroom**	**717**	**861**	**1,148**	**55.00**	**662**	**806**	**1,093**
4	31,900	38,280	$ 51,050	3-Bedroom	829	995	1,326	68.00	761	927	1,258
5	34,450	41,340	$ 55,100								
6	37,000	44,400	$ 59,200	4-Bedroom	925	1,110	1,480	72.00	853	1,038	1,408
7	39,550	47,460	$ 63,300	5-Bedroom	1,020	1,224	1,633				
8	42,100	50,520	$ 67,350								
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 $32,000 per year would fall in the 60% set-aside group. A family of three earning $26,100 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 50% income bracket earning $28,700 could not pay more than $717 for rent and utilities under the affordable definition.

1) $28,700 divided by 12 = **$2,392** monthly income; then,

2) **$2,392** monthly income times 30% = **$717** maximum total housing expense.

Figure 3 shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

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***.

EXHIBIT 6

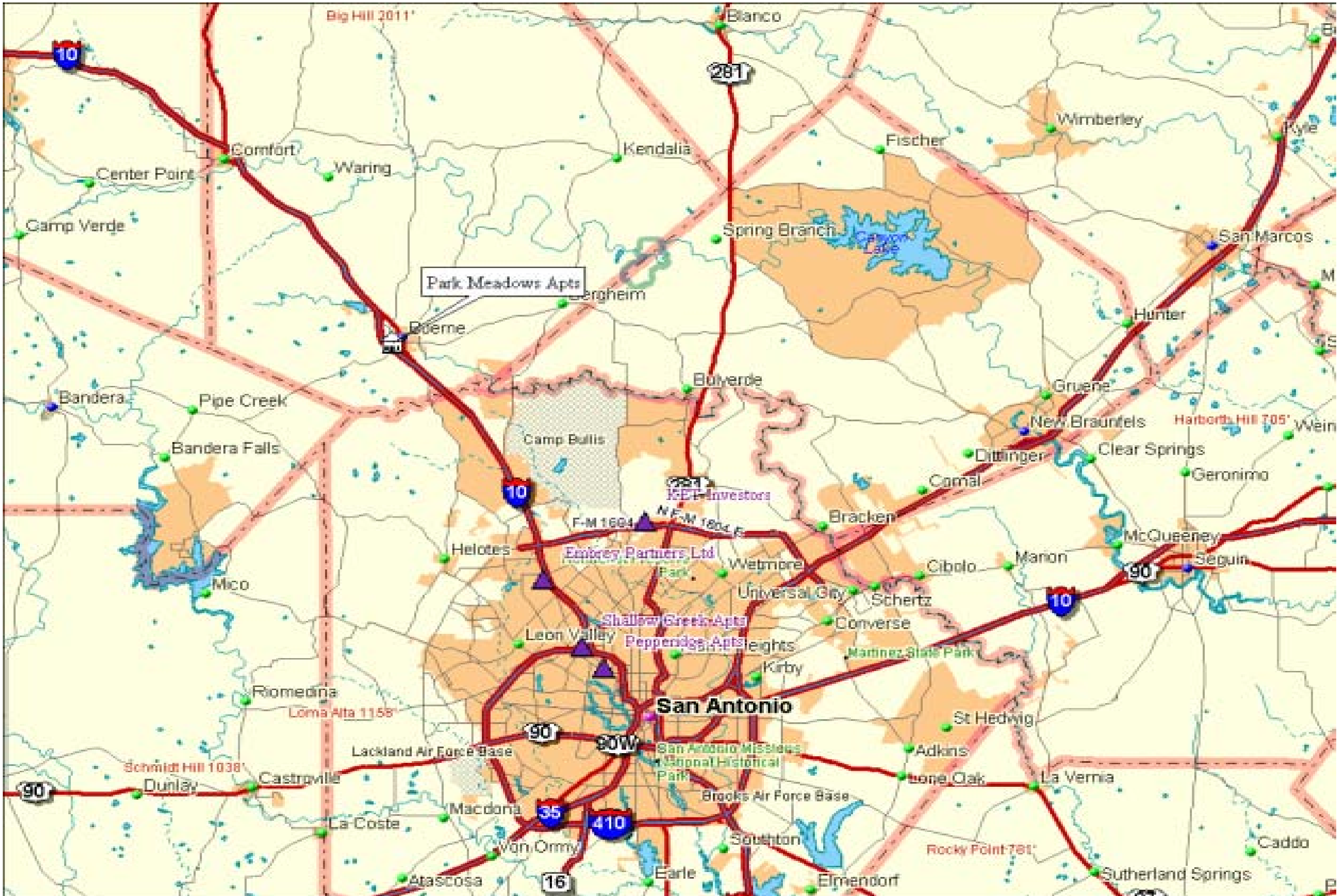
RESULTS & ANALYSIS:

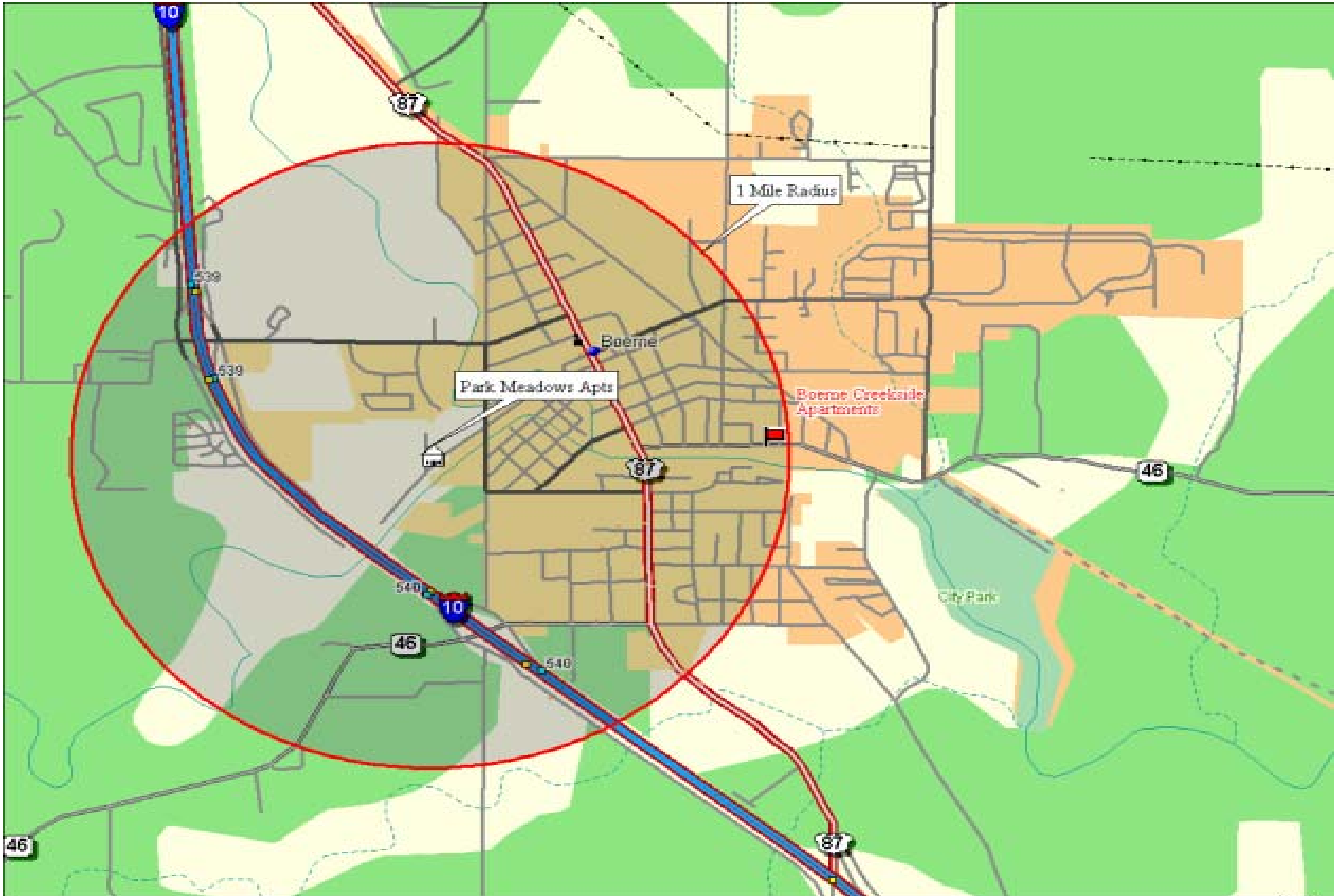
Tenants in the 60% AMFI bracket will save up to **$28** per month (leaving up to **1.0%** more of their monthly income for food, child care and other living expenses). This is a monthly savings off the market rents of up to **4.1%**.

Unit Description		1 Bed/1 Bath	2 Bed/1.5 Bath	
Square Footage		826	1,079	
Rents if Offered at Market Rates		$533	$690	
Rent per Square Foot		$0.65	$0.64	

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 50% AMFI Set-Aside		$570	$662	
Monthly Savings for Tenant		**($37)**	**$28**	
Rent per Square Foot		$0.69	$0.61	
Maximum Monthly Income - 60% AMFI		$2,550	$2,870	
Monthly Savings as % of Monthly Income		**-1.5%**	**1.0%**	
% DISCOUNT OFF MONTHLY RENT		**-6.9%**	**4.1%**	

Market information provided by: Mark C. Temple, Real Estate Economist, Market Analyst, P O Box 700115, San Antonio, Texas 78279-0115. Report dated September 10, 2001.


Big Hill 2011'
Blanco
10
281
Comfort
Kendalia
Fischer
Wimberley
Kyle
Center Point
Waring
Camp Verde
Spring Branch
Canyon Lake
San Marcos
Park Meadows Apts
Bergheim
Boerne
Hunter
Bandera
Pipe Creek
Bulverde
Gruene
New Braunfels
Harborth Hill 705'
Camp Bullis
Bandera Falls
Dittlinger
Clear Springs
Geronimo
Comal
KET Investors
F-M 1604
N F-M 1604 E
Bracken
McQueeney
Helotes
Embrey Partners Ltd
Wetmore
Cibolo
Marion
Seguin
90
Mico
Universal City
Schertz
Shallow Creek Apts
Converse
Leon Valley
Pepperidge Apts
Martinez State Park
Kirby
Riomedina
San Antonio
Loma Alta 1158'
St Hedwig
Lackland Air Force Base
90W
San Antonio Missions National Historical Park
Adkins
Schmidt Hill 1038'
Castroville
Dunlay
Lone Oak
La Vernia
Brooks Air Force Base
Macdona
35
410
La Coste
Southton
Von Ormy
Rocky Point 761'
Caddo
Sutherland Springs
Atascosa
16
Earle
Elmendorf



10
87
1 Mile Radius
539
Boerne
Park Meadows Apts
Boerne Creekside
Apartments
46
City Park
540
546

Compliance Status Summary

ID# 01461
Project Name Park Meadows Apartments
Address
City

Type Funding
☐LIHTC 9%
☐LIHTC 4%
☒BOND
☐HOME
☐HTF
☐HSG. INFRAS.

Owner Name Boerne Park Meadows Apartments, L.P.
Contact G. Granger MacDonald

Development Team	Role
Boerne Park Meadows Developers, L.L.C.	General Partner
G.G. MacDonald, Inc.	Co-General Partner
G. Granger MacDonald	President
Resolution Real Estate Services, LLC	Co-General Partner
J. Steve Ford	President

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	1-24-2002
CMAD	[signature]	1-29-2002
CMPM	Ralph Hendrickson	1/29/2002

(*) 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 # 01461

ID#	Project Name	Score
97143	Bent Tree Apartments	0
98154	Boerne Creekside Apartments	0
98156	Kerrville Meadows Apartments	0
99044	The Springs Apartments	N/A
99014T	Quail Chase Apartments	0
00008T	Oaks of Hitchcock Apartments	N/A
00011	Heritage Oaks Apartments	N/A
99003	Fairmont Oaks Apartments	0

A score of material non-compliance (30 or 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 indicates that a compliance review has not been conducted or results are pending.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2002
PARK MEADOWS APARTMENTS

PUBLIC HEARING

Boerne City Hall
402 East Blanco
Boerne, Texas

January 28, 2002
6:07 p.m.

BEFORE:

M. WAYNE HARLESS, Multifamily Loan Officer

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. I would like to proceed with the public hearing. Let the record show that it is now 6:07 p.m., Monday, January 28, 2002, and we are at the Boerne City Hall, 403 East Blanco, Boerne, 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 is the Attorney General of Texas.

No decisions regarding the project will be made at this hearing. There are no department Board members present. The Department's Board will meet to consider the transaction on February 21, 2002, 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. The Department's staff will also accept written comments from the public via facsimile at 512-475-3362 up to 5:00 p.m. on February 7, 2002.

The bonds will be issued as tax exempt multifamily revenue bonds in the aggregate principal amount not to exceed $6,500,000, and 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 of will belong to Boerne Park Meadows Apartments, L.P., a limited partnership, or a related person or affiliate entity thereof to finance a portion of the costs of acquiring, constructing and equipping multifamily rental housing community described as follows:

"A 100-unit multifamily residential development to be constructed on approximately 13.7 acres of land located on the second lot on the west side of Calk Lane north of the intersection of Calk Lane and West San Antonio Street, Boerne, Kendall County, Texas 78006. The proposed multifamily rental housing community will be initially owned an operated by Boerne Park Meadows Apartments Limited Partnership, or a related person or affiliate thereof."

In just a moment I will open up the floor to public comment, and if you have signed up, I will call out your name and give you an opportunity to speak either in favor of the project or opposed to the project, or just general comments about it -- whatever you'd like to say.

At that time, please speak directly into the microphone at the podium here in front, and state your name for the record. You will then have four minutes to make your comments. If you have not already signed in and wish to do so, please come forward and sign in now.

First on the list is -- I believe it's Carolina? Yes.

MS. VARGAS: Well, I'd just like to say that I'm very much in favor of these new apartments. At the time right now, I'm living in the Creekside Apartments on River Road. And they're very nice apartments, but these apartments coming up, they told me were going to be strictly for the elderly -- 60 plus. And I think that it would be a much better environment for an elderly person to have just elderly people living there.

All these apartments where I live in, they're different ages and big families. And it just would be so much nicer and quiet, and safer. And I'm all for them. And that's -- I've seen the ones they have in Kerrville, and they're so nice. And I think if I can possibly afford it, I certainly would love to live there.

Thank you.

MR. HARLESS: Rosemary?

MS. MANN: No.

MR. HARLESS: Okay. Helen Jessop?

MS. JESSOP: Well, mostly I thought we would find out some information on them -- you know, the prices and -- do you have, like, blueprints, floor plans?

MR. HARLESS: After the meeting we might be able to give you some additional information.

MS. JESSOP: Because everyone's wondering, you know, about the size, and everyone at the center, I think, is in favor of the apartments -- at the senior center where we are. But we just need some information on them. So will you be able to tell us --

MR. HARLESS: Okay. After the hearing is over, you might want to ask the developer representative here some questions. I do have some -- a small version of plans that we can look at as well.

MS. JESSOP: And also, of course being at the center every day, we notice all the dirt coming in and everything. We were wondering about the drainage. Can you tell us about that?

MR. HARLESS: Well, again, I'll have to divert to the developer's representative to answer some of those questions.

MS. JESSOP: Okay.

MR. HARLESS: Helen Palmer?

MS. PALMER: What can I say? All I can say is, I can't wait till you get them up, because I go up to the center every day, and it's going to be great not having to drive to get there. I can walk up there every day. And all the other things that I wanted to talk about, you want to discuss afterwards, so I'll talk to you then.

MR. HARLESS: This is just for public comments right now, yes. Dan Welsh?

MR. WELSH: Yes, I would like to speak in favor of this hearing. Some of us are getting on up in years. Some of us are still young enough to be called young seniors, if you will. But some of us that are young seniors still need a good spot to stay.

I know the wife and I are handicapped to the point where we're in a double wide, but there's pretty good stairs going up and down the double wide. And she's had a minor stroke, and it's just difficult to get up and down the stairs. We manage, but it would be a lot better having them all on the ground floor. But I do speak in favor of them.

MR. HARLESS: Next is Betty Welsh.

MS. WELSH: No.

MR. HARLESS: Okay. Barbara --

MS. McCURDY: McCurdy. I just agree with everything that Dan commented on. Ditto.

MR. HARLESS: Okay. And last on the list -- Evelyn?

MS. SWEDA: I thought I was just signing an attendance. Well, I don't have much to say, except that I am in favor of the apartments. I did see one in Kerrville, which is to be similar to these -- which is similar to the ones that are going to be built. And I was greatly impressed. So if I can get the information afterwards, I'd be appreciative.

MR. HARLESS: I don't have anybody else on the list. People are using less than four minutes, so we still have some time if anybody else would like to say anything.

Well, if there are no others, then I would like to thank everyone for attending this hearing. Your comments have been recorded, and this meeting is now adjourned, and the time is 6:18.

(Whereupon, at 6:18 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: Park Meadows Apartments

LOCATION: Boerne, Texas

DATE: January 28, 2002

I do hereby certify that the foregoing pages, numbers 1 through 9, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas State Affordable Housing Corporation.

02/01/2002
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

Item 2(c) Approval of Recommendation to Amend the Guidelines Regarding The Amount of Assistance Available to Borrowers under the Single Family MRB Down Payment Assistance Program

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Housing Finance Programs Division

Recommendation to Amend the Program Guidelines regarding Amount of Assistance to Borrowers under the MRB Down Payment Assistance Program ("DPAP")

History:

In July 1998, the TDHCA Board approved guidelines with regard to the amount of assistance a homebuyer can receive when applying for down payment assistance funds generated by the Department. The assistance ranged from $5,000, $7,500 to $10,000 depending upon the HUD Section 8 County income limits in which the property was located. This was done in an effort to assist low income families, in rural markets, to better qualify for home purchases.

It was primarily changed to accommodate the HOME Program, but the write-up to the Board indicated all Department down payment assistance programs would follow this guideline. Therefore, this is the guideline by which the Single Family MRB Down Payment Assistance Program ("DPAP") has operated under since 1998.

Recently, the Board approved the Jr. Lien Bond structure allowing the Department to offer assistance to borrowers at 60% AMFI based on MRB income limits. This structure set aside $2.5 million for DPAP that is to be used in conjunction with our MRB loan programs that do not have assistance built into the structure.

Staff is requesting approval to amend the guidelines with regard to the amount of assistance a borrower can receive under DPAP.

After staff reviewed the portfolio of loans originated under DPAP, we concluded the following:

- Approximately 65% of our borrowers obtained up to $5,000 in assistance to qualify for their home purchase.
- Approximately 65% of our borrowers that were eligible for $7,500 or $10,000 were at 80% AMFI.
- Most of the loans originated utilizing the current guidelines were for properties located within a major metropolitan area (smaller towns surrounding a major city) and did not accomplish the goal of serving more low income families in rural markets of the State.

Many of the areas located along the Texas/Mexico border are currently eligible for assistance up to $10,000. However, most of the loans being made in these areas are not rural by definition, i.e. Brownsville, El Paso, Laredo, McAllen and Harlingen.

- Staff feels the assistance should not be based solely on where the property is being purchased. Many borrowers that have received up to the $10,000 in assistance have purchased homes in the $50,000 to $70,000 price range, they reside in urban/suburban Counties and use a majority of the funds for principal reduction.
- MRB Program 57 offers DPA at 4% of the mortgage amount for borrower with incomes not greater than 60% AMFI based on MRB limits. Therefore, on a $75,000 mortgage, the amount of assistance offered is $3,000. Although the assistance is in the form of a grant, the borrower essentially pays for it through a higher interest rate. Based on this loan structure, lenders were able to register $53 million in MRB loans within 3 months. This clearly demonstrates a low income homebuyer can qualify for a mortgage with the lower amount of assistance.

***Historical Statistics** (Number of DPAP loans originated in 2001):*

Assistance compared to Income	**80% AMFI**	**60% AMFI**	**50% AMFI**	**30% AMFI**
Up to $5,000	228	78	33	3
$7,500	29	15	4	0
$10,000	91	29	12	2

% of Incomes Served

80% AMFI	=	67% of loan volume
60% AMFI	=	22% of loan volume
50% AMFI	=	10% of loan volume
30% AMFI	=	1% of loan volume

Recommendation:

Staff is requesting approval to amend the guidelines with regard to the amount of assistance a borrower can receive under the MRB Down Payment Assistance Program. We recommend that the assistance available under the program be limited to $5,000 in the form of a 2nd lien, zero interest, deferred, 30-year loan.

The proposed policy change is fiscally responsible; it will enable us to provide assistance to more low income families throughout the State, and will help streamline the originations of our MRB loans.

Item 2(d) Approval of Senior Managing and Co-Managing Underwriting Firms for Detailed Research and Preliminary Structuring of Revenue Bonds for Affordable Housing Preservation and Modernization and Other Related Matters

BOARD OF DIRECTORS MEETING
APRIL 11, 2002

PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF SENIOR MANAGING AND CO-SENIOR MANAGING UNDERWRITING FIRMS FOR DETAILED RESEARCH AND PRELIMINARY STRUCTURING OF REVENUE BONDS FOR AFFORDABLE HOUSING PRESERVATION AND MODERNIZATION AND OTHER RELATED MATTERS

Department Staff and several of its approved investment banks may be able to develop a tax-exempt revenue bond resembling an "asset-backed security" that provides funds through the capital markets for extensive redevelopment or construction of affordable housing properties. Staff, therefore, wishes to initiate a preliminary review and analysis of these asset-backed security structures and alternatives.

Staff recommends the following investment banks for this project.

Senior Manager:	Lehman Brothers
Co-Senior Manager:	Siebert Brandford Shank & Co., LLC

The recommended investment banks are uniquely and highly qualified to conduct a preliminary review and analysis of bond structures and alternatives for this funding purpose.

<u>RECOMMENDATION</u>

The Board approve the recommended investment banks to conduct detailed research and preliminary structuring of revenue bonds for affordable housing preservation and modernization.

Item 2(e) Approval of Recommendations Relating to the Prospective Issuance of Tax-Exempt Mortgage Revenue Bonds for Single Family Mortgage Loans and Other Related Matters

Texas Department of Housing and Community Affairs
BOARD OF DIRECTORS MEETING
APRIL 11, 2002

PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF RECOMMENDATIONS RELATING TO THE PROSPECTIVE ISSUANCE OF TAX-EXEMPT MORTGAGE REVENUE BONDS FOR SINGLE FAMILY MORTGAGE LOANS AND OTHER RELATED MATTERS

Department Staff and the Bond Finance Team are currently in the process of structuring the Department's next single family bond program (Program 57a). Staff will present the final structure for Program 57a at the next Board meeting for approval. In conjunction with planning this issue and as a result of the increase in the Department's volume cap authority, Staff recommends that the Department issue single family bonds in smaller amounts and more frequently rather than issuing one large transaction per year.

This strategy will minimize the Department's exposure to interest rate risk and mitigate negative arbitrage costs and provide more flexibility for incorporating innovative bond structures and mortgage products. Other benefits include a continuous availability of mortgage funds and availability of funds with consistently competitive mortgage rates.

The following table outlines Staff's proposed schedule for single family bond issuances.

Bond Issue Date	Approximate Amount (Lendable Proceeds)	Recommended Senior Manager
June 2002	$100,000,000	Salomon Smith Barney
December 2002	$100,000,000	Bear Stearns
April 2003	$50,000,000	UBS/PaineWebber or US Bancorp/Piper Jaffray
August 2003	$50,000,000	UBS/PaineWebber or US Bancorp/Piper Jaffray
December 2003	$50,000,000	To Be Determined

Staff may recommend revisions to the schedule contingent upon market conditions.

RECOMMENDATION

The Board approve the proposed single family bonds schedule as reflected in the above table.

Item 2(f) Approval of an Application to the Bond Review Board for Reservation of Private Activity Bond Authority

Texas Department of Housing and Community Affairs
BOARD OF DIRECTORS MEETING
APRIL 11, 2002

PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF APPLICATION TO THE BOND REVIEW BOARD FOR RESERVATION OF PRIVATE ACTIVITY BOND AUTHORITY

The Department's Staff and Bond Finance Team are currently in the process of structuring the next single family bond program (Program 57a). An application for reservation of the Department's annual private activity ceiling cap must be made with the Texas Bond Review Board. The total amount of volume cap that the Department is applying for Program 57a equals $33,750,000. An application to request the remaining volume cap will be submitted to the Texas Bond Review Board prior to August 15, 2002.

RECOMMENDATION

The Board approve the attached Resolution authorizing the submission of an application to the Bond Review Board for reservation of a portion of the Department's 2002 single family private activity bond authority.

Resolution No. 02-025

RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION FOR RESERVATION WITH TEXAS BOND REVIEW BOARD WITH RESPECT TO QUALIFIED MORTGAGE BONDS; 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 persons 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 and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire or finance such mortgage loans, 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 single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, 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, Section 103 and Section 143 of the Internal Revenue Code of 1986, as amended (the "Code"), provide that the interest on obligations issued by or on behalf of a state or a political subdivision thereof the proceeds of which are to be used to finance owner-occupied residences shall be excludable from gross income of the owners thereof for federal income tax purposes if such issue meets certain requirements set forth in Section 143 of the Code; and

WHEREAS, Section 146(a) of the Code requires that certain "private activity bonds" (as defined in Section 141(a) of the Code) must come within the issuing authority's private activity bond limit for the applicable calendar year in order to be treated as obligations the interest on which is excludable from the gross income of the holders thereof for federal income tax purposes; and

WHEREAS, the private activity bond "State Ceiling" (as defined in Section 146(d) of the Code) applicable to the State for calendar year 2002 is subject to allocation, in the manner authorized by Section 146(e) of the Code, pursuant to Chapter 1372 Texas Government Code, as amended (the "Allocation Act"); and

WHEREAS, the Allocation Act requires the Department, in order to make a reservation of a portion of the State Ceiling for a proposed issue of mortgage revenue bonds (the "Reservation") and satisfy the requirements of Section 146(a) of the Code, to file an application for reservation (the "Application for Reservation") with the Texas Bond Review Board (the "Bond Review Board"), stating the maximum amount of the bonds requiring an allocation, the purpose of the bonds and the section of the Code applicable to the bonds; and

WHEREAS, the Allocation Act and the rules promulgated thereunder by the Bond Review Board (the "Allocation Rules") require that an Application for Reservation be accompanied by a copy of the certified resolution of the issuer authorizing the filing of the Application for Reservation; and

WHEREAS, the Board has determined to authorize the filing of the Application for Reservation with respect to a proposed issue of qualified mortgage bonds in calendar year 2002;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

Section 1 — Application for Reservation. The Board hereby authorizes Vinson & Elkins L.L.P., as Bond Counsel to the Department, to file on its behalf with the Bond Review Board the Application for Reservation with respect to a proposed issue of qualified mortgage bonds to be issued and delivered within 180 days after receipt of a "reservation date," as defined in the Allocation Rules, in the amount of $32,750,000, together with any other documents and opinions required by the Bond Review Board as a condition to the granting of the Reservation.

Section 2 — Authorization of Certain Actions. The Board authorizes the Executive Director, the staff of the Department, as designated by the Executive Director, and Bond Counsel to take such actions on its behalf as may be necessary to carry out the purposes of this Resolution.

Section 3 — Purposes of Resolution. The Board has expressly determined and hereby confirms that the issuance of the qualified mortgage bonds will accomplish a valid public purpose of the Department by assisting persons and families of low and very low income and families of moderate income in the State to obtain decent, safe and sanitary housing, thereby helping to eliminate slums and blighted areas, to relieve unemployment and depressed economic conditions in the home construction industry, to expand the tax base of the State, and to reduce public expenditures for crime prevention and control, public health, welfare and safety and for other valid public purposes.

Section 4 — Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 5 — 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 11th day of April, 2002.

____

Chairman, Governing Board

ATTEST:

____

Secretary

(SEAL)

Item 2(g) Approval of Extension of Origination Period for Program 54

Texas Department of Housing and Community Affairs
BOARD OF DIRECTOR'S MEETING
April 11, 2002

PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF EXTENSION OF ORIGINATION PERIOD FOR PROGRAM 54

The mortgage loan origination period related to the Department's Residential Mortgage Revenue Bonds, Series 1998A and Series 1998B (Program 54) was previously extended by the Board until December 1, 2001. However, on that date a balance remained in the mortgage loan fund due to timing differences between mortgage loan closings and mortgage-backed securities poolings. Given that the final origination deadline for this transaction according to the Internal Revenue Code was April 1, 2002, staff decided to try to make more loans rather than call bonds. The interest rate on the loans was 5.85%.

Staff previously obtained affirmation letters from the rating agencies confirming their understanding and approval of the extension.

RECOMMENDATION

The Board approve the attached Resolution extending the mortgage origination period for Program 54.

Item 3(a) Presentation, Discussion and Possible Approval of Report from Programs Committee: Approval of Section 8 Program Public Housing Authority Plan for the Year 2002 and Other Related Matters

SECTION 8 PROGRAM

BOARD ACTION REQUEST
April 11, 2002

Staff Recommendation

Staff recommends that the Board approve the 2002 Public Housing Agency (PHA) Plan.

Action Item

Approval of 2002 Public Housing Agency (PHA) Plan.

Required Action

Approve the proposed PHA Plan for the Department's Section 8 Program.

Background

24 CFR 903.3 requires the Texas Department of Housing and Community Affairs to maintain an Annual Public Housing Agency (PHA) Plan. Section 511 of the Quality Housing and Work Responsibility Act of 1993 created the Public Housing Agency Plans. The Annual Plan provides details about the Agency's immediate operations, program participants, and programs and services, and the Agency's strategy for addressing the needs of the community in the upcoming fiscal year.

Item 3(b) Approval of Proposed Housing Sponsor Report Rules

Recommendation

Staff recommends the Board approve the proposed rules to establish procedures for filing an annual fair housing sponsor report with the Texas Department of Housing and Community Affairs. Board approval allows the Department to post the rules on the Texas Register and receive public comment.

Background

Section 2306.0721(6) requires the Department to provide an analysis of fair housing opportunities in housing developments that receive financial assistance from the department including the following information:

- The street address and municipality or county in which the property is located;
- The telephone number of the property management or leasing agent;
- The total number of units reported by bedroom size;
- The total number of units, reported by bedroom size, designed for individuals who are physically challenged or who have special needs and the number of these individuals served annually;
- A rent for each type of rental unit;
- The race or ethnic makeup of each project;
- The number of units occupied by individuals receiving government-supported housing assistance and the type of assistance received;
- The number of units occupied by individuals and families of extremely low income, very low income, low income, moderate income, and other levels of income;
- A statement as to whether the department has been notified of a violation of the fair housing law that has been filed with the United Stats Department of Housing and Urban Development, the Commission on Human Rights, or the United States Department of Justice
- And a statement as to whether the development has any instances of material noncompliance with bond indentures or deed restrictions discovered through the normal monitoring activities and procedures that include meeting occupancy requirements or rent restrictions imposed by deed restrictions or financing agreements;

The compliance division has collected this information from housing sponsors since 1995 on the Housing Sponsor Report.

SB 322 some what modified section 2306.0721 and added section 2306.0724. Under section 2306.0724(b) The Department shall adopt rules regarding the procedures for filing the report. The proposed rules are submitted to satisfy this requirement.

TITLE 10. COMMUNITY DEVELOPMENT
PART 1. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 1. ADMINISTRATION
SUBCHAPTER A. GENERAL POLICIES AND PROCEDURES
10 TAC <*>1.11 Fair Housing Sponsor Report

The Texas Department of Housing and Community Affairs (TDHCA) proposes new <*>1.11 to establish procedures for filing an annual fair housing sponsor report with the Texas Department of Housing and Community Affairs and for sanctions. The new section is necessary to comply with Section 2306.0724 of the Texas Government Code, as added by Acts 2001, 77th Legislature, chapter 1367, section 4.02, effective September 1, 2001.

Edwina P. Carrington, Executive Director, has determined that for the first five-year period the section is in effect there will be no fiscal implications for state or local government as a result of enforcing or administering the rule.

Ms. Carrington also has determined that for each year of the first five years the section is in effect, the public benefit anticipated as a result of enforcing the section will be to provide the public with current readily available information of TDHCA's annual housing activities. There will be no effect on persons, small businesses or micro-businesses. There are no anticipated economic costs to persons, small businesses or micro-businesses who are required to comply with the sections as proposed unless a violation of the sections occurs and penalties are assessed for such violation.

Comments may be submitted to Betty J. Marks, General Counsel, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, Texas, 78711-3941 or by email at the following address: bmarks@tdhca.state.tx.us.

The proposed new section is proposed under the Texas Government Code, Chapter 2306. The new section affects no other code, article or statute.

<new><*>1.11 Fair Housing Sponsor Report

(a) Purpose. The purpose of this section is to establish procedures for filing the Fair Housing Sponsor report with the Texas Department of Housing and Community Affairs (the "Department"), pursuant to <*>2306.0724 of the Texas Government Code (the "Code").

(b) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Fair Housing Sponsor report - Data submitted to the Department by the owner of a housing development with 20 or more living units that contains relevant information pursuant to <*>2306.072(c)(6) of the Code including the following:

(A) the street address and municipality or county in which the property is located;
(B) the telephone number of the property management or leasing agent;
(C) the total number of units, reported by bedroom size;
(D) the total number of units, reported by bedroom size, designed for individuals who are physically challenged or who have special needs and the number of these individuals served annually;
(E) the rent for each type of rental unit, reported by bedroom size;
(F) the race or ethnic makeup of each project;
(G) the number of units occupied by individuals receiving government-supported housing assistance and the type of assistance received;
(H) the number of units occupied by individuals and families of extremely low income, very low income, low income, moderate income, and other levels of income;
(I) a statement as to whether the property has been notified of a violation of the fair housing law that has been filed with the United States Department of Housing and Urban Development, the Commission on Human Rights, or the United States Department of Justice; and
(J) a statement as to whether the development has any instances of material noncompliance with bond indentures or deed restrictions discovered through the normal monitoring activities and procedures that

include meeting occupancy requirements or rent restrictions imposed by deed restriction or finance agreements.

(2) Department - The Texas Department of Housing and Community Affairs.

(3) Financial assistance - Multifamily and single family rental developments that receive financial assistance or administration from the Department including loans, grants, bonds or tax credits.

(4) Property - A housing development that received financial assistance from the Department.

(5) Reporting Year - The 12 month period in which the submission of the Fair Housing Sponsor Report is due.

(c) Procedures. The Department shall require the owner of each housing development that receives financial assistance and that contains 20 or more living units to submit an annual fair housing sponsor report in a department-approved format, available electronically on the Department's website at www.TDHCA.state.tx.us, or by hard copy if electronic means are not available to an owner.

(1) Hard copies of the forms are available upon request by phone or mail.

(2) The Department shall maintain the reports in electronic and hard copy formats readily available to the public at no cost.

(3) The report shall use data collected for the previous year current as of and including December 31st of that year, and must be submitted to the Department no later than March 1st of the Reporting Year. The data must be postmarked on or before March 1st, or the following business day if March 1st falls on a Sunday or legal holiday. The Department will compile and maintain a list of owners failing to report timely. The Department, not later than March 31st of each year, will mail a late or missing report notification to owners.

(d) Sanctions. In accordance with the provisions of <*>2306.0724 of the Code, the Executive Director of the Texas Department of Housing and Community Affairs may access and enforce penalties and sanctions against a person who fails to submit the Fair Housing Sponsor Report on or before March 1st of each year.

(1) Effective January 1, 2003, the Executive Director may:

(A) Issue to the person a written reprimand that specifies the violation;

(B) Assess an administrative penalty in an amount equal to $1,000 for each violation in lieu of, or in addition to, any other sanction; and

(C) Deny future requests for departmental funding or other assistance.

(2) Denial of future requests for departmental funding may be assessed only for multiple, consistent and/or repeated violations of failure to submit the annual Fair Housing Sponsor Report by March 1st of each year. For first-time violations, the Department will issue a written reprimand.

(3) If, after investigation of a possible violation and the facts surrounding the possible violation, the Executive Director determines that a violation has occurred, the Executive Director shall issue a written notice or reprimand of violations not later than the 14th day after the date on which the notice of late or missing report was issued to owner. A written notice or reprimand of violations shall specify in detail the late or missing report and shall include any of the following:

(A) recommendation that the owner charged be barred from any future requests for departmental funding and assistance;

(B) recommendation that an administrative penalty under this section be imposed on the owner charged and the indicate the penalty amount; or

(C) recommendation that no penalty be assessed if this is the owner’s first violation.

(4) Not later than the 20th day after the date on which the notice or reprimand is received, the owner charged may accept the determination of the Executive Director made under subsection (d), including the recommended penalty, or make a written request for a hearing on the determination.

(5) If the owner charged with the violation accepts the determination of the Executive Director, the

Executive Director shall issue an order approving the determination and ordering that the owner pay the recommended penalty.

(6) If the owner charged requests a hearing, the Executive Director shall set a hearing and give written notice of the hearing to the owner. The respondent in an administrative hearing shall be entitled to due process and a hearing under the provisions of Code, Chapter 2001 and Chapter 2306. The respondent and the director may enter into a compromise settlement agreement in any contested matter prior to signing of the final order.

(7) Not later than the 30th day after the date on which the order was issued and/or the decision is final, the owner charged shall:

(A) pay the penalty in full; or

(B) file a petition for judicial review contesting the fact of the violation,

(8) If the owner charged does not pay the penalty and does not pursue judicial review, the Executive Director or the attorney general may bring an action for the collection of the penalty.

(9) An owner that has been denied departmental funding or other assistance for failure to submit the fair housing sponsor report timely may be removed from the denial list after reporting timely for at least two consecutive Reporting Years.

Item 3(c) Approval of Proposed Rule 10 TAC1.13 Applicant Compliance with State and Federal Laws Prohibiting Discrimination

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 1. ADMINISTRATION
Subchapter A. GENERAL POLICIES AND PROCEDURES
10 TAC §1.13 Applicant Compliance with State and Federal Laws Prohibiting Discrimination

The Texas Department of Housing and Community Affairs proposes new <*>1.13 concerning the certification with certain laws prohibiting discrimination required of housing applicants and the proposed sanctions for noncompliance The new section is necessary to comply with <*>2306.257 of the Texas Government Code, as added by SB 322, 77th Session of the Texas Legislature.

Edwina P. Carrington, Executive Director, has determined that for the first five-year period the sections are in effect there will be no fiscal implications for state or local government as a result of enforcing or administering the rule.

Ms. Carrington also has determined that for each year of the first five years the sections are in effect, the public benefit anticipated as a result of enforcing the section will be increased likelihood of affordable housing available to all free of discrimination. There will be no effect on persons, small businesses or micro-businesses. There are no anticipated economic costs to persons, small businesses or micro-businesses who are required to comply with the sections as proposed. The proposed section will not have an impact on any local economy.

Comments may be submitted to Anne O. Paddock, Deputy General Counsel, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, Texas, 78711-3941 or by email at the following address: apaddock@tdhca.state.tx.us.

The new section is proposed under the Texas Government Code, Chapter 2306. No other code, article or statute is affected by the new section.

10 TAC §1.13 Applicant Compliance with State and Federal Laws Prohibiting Discrimination
(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Applicant - A person who submits, or is preparing to submit, to the Department an application for housing funds or other housing assistance from the Department.
(2) Application - The written request for Department housing program funds or other assistance in the format required by the Department including any exhibits or other supporting material.

(3) Board - The board of directors of the Texas Department of Housing and Community Affairs.

(4) Department - The Texas Department of Housing and Community Affairs.

(5) Executive Director - The executive director of the Department.

(6) Housing development – means property or work or a project, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the department and that is financed under the provisions of this chapter for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, use, or purchase by individuals and families of low and very low income and families of moderate income in need of housing. The term includes:
(A) buildings, structures, land, equipment, facilities, or other real or personal properties that are necessary, convenient, or desirable appurtenances, including streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community, and recreational facilities the department determines to be necessary, convenient, or desirable appurtenances; and
(B) single and multifamily dwellings in rural and urban areas.

(7) Recipient – The individual or entity that has received funds or other assistance from the Department pursuant to its application.

(b) Applicable Laws. An applicant may not receive funds or other assistance from the Department until the Department receives a properly completed certification from the applicant that it is in compliance with the following housing laws:

(1) state and federal fair housing laws, including Chapter 301, Property Code, the Texas Fair Housing Act; Title IV of the Civil Rights Act of 1968 (42 U.S.C. Section 3601 et seq.); and the Fair Housing Amendments of 1988 (42 U.S.C. Section 3601 et seq.),

(2) the Civil Rights Act of 1964 (42 U.S.C. Section 2000a et seq.),

(3) the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.), and

(4) the Rehabilitation Act of 1973 (29 U.S.C. Section 701 et seq.).

(c) Monitoring. The Department periodically monitors for compliance with the requirements specified in subsection (b) during the construction phase of a housing development that has received funds or other assistance from the Department. The monitoring level for each housing development is based on the amount of risk of noncompliance with the requirements specified in subsection (b) associated with the development. The Department shall notify the recipient in writing of an apparent violation and shall afford the recipient a reasonable amount of time, as determined by the Department, to correct the identified violation, if possible, prior to the imposition of a sanction. The Department shall notify the Texas Commission on Human Rights at the same time notification is sent to the recipient.

(d) Sanctions. The Department may impose one or more of the following sanctions depending on the severity of the violation of a law specified in subsection (b) by a recipient of housing funds or other assistance from the Department:

(1) a reprimand posted on the Department's website,

(2) termination of assistance, or

(3) a bar on future eligibility for assistance through a housing program administered by the Department. A bar shall be in place for at least one calendar year from the date of imposition by the Department and may not last for more than ten calendar years from the date of imposition.

Item 3(d) Approval of 2002 Proposed Bond Eligible Tenant Limits

RECOMMENDATION:

Staff recommends the Board approve the eligibility limits as evidence on the attachment titled 2002 Multi-Family Mortgage Revenue Bond Maximum Income Limits

Background

Multifamily properties financed with mortgage revenue bonds must lease a minimum of twenty percent of units in a property to low income individuals and families. The definition of low income depends on the when the bond was issued and the minimum set aside selected by the owner or developer. Failure to meet the federal low-income occupancy requirement affects the tax-exempt status of the bonds. In addition to the federal low-income occupancy requirement, private activity bonds issued by the Department requires one hundred percent of the residents to be Eligible i.e. qualify under an eligible income limit. Therefore, there are two income occupancy restrictions on properties financed with tax-exempt bonds. A percentage of the residents must be low income and the remaining residents must be eligible under the eligible income limit.

Federal pre-1986 tax code requires bond property owners to lease a minimum of twenty percent of the units to low-income (LI) households whose income is 80% or less of area median income (AMI). Current code requires the owner to elect a minimum set-aside of 20% of the units for households earning 50% or less of AMI or 40% of the units at 60% of AMI. The low-income limits adjust annually when HUD issues its annual income adjustments for low-income households; therefore, no board action is necessary.

Bond documents for the pre-1986 or earlier bonds contain language that requires the Board to review the income limits for Eligible Tenants. A 1991 Board resolution requires the Board of Directors to make the Eligible Tenant (ET) limit determination annually. For bond series issued in 1997 and beyond the Eligible limits adjusts automatically when HUD releases its annual income and rent limit adjustments. The bond documents set the maximum Eligible limits at 140% of AMI; therefore, no Board action is required.

For pre-1986 or earlier bonds the Department calculates eligibility limits for two groups, households comprised of one individual, and households with two or more members. The “Eligible Tenant” income level for these two groups was established as 110% and 140% of the Dallas AMI. The recommended “Eligible Tenant” income limits are calculated in a manner consistent with previous recommendations.

The Eligible Tenant income levels affect all projects except those financed with bond series dating 1997 and beyond.

Approval of the 2002 Mortgage Revenue Bond Maximum Income Limits

Proposed 2002 Multi-Family Mortgage Revenue Bond
Maximum Income Limits

Eligibility Tenant Income Limit Adjustment

Annually the Board of Directors for TDHCA reviews the Eligible Tenant income limits for the Mortgage Revenue Bond Program to determine whether to increase the eligibility limits for properties financed with tax-exempt bonds. The proposed income levels for 2002 are as follows:

	Move-in Limit	125% Renewal
A. Tenant is a person who occupies a unit in the Development alone.	$73, 150	$91,437
B. For a household comprised of two or more members	$93,100	$116,375

Recommendation:

Staff recommends the Board approve these limits as the eligibility limits for 2002.

Item 3(e) Approval of HOME Program Awards

App. No.	Applicant	Location	Activity	Region	Score	Amount
20020223	**City of Bartlett**	**Bartlett**	**HBA**	**07**	**198.50**	**$100,000**
20010144	**City of Merkel**	**Merkel**	**OCC**	**02**	**242.00**	**$220,000**
20010113	**City of China**	**China**	**OCC**	**05**	**226.00**	**$495,000**
20010139	**EAC of Gulf Coast**	**Bay City**	**OCC**	**06**	**239.00**	**$495,000**
20010101	**City of La Coste**	**LaCoste**	**OCC**	**8A**	**241.00**	**$246,720**
20010245	**Statewide Cons.**	**Beaumont**	**RHD**	**05**	**180.00**	**$636,841**
20010185	**Community Srvs.**	**Encinal**	**RHD**	**8B**	**189.00**	**$725,607**

2001 HOME Funding Cycle

Previously Disqualified Applications Who Are Now Eligible for Awards and Additional CHDO Award Recommendations

The HOME Program staff is requesting approval to award additional applicants from the 2001 HOME Program Funding Cycle as detailed here within.

Background:

October 17, 2001, the TDHCA Board approved awards from the 2001 HOME Program Funding Cycle for the Owner Occupied, Homebuyer Assistance and Tenant Based Rental Assistance activities. In addition, the Board approved to allow 2001 HOME Program applicants disqualified for delinquent Audit Certification Forms to submit the required forms within 14 calendar days from the date of Board approval (due October 31, 2001). If the forms submitted disclosed that the applicant was subject to a Single Audit, and should it be past due as of the application deadline or as of the date of the October 2001 recommendations, the applicant would not be eligible for scoring and would remain disqualified.

December 12, 2001, the TDHCA Board approved awards from the 2001 HOME Program Funding Cycle for the CHDO Rental Housing Development Applications. Only three awards could be recommended at that time. Staff explained to the Board that more time was needed on the remaining applications that were above threshold scoring to allow for further Department underwriting review and analysis.

Disqualified Applicants:

A total of eighteen (18) applicants were provided the opportunity to submit the required forms, and if eligible, were scored. A final analysis was conducted by HOME management to determine if the application would have received a recommendation for funding in the 2001 Funding Cycle based on the Regional Allocation Formula, activity set-aside and score.

The following chart details the status of the applications reviewed:

Application No.	Applicant Name	Activity	Region	Score	Status
20010212	Foundation For Housing Resources	HBA	03	72.00	Did not meet minimum score requirements.
20010115	City of Nash	HBA	04	181.00	Did not meet ACF requirements and not eligib for scoring.
20010223	City of Bartlett	HBA	07	198.50	Recommended for award.
20010235	Willacy County	HBA	8B	201.00	Did not meet ACF requirements and not eligib for scoring.
20010081	City of Plainview	OCC	01	190.00	Did not meet ACF requirements and not eligib for scoring.
20010144	City of Merkel	OCC	02	242.00	Recommended for award.
20010114	City of Nash	OCC	04	226.00	Did not meet ACF requirements and not eligib for scoring.
20010017	City of Broaddus	OCC	05	182.00	Would not have been recommended based on score.
20010113	City of China	OCC	05	226.00	Recommended for award.
20010014	City of Columbus	OCC	06		Did not meet ACF requirements and not eligib for scoring.
20010139	EAC of the Gulf Coast, Inc.	OCC	06	239.00	Recommended for award in Region 6, as requested.
20010140	EAC of the Gulf Coast, Inc.	OCC	06	258.00	Not recommended for award.
20010222	City of Bartlett	OCC	07	197.50	Would not have been recommended based on score.
20010101	City of La Coste	OCC	8A	241.00	Recommended for award.
20010245	Statewide Consolidated CDC	RHD	5	180.00	Recommended for award.
20010150	Angelica Homes Corporation	RHD	03	187.00	Not recommended for award.
20010071	Life Rebuilders, Inc.	RHD	03	124.00	Did not meet minimum score requirements.
20010072	Life Rebuilders, Inc.	RHD	03	250.00	Not recommended for award.

Additional CHDO Rental Awards:

HOME received a total of twelve (12) CHDO Rental Housing Development applications in 2001. Three (3) applications were denied for failure to meet the minimum score[1] of 180 points, three (3) applications were approved for funding in December 2001, and four (4) applications were disqualified for not submitting audit certification forms (see below). The remaining two (2) applications required further review and documentation to complete the evaluation of an award recommendation and one (1) of these applications is now being recommended for an award. The other applicant is not being recommended for an award due to the underwriting feasibility analysis.

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. One (1) of these applications is now being recommended for an award. The remaining three (3) applicants are not being recommended for an award due to the concerns in the underwriting feasibility analysis and lack of readiness to proceed.

[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.

Recommendation:

- Staff requests approval for the following additional Owner Occupied and Homebuyer Assistance awards from the 2001 HOME Program Funding Cycle as detailed below. In addition, staff requests approval from the 2001 HOME Program Cycle for CHDO Rental Housing Development as detailed below (see attached summaries and underwriting reports).
- Applicants that receive approval for funding will be awarded from the HOME Program's deobligated funds, with the exception of CHDO applicants, which will be funded out of the CHDO Set Aside.

Application No.	Applicant Name	Activity	Reg.	Score	Units Rec.	AMFI targeted				Project $'s Rec.	Admin. $'s Rec.
						30%	31-50%	51-60%	61-80%		
20010223	City of Bartlett	HBA	07	198.50	20	8	8		4	$ 100,000	$ 4,000
20010144	City of Merkel	OCC	02	242.00	4	4				$ 220,000	$ 8,800
20010113	City of China	OCC	05	226.00	9	9				$ 495,000	$ 19,800
20010139	EAC of the Gulf Coast, Inc.	OCC	06	239.00	9	9				$ 495,000	$ 19,800
20010101	City of La Coste	OCC	8A	241.00	5	5				$ 246,720	$ 9,868
									Total	$ 1,556,720	
	CHDO applicant:										CHDO Operating $'s Rec.
20010185	Community Services Agency of South Texas	RHD	8b	189.00	16	16				$ 725,607	$ 36,280
20010245	Statewide Consolidated CDC	RHD	5	180.00	18	4		7	7	$ 636,841	$ 31,842
									Total	$ 1,362,448	

It is important to note that the City of China was also recommended and received a HOME award of $500,000 to provide Owner Occupied Housing Assistance for Disaster Relief in December 2001 from the program's deobligated funds. The State HOME Program rules at 10 TAC Section 53.53 state the following in regards to application limitations:

"An eligible applicant may apply for several eligible activities provided that the total amount requested does not exceed the funding limits established in this section. The Department reserves the right to reduce the amount requested in an application based on program/project feasibility, underwriting analysis, and/or availability of funds:

(1) Award amount for Owner-Occupied Housing Assistance, Homebuyer Assistance, Tenant-Based Rental Assistance, and Interim Construction Assistance shall not exceed $500,000 per activity, except as otherwise allowed by the Board…"

Project:	Villa de Reposo
Application Number:	2001-0185
Average Score:	189 points
Applicant:	Community Services Agency of South Texas
City/County Location of Project:	Encinal, La Salle County
Region:	Region 8B; Non-PJ
Total # Units in Project:	16 Units
Income Targeting:	16 Units restricted to 30% AMFI and below
Rent Restrictions:	3 Units restricted to High HOME rents (80%)
	13 Units restricted to Low HOME rents (50%)
Special Needs:	16 Units set aside for elderly tenants
	2 Units set aside for persons with disabilities
Affordability Term:	30 years

Application Request

Award Amount:	$718,407
Interest Rate:	None
Loan Term:	None
TDHCA Lien Position:	1st Lien Position
Administrative Expense Award:	$28,736
CHDO Operating Expense Award:	$35,920
Other Funding Sources:	None

Staff Recommendation

Award Amount: $725,607 consisting of:

- $367,000, and
  Interest Rate:0%
  Loan Term: 30 years fully amortizing with an additional 18 month construction period at 0% interest
- $358,607
  Interest Rate:0%
  Loan Term: 5 year non-amortizing loan

TDHCA Lien Position:	1st Lien Position
CHDO Operating Expense Award:	$36,280 *
Other Funding Sources:	None

*The applicant originally applied for both an administrative expense award and CHDO opera.

RECOMMEND APPROVAL SUBJECT TO THE FOLLOWING CONDITIONS:

1. Receipt, review and acceptance of a title commitment;
2. Receipt, review and acceptance of an acceptable site inspection performed by TDHCA staff; and,
3. Receipt, review and acceptance of evidence of the proposed project’s property tax exemption.

Project:	Statewide CDC, Scattered Sites
Application Number:	2001-0245
Average Score:	180 points
Applicant:	Statewide Consolidated CDC
City/County Location of Project:	Beaumont, Jefferson County
Region:	Region 5; PJ
Total # Units in Project:	18 Units
Income Targeting:	7 Units restricted to 61% - 80% AMFI 3 Units restricted to 51% - 60% AMFI 4 Units restricted to 31% - 50% AMFI 4 Units restricted to 30% AMFI and below
Rent Restrictions:	7 Units restricted to High HOME rents (80%) 7 Units restricted to Low HOME rents (50%) 4 Units restricted to 30% Low HOME rents
Special Needs:	2 Units set aside for persons with disabilities
Affordability Term:	20 years

Application Request

Award Amount:	$636,841
Interest Rate:	1.5% - 2%
Loan Term:	20 years
TDHCA Lien Position:	Second
CHDO Operating Expense Award:	$31,842
Other Funding Sources:	$100,000 permanent loan from Hibernia National Bank; $260,000 Affordable Housing Program grant from the Federal Home Loan Bank of Dallas; and, $100,000 CHRISTUS fund grant.

Staff Recommendation

Award Amount:	$636,841
Interest Rate:	1.5%
Loan Term:	20 years fully amortizing (see conditions below)
TDHCA Lien Position:	Second Lien Position (see conditions below)
CHDO Operating Expense Award:	$31,842
Other Funding Sources:	$100,000 permanent loan from Hibernia National Bank; $260,000 Affordable Housing Program grant from the Federal Home Loan Bank of Dallas; and, $100,000 CHRISTUS fund grant.

RECOMMEND APPROVAL SUBJECT TO THE FOLLOWING CONDITIONS:

1. Receipt, review, and acceptance of revised site work and direct cost breakdown reflecting the appropria portion for each;
2. Receipt, review and acceptance of a firm commitment letter with all applicable terms from Hibernia Nation Bank for an interim to a permanent loan of $100,000
3. The firm commitment letters for grant funds to total at least $360,000
4. Receipt, review and acceptance of a HOME program CHDO operating expense subsidy award of $31,842;
5. Receipt, review and acceptance of evidence of property tax exemption for this project;
6. Receipt, review and acceptance of verification of FEMA floodplain designation for these sites;
7. Receipt, review, and acceptance of an acceptable site inspection by a TDHCA staff member
8. Receipt, review and acceptance of evidence of proper zoning for the proposed sites and corresponding uses;
9. Receipt, review and acceptance of a title commitment for street address 1085 Lincoln;
10. The LURAs for the project reflect a set-aside of 22% of the units affordable to households with incomes at below 30% of AMFI;
11. Receipt, review and acceptance of a site plan for the fourplex buildings and a breakdown of the proposed sit for the single family units.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: April 3, 2002 **PROGRAM:** HOME **FILE NUMBER:** 2001-0185

DEVELOPMENT NAME

Villa de Reposo

APPLICANT

Name: Community Services Agency of South Texas **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: P.O. Box 488 **City:** Carrizo Springs **State:** TX

Zip: 78834 **Contact:** David Ojeda, Jr. **Phone:** (830) 876-5219 **Fax:** (830) 876-5280

PRINCIPALS of the APPLICANT

Name: David Ojeda, Jr. **(%):** **Title:** Executive Director

Name: Roel Rodriguez **(%):** **Title:** Board Chair

PROPERTY LOCATION

Location: SE corner of N. Grande Avenue & Nueces Street (20 city lots) ☒ **QCT** ☐ **DDA**

City: Encinal **County:** La Salle **Zip:** 78019

REQUEST

Amount	Interest Rate	Amortization	Term
① $235,000	0%	30 yrs	30 yrs
② $483,407	N/A	N/A	30 yrs
③ $28,736	N/A	N/A	N/A
④ $35,920	N/A	N/A	N/A

Other Requested Terms: (Original request)
① HOME CHDO Rental Housing Development Program loan
② HOME CHDO Rental Housing Development Program cash flow loan
③ HOME Program administrative funds (grant)
④ HOME Program operating expenses (grant)

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

SITE DESCRIPTION

Size: 3.82 acres 166,399 square feet **Zoning/ Permitted Uses:** No zoning in Encinal

Flood Zone Designation: None* **Status of Off-Sites:** Partially improved

* Applicant indicates Department of the Army, US Army Engineer District Fort Worth Corp of Engineers stated the County of La Salle, which includes the City of Encinal, does not have Flood Plain Maps; Project engineer certifies that the project site does not lie in a flood hazard area

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 16 **# Rental Buildings** 8 **# Common Area Bldngs** 1 **# of Floors** 1 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
16	1	1	540

Net Rentable SF: 8,640 **Av Un SF:** 540 **Common Area SF:** 1,236 **Gross Bldg SF** 9,876

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 100% brick veneer exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

1,236-SF community building with activity room, management office, maintenance facilities, kitchen, restrooms, perimeter fencing, monitored security

Uncovered Parking: 30 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

None.

APPLICANT EQUITY

Amount: (None) **Source:** N/A

VALUATION INFORMATION

APPRAISED VALUE

Land Only: 3.82 acres $21,600 **Date of Valuation:** 6/ 6/ 2001

Proposed Building: as completed $710,900 **Date of Valuation:** 6/ 6/ 2001

Appraiser: Adolph A. Ramirez **City:** San Antonio **Phone:** (210) 733-1828

ASSESSED VALUE

Land: $25,440 **Assessment for the Year of:** 2000

Building: N/A **Valuation by:** La Salle County Appraisal District

Total Assessed Value: $25,440

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Option agreement

Contract Expiration Date: 6/ 1/ 2002 **Anticipated Closing Date:** 11/ 1/ 2001

Acquisition Cost: $ 21,000 **Other Terms/Conditions:**

Seller: Frank Edwin Holcomb **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Villa de Reposo is a proposed new construction project of 16 units of affordable elderly housing located in east Encinal. The project is comprised of eight duplex-style residential buildings. Based on the site plan, the apartment buildings are arranged in two groups of four buildings each, separated by a public street (Hodges Street). The community building and outdoor group activity area is located near the far north corner of the site. The plan was revised to include a direct walkway from the community building to one of the duplexes. The 1,236-square foot community building is planned to include the management office, a 396-square foot community room, kitchen, restrooms, and maintenance facilities. It appears that the project will also offer group-planting areas for fruits, vegetables and flowers.

Supportive Services: The Applicant will provide the following supportive services to tenants from its own resources: meals on wheels and food commodities distribution, budget counseling, transportation services, recreational activities, and referral services for other local service providers. These services will be provided at no cost to tenants. The Applicant's operating budget did not include an estimated expense for these services.

Schedule: The Applicant initially anticipated construction to begin in January of 2002, to be completed in August of 2002, and to be placed in service in October of 2002. It is anticipated that this schedule will need to be extended six months due to the delays in this allocation.

POPULATIONS TARGETED

Income Set-Aside: The Applicant proposes to designate 13 units (81.25% of the total) as low HOME units and the remaining three units as high HOME units. It should be noted that this is significantly more than the HOME rules require though it provides the applicant with no additional scoring preference and in this case does not affect the underwriting assumptions for this project.

Special Needs Set-Asides: Two units (12.5%) will be reserved and equipped for persons with disabilities.

MARKET HIGHLIGHTS

The Applicant provided market information including the following:

MARKET AREA DEMOGRAPHIC SUMMARY

	Encinal	La Salle County
Total Population	629	5,866
Population Over Age 65	88	682
Total Housing Units	276	2,436
Occupied Housing Units	215	1,819
Substandard Housing Units	193	1,583

Source: 2000 Census

RENT ANALYSIS (all bills paid)

	Proposed	Program Max	Differential	Market	Differential
1-Bedroom	$275	$320	-$45	$325	-$50

(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 rent indicated above was drawn from the information submitted at application. A letter, dated February 19, 2002, from the Housing Authority of the City of Cotulla states, "…Fair Market Rents for a one bedroom unit are $320.00 and standard payment for a one bedroom is $352.00."

According to a letter, signed by Jimmy P Patterson, County Judge, there are approximately 200 plus elderly people living in Encinal. The judge also expresses his belief that the census numbers "illustrate the need for elderly housing especially when the community has no presence of any elderly housing units." In addition, a survey indicating the need for apartments for the elderly, conducted by the CSA Family Service Center, was submitted with 36 signatures.

A letter from the executive director of the Housing Authority of the City of Cotulla states that their waiting list consists of 14 elderly/disabled applicants as of December 19, 2001. There are also 12 public housing units occupied by elderly/disabled tenants.

The census information submitted indicates a vacancy rate of 22% in the City of Encinal and 25% in La Salle County. Finally, information on elderly household specific rental demand and income levels was limited. Although a summary appraisal was submitted it contained no formal market study and, no additional market demand information was included in the report.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Encinal is located in south Texas, approximately 100 miles south of San Antonio in La Salle County. The site is comprised of two parcels located on the east and west sides of Hodges Street. The eastern parcel comprises eight city lots (lots 1, 3, 5, 7, 9, 11, 13 and 15 Block 3 Coleman Heights Addition) and the western parcel comprises twelve city lots (lots 1-8, 10, 12, 14 and 16 Block C Coleman Heights Addition). The site is located in the eastern area of Encinal, on the south side of Nueces Street.
Population: The estimated 2000 population of Encinal was 629; no growth projections were provided.
Adjacent Land Uses: Land uses in the overall area in which the site is located are primarily older single-family residential, mixed with vacant land and commercial. With the exception of the interstate, all of the streets in the immediate vicinity appear to be dirt or gravel roads. Adjacent land uses include:

- **North:** Nueces Street, with a municipal water tower and rodeo arena beyond
- **South:** Second Street (or Las Palomas Street, conflicting information provided), with single-family residential beyond
- **East:** Interstate Highway 35 (no direct access)
- **West:** North Grande Avenue with single-family residential beyond

Site Access: Access to the property is from the east or west along Nueces Street or Second/Las Palomas Street or from the north or south from North Grande Avenue or Hodges Street/Atlee Avenue. The project is to have entries from Grande Avenue and Hodges Street. Access to Interstate Highway 35 is near the site, which provides connections to Laredo, San Antonio, and other nearby communities.
Public Transportation: Public transportation is not available in Encinal.
Shopping & Services: The site is within walking distance of city shopping as well as a church. All the amenities of Encinal are located within a short driving distance from the site, although travel to Laredo or San Antonio would be required to access significant health care facilities and other amenities.
Special Adverse Site Characteristics: The Applicant stated that a title search would be performed subsequent to funding of the project. Receipt, review, and acceptance of a title commitment is a condition of this report.
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 was not included, as HOME-financed projects are not required to submit this report at the time of application.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's initial rent projections were significantly ($43) lower than the maximum 2001 Low HOME rents, reflecting the Applicant's desire to maintain the affordability of the units. Since application, the Applicant has chosen to increase rents to the maximum allowed, and the Applicant's submitted market information suggests that the market could support rents at the rent limit maximums. It should be noted that the maximum HOME rents in this market are limited to the HUD Fair Market Rents (FMRs). In fact, the comparable calculated 2001 maximum rent for a one-bedroom unit affordable to families earning 50% of the area median income would be $335. The Applicant has indicated that the rent charged will include all heating, cooling, illumination, and cooking utility costs for the units (i.e. the units will be leased at an "all bills paid" rate.) The Applicant included no estimated secondary income, as the project will not have commercial laundry facilities; the Underwriter used $5/unit/month to allow for application fees, late fees, interest income, vending income, etc. The Applicant's estimate of vacancy and collection losses, at 10% of potential gross income, exceeds TDHCA underwriting guidelines by 2.5% but is considered reasonable since the project's so small and the area's natural vacancy rate is much higher according to the 2000 census data.
Expenses: The Applicant's total expense estimate of $2,656 per unit is 3.1% higher than the Underwriter's adjusted TDHCA database-derived estimate of $2,577 per unit for comparably sized projects; an acceptable deviation. The Applicant's budget shows several line item estimates that deviate by a higher percentage, however, when compared to the database averages, particularly: general and administrative ($1.8K higher), utilities ($1.7K lower), and insurance ($1.7K higher). The Applicant, as a nonprofit Community Housing Development Organization, has not included any estimated property taxes. A letter from the La Salle County Tax Appraisal District acknowledges receipt of an application for exemption. Should this exemption not be achieved there would be a significant negative impact, on the order of $4,500 per year, to the net operating income of the project. Receipt, review, and acceptance of evidence of the proposed project's property tax exemption is a condition of this report.
Conclusion: The Applicant's net operating income figure is $2K, or 14%, less than the Underwriter's estimate. The Applicant-proposed annual debt service of $12,233 for the requested HOME loan results in a debt coverage ratio of 1.05 based on the Applicant's proforma but a more acceptable 1.22 based on the Underwriter's estimate.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $21,000 ($0.13/SF or $5.5K/acre) is substantiated by the appraised value of $21,600 and the tax assessed value of $25,440. In addition, the site acquisition is believed to be an arms-length transaction and is evidenced by an option agreement.
Sitework Cost: The Applicant's calculated sitework costs of $4,438 per unit are considered reasonable compared to historical sitework costs for multifamily projects. However the Applicant's line items total to $7,200 more than the Applicant indicated in the total column and thus the Applicant's total budget and needs based on this budget is understated by $7,200.
Direct Construction Cost: The Applicant's direct construction cost estimate is $10K, or 2%, higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.
Fees: The Applicant's contractor's general and administrative fee exceeds the 2% maximum allowed by underwriting guidelines based on their own construction costs. However, based on the Applicant's total construction cost estimate, all other contractor's fees and developer's fees are below the maximums allowed by underwriting guidelines. Since the Applicant is acting as its own general contractor, the fee excess along with the difference due to the Applicant's slightly higher direct costs was spread out over contractor profit and Developer overhead in the Underwriter's analysis. While no Developer profit per se was included in the Applicant's budget, a Housing Consulting Fee of $17,522 was included in the budget which is expected to compensate the Housing consultant for Developer work that is being done for the project. Nonetheless, this level of developer fee is considerably less than is typical and therefore indicates there will be less cushion in this transaction to absorb any potential cost overruns. The Applicant also requested both a CHDO operating grant and a grant for administrative funds. These funds are mutually exclusive requests and are typically outside of the development budget altogether. In this case since the Applicant is a CHDO, the higher CHDO

amount should be awarded. This would still only amount to a five percent developer fee if it were counted as such, providing a nominal amount of additional cushion.

Conclusion: Overall, the Applicant's total development cost estimate is within the 5% tolerance range as compared to the Underwriter's estimate. Therefore, the revised Applicant's total of $725,607 will be used to determine the project's permanent financing needs.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the entire development with the requested HOME Program funds. The Applicant initially requested that the $718,407 loan be divided into two portions as follows:

- A "repayable" portion of $235,000 with a 30-year term and amortization schedule and an interest rate of 0%; and
- A cash flow portion of $483,407 with a 30-year term and 0% interest rate.

In a letter dated February 20, 2002, the Applicant revised the request to the following:

- A "repayable" portion of $367,000 with a 30-year term and amortization schedule and an interest rate of 0%; and
- A cash flow portion of $351,407 with a 30-year term and 0% interest rate.

Initially it was believed that the requested loan amount of $44,900 per unit exceeded the published maximum 221 (d) (3) limits of $40,579 per unit from the Fort Worth HUD office for non-high cost areas of the state. This same concern was raised with another proposed project in the San Antonio region this year and it was determined by the HUD San Antonio region office that all counties in the San Antonio region are high cost areas and therefore the total loan request does not exceed the project's maximum per unit subsidy of $57,216.

As mentioned above, the Applicant requested $28,736 in administrative funds and $35,920 in CHDO operating expenses. However, the Applicant may receive only one of the two subsidy requests. For purposes of this analysis, the Underwriter has assumed that the Applicant would choose the higher CHDO operating expense subsidy of $35,920. When this grant is included as a source of funds and as part of total developer fees those fees are still below the 15% total developer fees limit.

Financing Conclusions: The Applicant's total development cost estimate was used to determine the project's permanent financing needs. Based on the Underwriter's proforma, the Applicant-proposed financing structure would result in a debt coverage ratio that is within the Department guideline of 1.10 to 1.25. While it is possible to project a higher repayable portion of the loan if it were amortized over a 40 year period or if the minimum DCR was used, these would not be very meaningful strategies in this case since a large portion of the award would still need to be in the form of a deferred forgivable / cash flow loan in order to make the project feasible.

As discussed in the development costs section above, recalculation of the total development costs of the project have resulted in the need for an additional $7,200 in funds. Because the Applicant applied for but is not eligible to receive the $28,736 in administrative funds requested, the Underwriter added the $7,200 needed to fill the current gap in sources of funds to the HOME loan request. Without doing so, there would be a shortage of funds to complete the project and a portion of the CHDO Operating Grant funds would need to be used for this purpose. Therefore, the recommended deferred portion of the HOME loan will equal $358,607, which is $7,200 greater than the cash flow portion of the Applicant's revised request. The total recommended HOME funds are $761,527, consisting of $725,607 in development funds and $35,920 in CHDO operating expenses. The development funds should be in the form of a $367,000 repayable loan at zero percent interest amortized over 30 years and a $358,607 zero interest deferred payment/cash flow loan that should balloon and be revisited after five years.

REVIEW of ARCHITECTURAL DESIGN

Although all the units have the same floor plan and square footage, there are to be two different building types, differentiated by roof styles and trim details. The exterior elevations are simple and functional, with 100% brick veneer and pitched roofs. The units are somewhat smaller than the average size for modern market rate units but have covered front and back porches and small outdoor storage closets. Each unit has a private exterior entry.

IDENTITIES of INTEREST

The Applicant, Community Services Agency (CSA) of South Texas, Inc., is also the supportive services provider. This is an acceptable relationship and is typical of a non-profit sponsor.

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

Financial Highlights: The Applicant, Community Services Agency of South Texas, Inc. (CSA), submitted an audited financial statement as of 11/30/00 reporting total assets of $2.9M and consisting of $287K in cash, $475K in receivables, and $2.2M in land, buildings, and equipment. Liabilities totaled $1.1M, resulting in net assets of $1.8M.

Background & Experience: The Applicant has developed two similar projects using HOME funds since 1997, in Pearsall and Asherton. CSA also listed experience administering home repair projects using HOME and CDBG funds, as well as homebuyer assistance and weatherization projects.

SUMMARY OF SALIENT RISKS AND ISSUES

- Applicant's operating proforma is 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 TOTAL HOME FUNDS NOT TO EXCEED $761,527 CONSISTING OF: $367,00 REPAYABLE MONTHLY LOAN FUNDS AT ZERO PERCENT INTEREST RATE FULLY AMORTIZED OVER A 30-YEAR TERM AFTER A STANDARD AND CUSTOMARY CONSTRUCTION PERIOD, $358,607 IN ADDITIONAL LOAN FUNDS AT ZERO PERCENT INTEREST TO MATURE AND BE RE-EVALUATED FOR POTENTIAL REPAYMENT AFTER FIVE YEARS, AND $35,920 IN CHDO OPERATING EXPENSES, SUBJECT TO THE FOLLOWING CONDITIONS:

CONDITIONS

1. Receipt, review, and acceptance of a title commitment;
2. Receipt, review, and acceptance of an acceptable site inspection performed by TDHCA staff; and
3. Receipt, review, and acceptance of evidence of the proposed project's property tax exemption.

Underwriter:	______________________ *Lisa Vecchietti*	**Date:**	April 3, 2002
Director of Credit Underwriting:	______________________ *Tom Gouris*	**Date:**	April 3, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Villa de Reposo, Encinal, HOME #2001-0185

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Util Allow	Wtr, Swr, Trsh
LR	13	1	1	540	$320	$320	$4,160	$0.59	$48.05	$18.50
HR	3	1	1	540	320	$320	960	0.59	48.05	18.50
TOTAL:	16			540	$320	$320	$5,120	$0.59	$48.05	$18.50

INCOME & EXPENSE Total Net Rentable Sq Ft 8,640

				TDHCA	APPLICANT			
POTENTIAL GROSS RENT				$61,440	$61,440			
Secondary Income	Per Unit Per Month:		$5.00	960	0	$0.00	Per Unit Per Month	
Other Support Income:				0	0			
POTENTIAL GROSS INCOME				$62,400	$61,440			
Vacancy & Collection Loss	% of Potential Gross Income:		-10.00%	(6,240)	(6,144)	-10.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$56,160	$55,296			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.71%	$201	$0.37	$3,209	$5,000	$0.58	$313	9.04%
Management	7.93%	278	0.52	4,455	4,496	0.52	281	8.13%
Payroll & Payroll Tax	15.07%	529	0.98	8,464	7,488	0.87	468	13.54%
Repairs & Maintenance	8.16%	287	0.53	4,585	3,800	0.44	238	6.87%
Utilities	20.53%	721	1.33	11,532	9,825	1.14	614	17.77%
Water, Sewer, & Trash	6.32%	222	0.41	3,552	4,416	0.51	276	7.99%
Property Insurance	3.08%	108	0.20	1,728	3,456	0.40	216	6.25%
Property Tax 2.9794	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	5.70%	200	0.37	3,200	3,520	0.41	220	6.37%
Other: Compliance fees	0.89%	31	0.06	500	500	0.06	31	0.90%
TOTAL EXPENSES	73.41%	$2,577	$4.77	$41,226	$42,501	$4.92	$2,656	76.86%
NET OPERATING INC	26.59%	$933	$1.73	$14,934	$12,795	$1.48	$800	23.14%
HOME Loan Repayable Portion	21.78%	$765	$1.42	$12,233	$12,233	$1.42	$765	22.12%
HOME Loan, Cash Flow Portion	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW	4.81%	$169	$0.31	$2,701	$562	$0.07	$35	1.02%
AGGREGATE DEBT COVERAGE RATIO				1.22	1.05			
ALTERNATIVE DEBT COVERAGE RATIO				1.22				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bld		2.90%	$1,313	$2.43	$21,000	$21,000	$2.43	$1,313	2.89%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.82%	4,438	8.22	71,000	71,000	8.22	4,438	9.78%
Direct Construction		57.48%	25,981	48.11	415,695	425,681	49.27	26,605	58.67%
Contingency	5.00%	3.37%	1,521	2.82	24,335	24,474	2.83	1,530	3.37%
General Requirem	6.00%	4.04%	1,825	3.38	29,202	29,369	3.40	1,836	4.05%
Contractor's G &	2.00%	1.35%	608	1.13	9,734	31,131	3.60	1,946	4.29%
Contractor's Pro	6.00%	4.04%	1,825	3.38	29,202	10,377	1.20	649	1.43%
Indirect Construction		10.26%	4,638	8.59	74,205	74,205	8.59	4,638	10.23%
Ineligible Expenses		0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's G & A	0.43%	0.40%	180	0.33	2,879	0	0.00	0	0.00%
Developer's Profit	2.60%	2.42%	1,095	2.03	17,522	17,522	2.03	1,095	2.41%
Interim Financing		2.88%	1,303	2.41	20,848	20,848	2.41	1,303	2.87%
Reserves		1.04%	470	0.87	7,520	0	0.00	0	0.00%
TOTAL COST		100.00%	$45,196	$83.70	$723,142	$725,607	$83.98	$45,350	100.00%
Recap-Hard Construction Costs		*80.09%*	***$36,198***	***$67.03***	***$579,167***	***$592,032***	***$68.52***	***$37,002***	*81.59%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
HOME Loan Repayable Portion	50.75%	$22,938	$42.48	$367,000	$367,000	$367,000	**Max. HOME Subsidy**
HOME Loan, Cash Flow Portion	48.59%	$21,963	$40.67	351,407	351,407	358,607	$915,456
Additional Financing	0.00%	$0	$0.00	0	0	0	
Deferred Developer Fee	0.00%	$0	$0.00	0	0	0	
Additional (excess) Funds Requ	0.65%	$296	$0.55	4,735	7,200	0	
TOTAL SOURCES				$723,142	$725,607	$725,607	

Villa de Reposo, Encinal, HOME #2001-0185

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Single-Family Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$62.16	$537,080
Adjustments				
Exterior Wall Fini	0.00%		$0.00	$0
Elderly	5.00%		3.11	26,854
Roofing			0.00	0
Subfloor			(2.00)	(17,280)
Floor Cover			2.50	21,600
Porches/Balconies	$16.18	2,284	4.28	36,955
Plumbing	$825	(48)	(4.58)	(39,600)
Built-In Appliance	$2,300	16	4.26	36,800
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	12,701
Garages/Carports		0	0.00	0
Comm &/or Aux Bldn	$1.21	1,236	0.17	1,496
Other:			0.00	0
SUBTOTAL			71.37	616,605
Current Cost Multiplie	1.01		0.71	6,166
Local Multiplier	0.82		(12.85)	(110,989)
TOTAL DIRECT CONSTRUCTION COSTS			$59.23	$511,782
Plans, specs, survy, b	3.90%		($2.31)	($19,960)
Interim Construction I	3.38%		(2.00)	(17,273)
Contractor's OH & Prof	11.50%		(6.81)	(58,855)
NET DIRECT CONSTRUCTION COSTS			$48.11	$415,695

PAYMENT COMPUTATION

Primary	$367,000	Term	360
Int Rate	0.00%	DCR	1.22
Secondary	$351,407	Term	0
Int Rate	0.00%	Subtotal DCR	1.22
Additional		Term	
Int Rate		Aggregate DCR	1.22

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$12,233
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$2,701

Primary	$367,000	Term	360
Int Rate	0.00%	DCR	1.22
Secondary	$358,607	Term	
Int Rate		Subtotal DCR	1.22
Additional		Term	
Int Rate		Aggregate DCR	1.22

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$61,440	$63,283	$65,182	$67,137	$69,151	$80,165	$92,934	$107,735	$144,787
Secondary Income	960	989	1,018	1,049	1,080	1,253	1,452	1,683	2,262
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	62,400	64,272	66,200	68,186	70,232	81,418	94,386	109,419	147,050
Vacancy & Collection Loss	(6,240)	(6,427)	(6,620)	(6,819)	(7,023)	(8,142)	(9,439)	(10,942)	(14,705)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$56,160	$57,845	$59,580	$61,368	$63,209	$73,276	$84,947	$98,477	$132,345
EXPENSES at 4.00%									
General & Administrative	$3,209	$3,338	$3,471	$3,610	$3,755	$4,568	$5,558	$6,762	$10,009
Management	4,455	4,589	4,726	4,868	5,014	5,813	6,738	7,812	10,498
Payroll & Payroll Tax	8,464	8,803	9,155	9,521	9,902	12,047	14,657	17,832	26,396
Repairs & Maintenance	4,585	4,769	4,960	5,158	5,364	6,526	7,940	9,661	14,300
Utilities	11,532	11,993	12,473	12,972	13,491	16,414	19,970	24,296	35,964
Water, Sewer & Trash	3,552	3,694	3,842	3,996	4,155	5,056	6,151	7,484	11,077
Insurance	1,728	1,797	1,869	1,944	2,022	2,459	2,992	3,641	5,389
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	3,200	3,328	3,461	3,600	3,744	4,555	5,541	6,742	9,980
Other	500	520	541	562	585	712	866	1,053	1,559
TOTAL EXPENSES	$41,226	$42,830	$44,498	$46,230	$48,031	$58,149	$70,414	$85,282	$125,174
NET OPERATING INCOME	$14,934	$15,015	$15,083	$15,137	$15,178	$15,127	$14,533	$13,195	$7,171
DEBT SERVICE									
First Lien Financing	$12,233	$12,233	$12,233	$12,233	$12,233	$12,233	$12,233	$12,233	$12,233
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$2,701	$2,781	$2,849	$2,904	$2,945	$2,894	$2,300	$961	($5,062)
DEBT COVERAGE RATIO	1.22	1.23	1.23	1.24	1.24	1.24	1.19	1.08	0.59

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: March 27, 2002 **PROGRAM:** HOME **FILE NUMBER:** 2001-0245

DEVELOPMENT NAME

Statewide CDC, Scattered Sites

APPLICANT

Name: Statewide Consolidated CDC **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 2725 S 4th Street **City:** Beaumont **State:** TX

Zip: 77701 **Contact:** Rosetta Jones **Phone:** (409) 832-6161 **Fax:** (409) 833-1166

PRINCIPALS of the APPLICANT

Name: Rosetta Jones **(%):** n/a **Title:** Executive Director of CDC

Name: Mary Henderson Associates **(%):** n/a **Title:** Private Consultant

PROPERTY LOCATION

Location: Scattered, infill sites ☐ **QCT** ☐ **DDA**

City: Beaumont **County:** Jefferson **Zip:** 77701

REQUEST

Amount	Interest Rate	Amortization	Term
$636,841	1.5 - 2%	20 yrs	20 yrs
② $31,842	n/a	n/a	n/a

Other Requested Terms: ① HOME loan; ②CHDO Operating Expense Subsidy

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

SITE DESCRIPTION

Size: 1.3994 + 12 scattered lots acres n/a square feet **Zoning/ Permitted Uses:** Varies by site*

Flood Zone Designation: Zones B & C **Status of Off-Sites:** Fully Improved

* Zoning for the lots include: RMH (high density multifamily residential), RS (single family residential) and RCR (Residential Conservation Revitalization)

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 18 **# Rental Buildings** 12 **# Common Area Bldngs** 0 **# of Floors** 1 **Age:** n/a yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
8	1	1	512
3	3	1	912
7	3	2	1,200

Net Rentable SF: 15,232 **Av Un SF:** 846 **Common Area SF:** n/a **Gross Bldng SF** 15,232

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 100% masonry/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 and connections, individual water heaters

** Refrigerators will be provided in the one-bedroom rental units, but they will not be provided in the ten single family units

ON-SITE AMENITIES

None noted

Uncovered Parking: 8 spaces **Carports:** 3 spaces **Garages:** 7 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Hibernia **Contact:** Adrian Hudspeth

Principal Amount: $200,000 **Interest Rate:** 8.5%, unverified

Additional Information:

Amortization: N/A yrs **Term:** 1.5 yrs **Commitment:** ☐ None ☒ Firm ☐ Conditional

INTERIM CONSTRUCTION or GAP FINANCING

Source: CHRISTUS **Contact:** Donna Meyer

Principal Amount: Up to $350,000 **Interest Rate:** Not to exceed 3%

Additional Information:

Amortization: N/A yrs **Term:** Unknown yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

LONG TERM/PERMANENT FINANCING

Source: Hibernia (FHLB) **Contact:** Adrian Hudspeth

Principal Amount: $360,000 **Interest Rate:** Unknown, Applicant indicates 8.5%

Additional Information: $100K loan and $260K FHLB equity grant

Amortization: 20 yrs **Term:** 20 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: Unspecified **Lien Priority:** 1st **Letter of Interest Date:** 06/ 06/ 2001

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

LONG TERM/PERMANENT FINANCING

Source: CHRISTUS **Contact:** Donna Meyer

Principal Amount: $100,000 **Interest Rate:** n/a

Additional Information: Grant request

Amortization: n/a yrs **Term:** n/a yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: n/a **Lien Priority:** n/a **Commitment Date** / /

APPLICANT EQUITY

Amount: n/a **Source:** n/a

VALUATION INFORMATION

APPRAISED VALUE

Land Only: Total $48,500 **Date of Valuation:** 06/ 08/ 2001

Appraiser: James Aulbaugh **City:** Beaumont **Phone:** (409) 924-0840

ASSESSED VALUE

Land: See list below **Assessment for the Year of:**

Valuation by:

EVIDENCE of SITE or PROPERTY CONTROL

	No of Lots	Legal description	Street Address	Form of site control/ Seller/Owner	Proposed Structure Current Improve:	Zoning	Flood Zone	Survey Y - N (Date)	*Title Work Y-N	Tax Value
1	3	1.3994 acres out of the A. William Survey	1005/1015/1025 East Lucas Drive	Cash Warranty Deed/ Eva M. Wardlaw 05/04/99 SCCDC	4-plex/ vacant	Part RMH Part RS	C	Yes 03/18/99	**Yes**	**$10,890**
2	1	Lot 11, Block 117 of the Cartwright Sec. Addition	2928 Goliad	General Warranty Deed/ City of Beaumont 06/22/99 SCCDC	SF con Slab	RMH	C	Yes 04/06/99	**Yes**	**$ 1,960**
3	1	Lot 7, Block 10, North Addition	1929 Texas	General Warranty Deed/ City of Beaumont 01/12/00 SCCDC	SF vacant	RCR	C	Yes 9/10/99	**Yes**	**$ 2,450**
4	1	Lot 8, Block 10, North Addition	1915 Texas	General Warranty Deed/ City of Beaumont 01/12/00 SCCDC	SF vacant	RCR	C	No	**Yes**	**$ 1,850**
5	1	Lot 16, Block 4, Cloverdale	505 E. Elgie	General Warranty Deed/ City of Beaumont 05/06/00	SF vacant	RS	C	Yes 06/23/99	**Yes**	**$ 2,820 (land)**

	No of Lots	Legal description	Street Address	Form of site control/ Seller/Owner	Proposed Structure Current Improve:	Zoning	Flood Zone	Survey Y - N (Date)	*Title Work Y-N	Tax Value
				SCCDC						
6	1	Lot 18, Block 53 of Jef Chaison Second Addition	3890 Kenneth	Special Warranty Deed/ Home Sav. of Am FA 05/12/99 SCCDC	SF/*** **SF Res**.	RS	C	Yes 09/11/97	**Yes**	**$ 2,940 (land)**
7	1	Lot 10, Block 7, Joachimi Addition	1545 Avenue G	General Warranty Deed/ City of Beaumont 06/22/00 SCCDC	SF con slap	RMH	C	Yes 05/03/01	**Yes**	**$ 2,500**
8	1	Lot 2, out of a .4738 acre Tract in D B Leauge Abs 5	1085 Lincoln	General Warranty Deed/ City of Beaumont 04/21/99 SCCDC	SF vacant	RMH	C	Yes 8/28/96	**No**	**$ 1,350**
9	1	Lot 11, Block 26, West Oakland	3965 Lydia	Cash Warranty Deed/ S & D Thompson, M.Brown 6/11/99 SCCDC	SF vacant	RMH	B	Yes 06/11/01	**Yes**	**$ 1,470**
10	2	Lot 3 & 4 Block 54, Cartwright addition	2445/2475 Cartwright	**Cash Warranty Deed/ F & A.L Jackson 5/12/99 SCCDC	4-plex vacant	RMH	C	Yes 06/11/01	**Yes**	**$ 4,900**
11	1	N40' of lot 7 & 8, Block 54 Cartwright Addition	2695 Houston	**Cash Warranty Deed F Jackson & A L Jackson 5/12/99 SCCDC	SF vacant	RMH	C	Yes 06/11/01	**Yes**	**$ 4,400**
12	1	Lot 15, Block 1, Woodlawn	4455 Woodlawn	Cash Warranty Deed Donald P. Wise 11/10/99 SCCDC	SF vacant	RS	C	Yes 06/11/01	**Yes**	**$ 3,530**
13	1	Lot 1 out of a .4738 acre tr In DB Leauge Abs 5	*1125 Lincoln	General Warranty Deed City of Beaumont 04/21/99 SCCDC	SF vacant	RMH	C	Yes 07/11/96 F	**Yes**	**$ 1,350**
14	1	1.56 acre tract Block of the A. William Survey	1125 Lucas	General Warranty Deed Simon K. Rideau 10/02/2001 SCCDC	SF vacant	Part RS Part RMH	C	**No**	**Yes**	**?**

Notes:

ZONING RESTRICTIONS
RS - Residential Single Family
RMH -Residential Multi-Family - High Density
RCR - Residential conservation Revitalization

ZONING:
(ZONING MAP NOT PROVIDED)
N (designation not provided)

SURVEY
Y (survey in file)
N (non provided)

TITLE WORK
Commitment for title Ins (Policy)
Y (in file) or N (non provided)

* For Item #13 physical address according to Survey is 2044 Poplar Street
** Items #10 & 11 are described on one Cash Warranty Deed *** As per survey, subject property contains a "one story wood frame residence on chain wall"

REVIEW of PREVIOUS UNDERWRITING REPORTS

The project was submitted and underwritten in the 1999 HOME cycle. The underwriting analysis did not recommend a HOME award due to the following:

- While the Applicant's funding sources are questionable, if they are substantiated by commitments, the project will have $350,000 in excess funds.
- Most of the site control documentation recently provided has either expired or remains unexecuted and, therefore, the Applicant's readiness to proceed is in doubt.

Further, the report indicated that any future award for the project should be contingent on the following:

- Receipt, review and acceptance of documentation verifying the commitment of sources of funds not to exceed an updated, if necessary, total uses of funds.
- Receipt review and acceptance of a revised multifamily construction breakdown to include:
  1. A reduction of developer profit and overhead not to exceed 15% of direct and indirect construction costs and any other eligible costs that may be added to a revised budget;
  2. A revised site acquisition cost consistent with the site control documentation provided;
  3. A revised site work estimate, seeing as zero was provided in the original application;
  4. A revised interim financing cost estimate, seeing as zero was provided in the original application.
- Receipt, review and acceptance of verification of current site control and title commitments for each site.
- Receipt review and acceptance of site plans for each site, availability of utilities, appropriateness of zoning and verification of sites existence outside of a flood plain.
- Site inspection of each of the sites by a TDHCA staff member.

The project did not receive an award in the 1999 HOME cycle.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The proposed new construction project will consist of 18 units of affordable housing located in Beaumont, Jefferson County. The project is comprised of 12 residential buildings as follows:

- Two Building Style A with four one-bedroom units;
- Three three-bedroom and one-bath single-family homes; and
- Seven three-bedroom and two-bath single-family homes.

A site plan was not provided for the entire project due to the use of scattered sites. The two fourplex buildings will include adjacent off-street, uncovered parking, the three smaller single family homes will have attached one-car carports, and the larger single family homes will have attached one-car garages. There are no common area buildings planned for this development.

Fourteen site control documents were provided for the twelve buildings. It appears that the fourplex buildings will be located on two of the larger sites. However, the Applicant has not specified the proposed location of the single family homes. Receipt, review and acceptance of a site plan for the fourplex buildings and a breakdown of the proposed sites for the single family units is a condition of this report.

Supportive Services: The Applicant plans to work with the Beaumont Housing Authority and Spindletop MHMR Services for client referrals and supportive services. The Housing Authority, through their Family Re-Unification Program, will award 100 new Section 8 Vouchers and provide counseling, educational and job training, as well as other "empowerment services such as day care. For the single adults who have chronic mental disabilities or are mentally challenged, but are able to function independent of an institutional or group home situation, MHMR will provide medical assistance, monitor their medications, coordinate educational and job training, coordinate transportation, and perform case management functions. The Applicant also plans to provide credit and homebuyer counseling services.

Schedule: The Applicant anticipates construction to begin in May of 2002, to be completed in May of 2003, and to be placed in service in April through May of 2003, but did not indicate an anticipated date for substantial lease-up.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has applied under the CHDO set-aside. All of the units (100%) will be reserved for low-income tenants. Four of the units (22%) will be reserved for households earning 30% or less of AMFI, four units (22%) will be reserved for households earning 31-50% of AMFI, three units (17%) will be reserved for households earning 51-60% of AMFI, and the remaining seven units will be reserved for households earning 61-80% of AMFI. It is recommended that any subsequent LURAs for this project reflect a set-aside of 22% of the units affordable to households with incomes at or below 30% of AMFI.

Other Unit Types: Four units will be reserved for households with persons with disabilities.

MARKET HIGHLIGHTS

According to market information provided by the Applicant,

- The Beaumont housing market has historically had a 3% to 7% vacancy rate, with landlords tending to reject tenants with subsidy. The rental housing market in the Beaumont area is currently reporting an estimated 6 to 7% vacancy rate according to the local Apartment Association. The market is sufficiently tight that most landlords are reluctant to accept Section 8 or TBRA subsidy according to the Beaumont Housing Authority and the Director of Supportive Housing at Spindletop MHMR Services.
- The Housing Authority reports over 300 families on its waiting list for three-bedroom units at present, while Spindletop MHMR has over 350 single adults who are in need of one-bedroom units.

The Housing Market Analysis section of the City of Beaumont five-year consolidated plan was also submitted. It is not dated, but the following information was extracted:

- Twenty percent of the households in Beaumont are below the poverty level status.
- In its 1997 *Guide to Beaumont*, the Beaumont Chamber of Commerce states that the average rent for a two-bedroom apartment in a middle class section of Beaumont is $558 per month. The *1990 Census* reports that the median mortgage cost for owner occupied housing units was $581.
- The *1990 Census* reported that the vacancy rate for residential units was 12 percent. It is thought that this rate has remained steady up until now. This may be especially true for new construction and higher priced homes. However, according to the President of the Beaumont Board of Realtors, the vacancy rate for houses $50,000 - $75,000 is much smaller.

The Real Estate Center of Texas A&M University *Real Estate Market Overview for Beaumont-Port Arthur*, dated July 2000, included the following:

- In 1999, 832 single-family home permits were issued in the Beaumont-Port Arthur metropolitan area, down from 857 permits issued in 1998. The average value of a new home in the MSA in 1999 was $115,000. The average value of a new home in the City of Beaumont in 1999 was $107,000 compared to $103,200 in 1998. In the first quarter of 2000, 121 new homes were permitted. Sixty-six percent of Beaumont homes sold in 1999 were priced less than $100,000.
- Southeast Texas Community Development Corporation will begin building 38 houses for first-time, low-income homebuyers. The project will include 22 single-family homes and 16 duplex units. The homes will be priced around $60,000. Buyers must meet eligibility requirements established by the office of Housing and Urban Development. Duplexes are also under construction at Pecan Place. Almost all of the new subdivisions are in northwest Beaumont.
- The average multifamily housing occupancy rate in the Beaumont-Port Arthur MSA declined from 96.5 percent in February 1999 to 94.5 percent in February 2000. While average rental rate per square foot remained constant in the same time period, the rental rate for multifamily projects built after 1990 jumped from 56 cents per square foot to 61 cents per square foot. The average rental rate for an apartment in the Beaumont-Port Arthur MSA was estimated at $458 in February 2000.
- Since 1998, five new apartment complexes have been permitted, all in northwest Beaumont. A new low-income apartment complex is planned at Texas 105 and Alpine Circle. The $3.5 million project will include 48 units. A 96-unit apartment complex is planned for low-to-moderate income residents where the Eastown Shopping Center is located.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Beaumont, Jefferson County is located in the southeast area of the state. The scattered sites are located in several neighborhoods, including Pear Orchard and South End, and encompass several Census Tracts. Most of these vacant lots are typical 50-foot frontage lots, which vary in depth from 120 to 150 feet. There is one parcel at 1005 East Lucas that is an acreage parcel consisting of 1.3994 acres.

Population: The estimated 1990 population of the City of Beaumont was 114,323. The Beaumont-Port Arthur MSA population in 1999 was estimated at 376,256.

Adjacent Land Uses: Various.

Site Access: Various

Public Transportation: According to the Applicant, public transportation is available to all proposed sites.

Shopping & Services: The availability of shopping and services is unknown at completion of this report.

Special Adverse Site Characteristics: A Title Commitment for 1085 Lincoln was not provided. Receipt, review and acceptance of a title commitment for the site is a condition of this report.

Many of the lots proposed for single-family unit construction are zoned RMH (high density multifamily residential) according to a submitted vacant lot list. These include: 2928 Goliad, 1545 Avenue G, 3965 Lydia, and 1085 Lincoln. In addition, a portion of the East Lucas lots proposed as the site for one of the fourplex buildings is zoned RS (single family residential). Receipt, review and acceptance of evidence of proper zoning for the proposed sites and corresponding uses is a condition of this report.

In addition, site surveys/plat maps were provided as evidence of FEMA floodplain designation. However, surveys were not provided for the sites located at 1915 Texas and 1125 Lucas. Receipt, review and acceptance of verification of FEMA floodplain designation for these sites is a condition of this report.

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 was not provided, as it is not required at this stage of the application under HOME program rules.

OPERATING PROFORMA ANALYSIS

Income: The Applicant used Home 2000 market rents as their gross rent estimate rather than the 2001 gross rent limits. In addition, the Applicant has indicated that four of the units will be set-aside to be affordable to households with incomes at or below 30% of AMGI, but failed to include these lower rent units in the submitted rent schedule. For purposes of this analysis, the Underwriter has assumed that four of the one-bedroom units will be restricted at the 30% rent limit, calculated based on LIHTC gross rent limits. Finally, the Applicant overstated utility allowances. The Underwriter has assumed an all-electric allowance with tenants responsible for all utilities including water, sewer and trash, and that the tenants of the single-family units will also be responsible for providing a refrigerator. The net difference indicates that the Applicant's potential gross rent estimate is overstated. The Underwriter has accepted the Applicant's $5 per unit per month secondary income estimate due to the project's lack of any common areas and laundry facilities. Overall, the Applicant's effective gross income estimate is 3% higher than the Underwriter's estimate.

Expenses: The Applicant's total operating expense estimate is 9% higher than the Underwriter's TDHCA database-derived estimate. The Underwriter did not include expenses for utilities, water, sewer and trash, and property tax based on the Applicant's exclusion of these items. As stated above, it appears that the units will be individually metered and there are no common areas associated with the project. The Applicant's CHDO status makes it likely that the project will be tax-exempt. However, receipt, review and acceptance of evidence of property tax exemption for this project is a condition of this report. Many of the remaining line-items are fairly consistent with the Underwriter's estimates. The most notable exception is repairs and maintenance, which the Applicant estimated at twice that of the Underwriter's figure. It should be noted, however, that scattered site rented projects are significantly more difficult to manage and control and that the Department's Database based expense estimates do not take the potential additional costs for such a project into consideration.

Conclusion: The Applicant's overstated income projection offset their overstated total operating expenses for a net operating income estimate that is within the 5% tolerance range compared to the Underwriter's estimate. The Applicant's year one proforma and the Underwriter's calculated total debt service of $47,291 result in a debt coverage ratio (DCR) of 1.12, and the Underwriter's year one projection and a comparable debt service result in a DCR of 1.13. Both are within the Department's DCR guideline of 1.10 to 1.25.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant has indicated current ownership for most of the proposed sites and has not included any land cost in total development costs.

Site Work Cost: The Applicant's total development cost budget does not include a line item for site work costs. Though it is unrealistic to believe that there would be no site work costs for this project. It is unclear as to whether or not these costs are included in their direct construction cost estimate. Therefore, the Underwriter has included 81K in costs ($4,500 per unit, or the lower end of the Department's site work cost per unit guideline) in order to compensate for this potential. Properly addressing site work cost was also a condition of the 1999 report and is a condition for this report.

Direct Construction Cost: The Applicant's direct construction cost estimate, is $50K, or 7%, higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

Fees: The Applicant's total development cost budget indicates a lump sum for contractor's fees. The Underwriter has separated this lump sum into general requirements, contractor's G&A and contractor's profit in order to meet the 6%, 2% and 6% guidelines, respectively. In addition, the housing consultant fee of $12K and the requested CHDO operating subsidy of $31,842 were included in developer fees. Despite these additions, the proposed developer fees are well below the 15% maximum guideline suggesting a limited cushion to cover any cost overruns. The requested CHDO subsidy is also reflected as a source of funds in this analysis though typically it would be considered outside of the project costs.

Conclusion: The Applicant's total development cost estimate is $31K, or 3%, lower than the Underwriter's estimate. Because the difference falls within the 5% tolerance range, the Applicant's total development cost estimate will be used to determine the project's permanent financing needs.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing: an interim construction loan, an interim to permanent loan, grants, and HOME funds.

Construction Financing: CHRISTUS Health has provided an indication of interest in participating in an interim construction facility for the Applicant. The letter proposes a transaction in the form of participation, pari passu, in an amount of $300,000 to $350,000 at a rate not to exceed 3%. A final commitment of these funds is a condition of this report.

Interim to Permanent Financing: Hibernia National Bank has provided a letter of lender participation in support of the proposed project. The bank will act as the applicant bank to the Federal Home Loan Bank of Dallas AHP program on behalf of the Applicant in order to obtain an equity grant. Hibernia will also act as the participating lender to administer and coordinate interim construction financing with the CHRISTUS Fund of Houston and TDHCA. According to the letter of interest, Hibernia will provide interim construction financing in the amount of $200,000, and will take out the CHRISTUS Fund and provide permanent financing in a proposed amount of $500,000 with a 20-year term in a first lien position. An interest rate for the permanent loan was not indicated, but the Applicant anticipates an interest rate of 8.5%.

Subsequent to receipt of the proposed participation letter, the Applicant has readjusted requested funds from Hibernia to reflect an interim loan of $100,000 rolled into a permanent loan with an Applicant-proposed interest rate of 8.5%, amortized over a term of 20 years. In addition, the amended proposal indicates the Applicant, with Hibernia acting as the member bank sponsor, has submitted an application for an equity grant of $360,000 with funding anticipated in December 2001, but a submitted request letter indicates that the Applicant is requesting a partial equity grant from the FHLB of Dallas of only $260,000 through Hibernia National Bank. The Applicant's submitted sources and uses form indicates a proposed FHLB grant of $260,000. The Applicant has also submitted a grant request to the CHRISTUS Fund for $100,000.

Finally, the Applicant has requested a HOME loan in the amount of $636,841 with an interest rate of 1.5 to 2% and an amortization schedule based on a term of 20 years. The loan will be used to fund both the construction and permanent phases of the project. Due to its status as a CHDO, the Applicant has also requested an operating expenses subsidy of $31,842. As stated above, the Underwriter included this subsidy as a source of funds and as part of total developer fees, subject to 15% of project costs less total developer fees, acquisition costs and reserves. The total request does not exceed the project's maximum HOME subsidy limit of $1,482,976 based on per unit limits for one-bedroom and three bedroom units in the City of Beaumont.

Financing Conclusions: As indicated above, the Applicant's total development cost estimate was used to determine the project's permanent financing needs. The Applicant's final proposed permanent financing structure includes: a first lien mortgage loan of $100,000 with an interest rate of 8.5%, amortized over a term of 20 years; the requested second lien HOME loan of $636,841 with an interest rate of 1.5 – 2%, amortized over a term of 20 years; the requested CHDO operating subsidy of $31,842; and total grant funds of $360,000 comprised of a proposed FHLB grant of $260,000 and a CHRISTUS Fund grant of $100,000. Under this scenario, the project would achieve an acceptable debt coverage ratio in the first year of stabilized operations. Therefore, it is recommended that the project receive a HOME loan of $636,841, as requested, with an interest rate of 1.5%, amortized over a term of 20 years. This recommendation is conditioned upon receipt, review and acceptance of: a firm commitment letter with all applicable terms from Hibernia National Bank for a permanent loan of $100,000; firm commitment letters for grant funds to total at least $360,000; and a HOME program CHDO operating expense subsidy award of $31,842.At least two years have past since this project was originally conceived and a previous application was made, and yet this proposed financing continues to evolve significantly even since the current application was submitted. Any additional changes to the financing structure, especially the addition or subtraction of non TDHCA funds should require a re-evaluation by underwriting.

REVIEW of ARCHITECTURAL DESIGN

The all brick exterior of the two fourplex buildings comprised of one-bedroom units is very simple. The one-bedroom units offer livable floor plans with adequate storage space. The only concern is that there appears to be only a washer connection and no dryer connection. In addition, the washer is located in the dining area and is not concealed in any way.

The three-bedroom/one-bath single-family units offer a simple, but attractive all brick exterior with a single gable and covered porch. The floor plan indicates an open kitchen area with minimal storage and an enclosed utility closet. However, it is unclear as to whether or not the utility closet will house washer and dryer connections. The Applicant also plans to include an attached, single-car carport that is not indicated in the architectural drawings.

The elevations for the three-bedroom/two-bath single-family units indicate an attractive all brick exterior with some architectural detailing. The unit offers a livable floor plan with adequate storage, but the architectural drawing does not indicate the location of proposed washer and dryer connections. The plan also includes an attached, two car garage although the Applicant has suggested only one car garages.

IDENTITIES of INTEREST

The Applicant is also the project manager and general contractor for the project. The City of Beaumont is also the architect, engineer and previous landowner of the majority of the proposed lots. As stated above, the Applicant currently owns the proposed sites and does not appear to include site acquisition cost in total development costs.

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

Financial Highlights: The Applicant has provided financial statements for the last two fiscal years. For the years ended December 1999, Statewide Consolidated CDC, Inc. had total assets of $525K comprised of cash, accounts receivable, property and equipment, and land. Total liabilities equaled $131K for unrestricted net assets of $149K and temporarily restricted net assets of $245K. For the nine-month period ended September 30, 2000, total assets of $853K were comprised of cash, accounts receivable, construction in progress, property and equipment, and land. Total liabilities equaled $532K for net assets of $321K.

Background & Experience: The Applicant, Statewide Consolidated CDC, has built and sold 19 new homes in the past year. It also has 24 rental units under management and has rehabbed a number of homes for the City of Beaumont. A previous participation and background certification form indicates participation in two HOME projects totaling 40 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- Items identified in previous reports or analyses have not been satisfactorily addressed.

- The Applicant's estimated 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.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF HOME AWARD NOT TO EXCEED $636,841 IN THE FORM OF AN INTERIM TO PERMANENT LOAN AT AN INTEREST RATE OF 1.5% PER ANUM. THE PERMANENT LOAN SHOULD AMORTIZE OVER A 20 YEAR MONTHLY REPAYMENT SCHEDULE AFTER A 12 TO 24 MONTH INTERIM CONSTRUCTION PERIOD. THIS AWARD SHOLD BE MADE SUBJECT TO THE FOLLOWING CONDITIONS

CONDITIONS

1. Receipt, review, and acceptance of revised site work and direct cost breakdown reflecting the appropriate portion for each;
2. Receipt, review and acceptance of a firm commitment letter with all applicable terms from Hibernia National Bank for an interim to a permanent loan of $100,000;
3. The firm commitment letters for grant funds to total at least $360,000;
4. Receipt, review and acceptance of a HOME program CHDO operating expense subsidy award of $31,842;
5. Receipt, review and acceptance of evidence of property tax exemption for this project;
6. Receipt, review and acceptance of verification of FEMA floodplain designation for these sites;
7. Receipt, review, and acceptance of an acceptable site inspection by a TDHCA staff member
8. Receipt, review and acceptance of evidence of proper zoning for the proposed sites and corresponding uses;
9. Receipt, review and acceptance of a title commitment for street address 1085 Lincoln;
10. The LURAs for this project reflect a set-aside of 22% of the units affordable to households with incomes at or below 30% of AMFI.
11. Receipt, review and acceptance of a site plan for the fourplex buildings and a breakdown of the proposed sites for the single family units.

Director of Credit Underwriting: ______________________ **Date:** March 27, 2002

Tom Gouris

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Statewide Scattered Lots, Beaumont, HOME 2001-0245

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Util	Wtr, Swr, Trsh
30% HOME	4	1	1	512	263	$193	$774	$0.38	$44.15	$25.24
LowHOME	4	1	1	512	394	$325	1,298	0.63	44.15	25.24
LowHOME	3	3	1	912	608	$496	1,488	0.54	83.80	28.06
HighHOME	7	3	2	1,200	636	$524	3,669	0.44	83.80	28.06
TOTAL:	18		AVERAGE:	846	$495	$402	$7,229	$0.47	$66.18	$26.81

INCOME & EXPENSE Total Net Rentable Sq Ft 15,232

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
POTENTIAL GROSS RENT				$86,754	$89,064			
Secondary Income		Per Unit Per Month:	$5.00	1,080	1,080	$5.00	Per Unit Per Month	
Other Support Income: (describe)				0	0			
POTENTIAL GROSS INCOME				$87,834	$90,144			
Vacancy & Collection Loss	% of Potential Gross Income:		-7.50%	(6,588)	(6,680)	-7.41%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$81,246	$83,464			
EXPENSES								
General & Administrative	5.49%	$248	$0.29	$4,457	$4,574	$0.30	$254	5.48%
Management	7.14%	322	0.38	5,801	5,609	0.37	312	6.72%
Payroll & Payroll Tax	6.42%	290	0.34	5,220	4,894	0.32	272	5.86%
Repairs & Maintenance	7.87%	355	0.42	6,393	8,787	0.58	488	10.53%
Utilities	0.00%	0	0.00	0	0	0.00	0	0.00%
Water, Sewer, & Trash	0.00%	0	0.00	0	0	0.00	0	0.00%
Property Insurance	3.13%	141	0.17	2,544	2,925	0.19	163	3.50%
Property Tax N/A	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	4.43%	200	0.24	3,600	3,600	0.24	200	4.31%
Compliance	0.00%	0	0.00	0	100	0.01	6	0.12%
TOTAL EXPENSES	34.48%	$1,556	$1.84	$28,015	$30,489	$2.00	$1,694	36.53%
NET OPERATING INC	65.52%	$2,957	$3.49	$53,231	$52,975	$3.48	$2,943	63.47%
First Lien Mortgage	12.82%	$579	$0.68	$10,414	$10,414	$0.68	$579	12.48%
HOME Loan	45.39%	$2,049	$2.42	36,877	36,877	$2.42	$2,049	44.18%
CHDO Operating Expense Subsid	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW	7.31%	$330	$0.39	$5,941	$5,685	$0.37	$316	6.81%
AGGREGATE DEBT COVERAGE RATIO				1.13	1.12			
ALTERNATIVE DEBT COVERAGE RATIO				1.13				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bl		0.00%	$0	$0.00	$0	$0	$0.00	$0	0.00%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.98%	4,500	5.32	81,000	0	0.00	0	0.00%
Direct Construction		64.81%	41,763	49.35	751,739	801,461	52.62	44,526	71.01%
Contingency	2.89%	2.07%	1,336	1.58	24,044	24,044	1.58	1,336	2.13%
General Requirem	4.33%	3.11%	2,004	2.37	36,066	36,066	2.37	2,004	3.20%
Contractor's G &	0.96%	0.69%	445	0.53	8,015	8,015	0.53	445	0.71%
Contractor's Pro	4.33%	3.11%	2,004	2.37	36,066	36,066	2.37	2,004	3.20%
Indirect Construction		4.44%	2,861	3.38	51,490	51,490	3.38	2,861	4.56%
Permanent Financing		1.50%	969	1.15	17,450	17,450	1.15	969	1.55%
Developer's G & A	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's Profit	6.00%	5.50%	3,547	4.19	63,842	63,842	4.19	3,547	5.66%
Interim Financing		6.44%	4,153	4.91	74,750	74,750	4.91	4,153	6.62%
Reserves		1.34%	861	1.02	15,500	15,500	1.02	861	1.37%
TOTAL COST		100.00%	$64,442	$76.15	$1,159,961	$1,128,683	$74.10	$62,705	100.00%

SOURCES OF FUNDS

	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	8.62%	$5,556	$6.57	$100,000	$100,000	$100,000	**Max. HOME Subsidy**
HOME Loan	54.90%	$35,380	$41.81	636,841	636,841	636,841	$938,096
CHDO Operating Expense Subsid	2.75%	$1,769	$2.09	31,842	31,842	31,842	
Grants	31.04%	$20,000	$23.63	360,000	360,000	360,000	
Additional (excess) Funds Req	2.70%	$1,738	$2.05	31,278	0	0	
TOTAL SOURCES				$1,159,961	$1,128,683	$1,128,683	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Statewide Scattered Lots, Beaumont, HOME 2001-0245

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$47.06	$192,742
Adjustments				
Exterior Wall Fini	8.00%		$3.76	$15,419
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.96)	(8,028)
Floor Cover			1.82	7,455
Porches/Balconies	$28.10		0.00	0
Plumbing	$585		0.00	0
Built-In Appliance	$1,550	18	1.83	7,503
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	5,775
Garages/Carports			0.00	0
Comm &/or Aux Bldngs			0.00	0
Other:			0.00	0
SUBTOTAL			53.92	220,866
Current Cost Multiplie	1.01		0.54	2,209
Local Multiplier	0.91		(4.85)	(19,878)
TOTAL DIRECT CONSTRUCTION COSTS			$49.61	$203,197
Plans, specs, survy, b	3.90%		($1.93)	($7,925)
Interim Construction I	3.38%		(1.67)	($6,858)
Contractor's OH & Prof	11.50%		(5.70)	(23,368)
NET DIRECT CONSTRUCTION COSTS			$40.29	$165,046

PAYMENT COMPUTATION

Primary	$100,000	Term	240
Int Rate	8.50%	DCR	5.11
Secondary	$636,841	Term	240
Int Rate	1.50%	Subtotal DCR	1.13
Additional	$31,842	Term	
Int Rate		Aggregate DCR	1.13

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$10,414
Secondary Debt Service	36,877
Additional Debt Service	0
NET CASH FLOW	$5,941

Primary	$100,000	Term	240
Int Rate	8.50%	DCR	5.11
Secondary	$636,841	Term	240
Int Rate	1.50%	Subtotal DCR	1.13
Additional	$31,842	Term	0
Int Rate	0.00%	Aggregate DCR	1.13

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$86,754	$89,356	$92,037	$94,798	$97,642	$113,194	$131,223	$152,123	$204,441
Secondary Income	1,080	1,112	1,146	1,180	1,216	1,409	1,634	1,894	2,545
Other Support Income: (de	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	87,834	90,469	93,183	95,978	98,858	114,603	132,856	154,017	206,986
Vacancy & Collection Loss	(6,588)	(6,785)	(6,989)	(7,198)	(7,414)	(8,595)	(9,964)	(11,551)	(15,524)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$81,246	$83,684	$86,194	$88,780	$91,443	$106,008	$122,892	$142,466	$191,462
EXPENSES at 4.00%									
General & Administrative	$4,457	$4,636	$4,821	$5,014	$5,214	$6,344	$7,719	$9,391	$13,901
Management	5,801	5,975	6,154	6,339	6,529	7,569	8,774	10,171	13,670
Payroll & Payroll Tax	5,220	5,429	5,646	5,872	6,107	7,430	9,039	10,998	16,279
Repairs & Maintenance	6,393	6,649	6,915	7,191	7,479	9,099	11,070	13,469	19,937
Utilities	0	0	0	0	0	0	0	0	0
Water, Sewer & Trash	0	0	0	0	0	0	0	0	0
Insurance	2,544	2,646	2,751	2,861	2,976	3,621	4,405	5,359	7,933
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	3,600	3,744	3,894	4,050	4,211	5,124	6,234	7,585	11,227
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$28,015	$29,077	$30,181	$31,326	$32,516	$39,186	$47,242	$56,973	$82,948
NET OPERATING INCOME	$53,231	$54,606	$56,013	$57,454	$58,927	$66,822	$75,651	$85,492	$108,514
DEBT SERVICE									
First Lien Financing	$10,414	$10,414	$10,414	$10,414	$10,414	$10,414	$10,414	$10,414	$10,414
Second Lien	36,877	36,877	36,877	36,877	36,877	36,877	36,877	36,877	36,877
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$5,941	$7,316	$8,723	$10,163	$11,637	$19,531	$28,360	$38,202	$61,224
DEBT COVERAGE RATIO	1.13	1.15	1.18	1.21	1.25	1.41	1.60	1.81	2.29

Item 4 Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items:

a) Approval and Possible Issuance of a Determination Notice to a Tax-Exempt Bond Project with TDHCA as Issuer Known as :

01461	Park Meadows Apartments	Boerne, Texas

Item 4(b) Approval and Possible Issuance of Determination Notices to Tax-Exempt Bond Projects with Local Bond Issuers:

01463	Grand Reserve Srs. Comm.	McKinney, Texas
01464	Arbor Bend Villas	Ft. Worth, Texas
01466	Copperwood Ranch	Houston, Texas
01467	Wintergreen Sr. Apartments	DeSoto, Texas
01468	Overton Park	Ft. Worth, Texas
01471	Gateway Georgetown	Georgetown, Tex
01481	Sierra Vista	El Paso, Texas
01483	Woodland Ridge	San Antonio, Tex
01485	Clearwood Villas	Houston, Texas

2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: Park Meadow Apartments TDHCA#: 01

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Boerne	QCT: N	DDA: N	TTC:
Development Owner:	Boerne Park Meadows Apartments, L.P.			
General Partner(s):	Boerne Park Meadows Developers, LLC, 100%, Contact: G. Granger MacDonald			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: TDHCA		
Development Type:	Elderly			

Annual Tax Credit Allocation Calculation

Applicant Request: $250,039 Eligible Basis Amt: $226,166 Equity/Gap Amt.: $345,807

Annual Tax Credit Allocation Recommendation: $226,166

Total Tax Credit Allocation Over Ten Years: $2,261,660

PROPERTY INFORMATION

Unit and Building Information

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

Gross Square Footage:	98,045
Average Square Footage/Unit:	957
Number of Buildings:	25
Currently Occupied:	N

Development Cost

Total Cost: $7,466,457 Total Cost/Net Rentable Sq. Ft.: $77.97

Income and Expenses

Effective Gross Income:[1] $696,695 Ttl. Expenses: $305,316 Net Operating Inc.: $391,37

Estimated 1st Year DCR: 1.06

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Orion Real Estate Services
Attorney:	J. Michael Pruitt	Architect:	A. Ray Payne, AIA
Accountant:	Reznick, Fedder & Silverman	Engineer:	Tetra Tech, Inc.
Market Analyst:	Mark Temple Real Estate Economist	Lender:	SunAmerica Affordable Housing Partners, Inc.
Contractor:	G.G. MacDonald, Inc.	Syndicator:	SunAmerica Affordable Housing Partners, Inc.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 1 # in Opposition:	Sen. Jeff Wentworth, District 25 - NC Rep. Harvey Hilderbran, District 53 - NC Mayor Patrick Heath - S Patrick Heath, Mayor The City of Boerne does not have a local consoliated plan, but supports the proposed development.

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. TDHCA Board acceptance of the potential deferral of all of the TDHCA administration, compliance, and asset oversight fees for the first year of stabilized operation and approximately $6K in the second year in order to achieve a minimum 1.10 DCR, or acceptance of a potential initial DCR that is projected to be slightly below the 1.10 guideline.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS	
Approved Tax Credit Amount:	Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond.	☐ Housing Ty

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 I

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Ty

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Ty

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Chair, Executive Award & Review Committee Date

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

Signature:

Michael E. Jones, Chairman

1 Date

2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: The Grand Reserve Seniors Community TDHCA#: 01

DEVELOPMENT AND OWNER INFORMATION

Development Location:	McKinney	QCT: Y	DDA: N	TTC:
Development Owner:	The Grand Reserve, Ltd.			
General Partner(s):	McKinney Grand Reserve, Inc., 100%, Contact: Kenneth H. Mitchell			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: Collin County HFC		
Development Type:	Elderly			

Annual Tax Credit Allocation Calculation

Applicant Request: $495,422 Eligible Basis Amt: $516,835 Equity/Gap Amt.: $633,034

Annual Tax Credit Allocation Recommendation: $516,835

Total Tax Credit Allocation Over Ten Years: $5,168,350

PROPERTY INFORMATION

Unit and Building Information

Total Units: 180 LIHTC Units: 180 % of LIHTC Units: 100%

Gross Square Footage:	127,382
Average Square Footage/Unit:	669
Number of Buildings:	1
Currently Occupied:	N

Development Cost

Total Cost: $12,690,881 Total Cost/Net Rentable Sq. Ft.: $1,05.2,469

Income and Expenses

Effective Gross Income:[1] $1,154,644 Ttl. Expenses: $558,108 Net Operating Inc.: $596,53

Estimated 1st Year DCR: 1.09

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Capstone Real Estate Services, Inc.
Attorney:	Cantey and Hanger, LLP	Architect:	Gailer, Tolson and French
Accountant:	KPMG Peat Marwick	Engineer:	Hannon Engineering, Inc.
Market Analyst:	Ipser and Associates, Inc.	Lender:	SunAmerica Affordable Housing Partners, Inc.
Contractor:	ICI Construction, Inc.	Syndicator:	SunAmerica Affordable Housing Partners, Inc.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Florence D. Shapiro, District 8 - S Rep. Jerry Madden, District 67 - S Mayor Don Dozier - NC Regie Neff, Assistant City Manager The City of McKinney does not have a Consolidat Plan at this time, on March 5, the City Council approved a zoning request to support thi project.

CONDITION(S) TO COMMITMENT

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")."

Receipt, review, and acceptance of either: 1) Department and Board subsequent approval of the proposed reduction in the number of units planner for The Grand Texan Seniors Community to a total of 100 units or 2) Documentation confirming that the developer will not move forward with construction of the Grand Texan and has returned all related tax credits.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS

Approved Tax Credit Amount: Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:

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

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 I

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:

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

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:

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

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Chair, Executive Award & Review Committee Date

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

Signature:

Michael E. Jones, Chairman

Date

2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: Arbor Bend Villas TDHCA#: 01

DEVELOPMENT AND OWNER INFORMATION				
Development Location:	Fort Worth	QCT: N	DDA: N	TTC:
Development Owner:	Arbor Bend Villas Housing, L.P.			
General Partner(s):	Arbor Bend Villas Development LLC, 100%, Contact: Bill Fisher			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: Tarrant County HFC		
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request:	$444,910	Eligible Basis Amt:	$443,701	Equity/Gap Amt.:	$619,101

Annual Tax Credit Allocation Recommendation: $443,701

Total Tax Credit Allocation Over Ten Years: $4,437,010

PROPERTY INFORMATION

Unit and Building Information

Total Units:	152	LIHTC Units:	152	% of LIHTC Units:	100%

Gross Square Footage:	166,650
Average Square Footage/Unit:	1071
Number of Buildings:	7
Currently Occupied:	N

Development Cost

Total Cost:	$13,567,960	Total Cost/Net Rentable Sq. Ft.:	$83.34

Income and Expenses

Effective Gross Income:[1]	$1,193,294	Ttl. Expenses:	$496,672	Net Operating Inc.:	$696,62
Estimated 1st Year DCR:	1.06				

DEVELOPMENT TEAM			
Consultant:	Not Utilized	Manager:	Southwest Housing Management
Attorney:	True & Shackelford	Architect:	BGO Architects
Accountant:	Reznick, Fedder & Silverman	Engineer:	Pond Robinson & Assoc.
Market Analyst:	Butler Burgher	Lender:	Charter MAC
Contractor:	Affordable Housing Construction	Syndicator:	Related Capital Co.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Mike Moncrief, District 12 - NC Rep. Anna Mowery, District 97 - NC Mayor Kenneth L. Barr - NC Joe Paniagua, Assistant City Manager Consistent with the City's Consolidated Plan.

CONDITION(S) TO COMMITMENT

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")."

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

The potential deferral of the TDHCA compliance fees for the first two years of stabilized operation in order to achieve a minimum 1.10 DCR.

Receipt, review, and acceptance of a revised bond commitment reflecting the final amount of the bonds and the correct number of units.

Receipt, review, and acceptance of a letter of credit commitment for the full amount of the bonds.

Receipt, review, and acceptance of a revised syndication commitment reflecting the current project size and currently anticipated credit allocation.

Should the terms of the proposed debt be altered, the previous condition should be re-evaluated.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS	
Approved Tax Credit Amount:	Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond.	☐ Housing Ty

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 I

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Ty

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Ty

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Chair, Executive Award & Review Committee Date

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

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Signature: ________________________________ ____________

Michael E. Jones, Chairman

Date

2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: Copperwood Ranch Apartments TDHCA#: 01

DEVELOPMENT AND OWNER INFORMATION				
Development Location:	Houston	QCT: N	DDA: N	TTC:
Development Owner:	Houston Copperwwod Apartments, L.P.			
General Partner(s):	Copperwood Esperanza, LLC, 100%, Contact: Paul Ramirez			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: Harris County Housing Finance Authority		
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request:	$649,872	Eligible Basis Amt:	$674,583	Equity/Gap Amt.:	$720,261
Annual Tax Credit Allocation Recommendation:			$674,583		
Total Tax Credit Allocation Over Ten Years:			$6,745,830		

PROPERTY INFORMATION

Unit and Building Information

Total Units:	280	LIHTC Units:	280	% of LIHTC Units:	100%
Gross Square Footage:	257,788				
Average Square Footage/Unit:	902				
Number of Buildings:	17				
Currently Occupied:	N				

Development Cost

Total Cost:	$19,962,092	Total Cost/Net Rentable Sq. Ft.:	$78.98

Income and Expenses

Effective Gross Income:[1]	$1,936,606	Ttl. Expenses:	$880,802	Net Operating Inc.:	$1,055,8
Estimated 1st Year DCR:	1.07				

DEVELOPMENT TEAM			
Consultant:	Not Utilized	Manager:	Greater Coastal Management, LLC
Attorney:	Coats, Rose, Yale, Ryman & Lee , P. C.	Architect:	Hill & Frank
Accountant:	Reznick, Fedder & Silverman	Engineer:	Benchmark Engineering
Market Analyst:	O'Conner & Assoc.	Lender:	SunAmerica Affordable Housing Partners, Inc.
Contractor:	RCI Construction, LLC	Syndicator:	SunAmerica Affordable Housing Partners, Inc.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: # in Opposition:	Sen. Jon Lindsey, District 7 - NC Rep. Gary Elkins, District 135 - NC Judge Robert Eckels - Bruce Austin, Director, Harris County Community Development Dept. Consistent with Consolidated Plan for Harris County.

CONDITION(S) TO COMMITMENT

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")."

Receipt, review, and acceptance of an acceptable site inspection report completed by TDHCA staff.

Receipt, review, and acceptance of evidence of reduction in total debt service to no more than $960,001 annually.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS

Approved Tax Credit Amount: Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:

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

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 I

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:

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

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:

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

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Chair, Executive Award & Review Committee Date

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

Signature:

Michael E. Jones, Chairman

Date

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2 2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

3 Texas Department of Housing and Community Affairs

4 Development Name: Wintergreen Senior Apartments TDHCA#: 01

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DEVELOPMENT AND OWNER INFORMATION

Development Location:	DeSoto	QCT: N	DDA: N	TTC:
Development Owner:	Wintergreen Senior Apartments, L.P.			
General Partner(s):	Covenant Place of North Richland Hills, Inc., 100%, Contact: David Evans			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: North Central Texas HFC		
Development Type:	Elderly			

Annual Tax Credit Allocation Calculation

Applicant Request: $395,849 Eligible Basis Amt: $394,773 Equity/Gap Amt.: $501,541

Annual Tax Credit Allocation Recommendation: $394,773

Total Tax Credit Allocation Over Ten Years: $3,947,730

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PROPERTY INFORMATION

Unit and Building Information

Total Units: 180 LIHTC Units: 180 % of LIHTC Units: 100%

Gross Square Footage:	188,588
Average Square Footage/Unit:	780
Number of Buildings:	4
Currently Occupied:	N

Development Cost

Total Cost: $12,690,482 Total Cost/Net Rentable Sq. Ft.: $90.32

Income and Expenses

Effective Gross Income:[1] $1,217,315 Ttl. Expenses: $585,376 Net Operating Inc.: $631,939

Estimated 1st Year DCR: 1.10

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DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	CGI Management
Attorney:	Coats, Rose, Yale, Ryman & Lee , P. C.	Architect:	Gaylen Howard Laing Architects, In
Accountant:	Unknown	Engineer:	DeSciullo & Terry, Inc.
Market Analyst:	CB Richard Ellis, Inc.	Lender:	Malone Mortgage
Contractor:	CGI Construction	Syndicator:	Lend Lease

8

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PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: # in Opposition:	Sen. Royce West, District 23 - NC Rep. Jesse Jones, District 110 - NC Mayor Michael Hurt - Edlyn Vatthauer, Planning and Zoning Manager, City of DeSoto Consistent with the cu Comprehensive Plan.

CONDITION(S) TO COMMITMENT

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")."

Receipt, review, and acceptance of the architects full size plans reflecting the actual amount of corridor space.

Receipt, review, and acceptance of a final commitment from the lender reflecting approval of FHA's guarantee for this project.

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

Receipt, review, and acceptance of a revised rent schedule indicating the Applicant's concurrence with charging the reduced rents proposed herein based upon the Dallas County utility allowance or acceptable documentation to the Department that will allow the lower City of Dallas utility allowances to be used.

Receipt, review, and acceptance of financial statements for CCLP Real Estate Investments and information on the key owners of this holding company.

Receipt, review, and acceptance of a revised permanent loan commitment reflecting a debt service not to exceed $580,256.

Should the terms of the proposed debt be altered, from the assumptions and conclusions in this report the recommendations herein should be re-evaluated.

Receipt, review, and acceptance of Authorization to Release Credit Information from Celeste Rogers and Patrick Rogers.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS

Approved Tax Credit Amount: Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:

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

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 I

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:

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

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:

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

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Chair, Executive Award & Review Committee Date

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

Signature:

Michael E. Jones, Chairman

Date

Development Name: Overton Park TDHCA#: 01

DEVELOPMENT AND OWNER INFORMATION

Development Location: Fort Worth QCT: N DDA: N TTC:
Development Owner: Overton Square, L.P.
General Partner(s): Chisholm V Corp., Barbara Holston, 100%
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Trinity River Public Facilities Corp.
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $523,783 Eligible Basis Amt: $546,081 Equity/Gap Amt.: $646,509
Annual Tax Credit Allocation Recommendation: $546,081
Total Tax Credit Allocation Over Ten Years: $5,460,810

PROPERTY INFORMATION

Unit and Building Information
Total Units: 216 LIHTC Units: 216 % of LIHTC Units: 100%
Gross Square Footage: 201,336
Average Square Footage/Unit: 914
Number of Buildings: 22
Currently Occupied: N
Development Cost
Total Cost: $17,020,125 Total Cost/Net Rentable Sq. Ft.: $86.24
Income and Expenses
Effective Gross Income:[1] $1,228,837 Ttl. Expenses: $595,012 Net Operating Inc.: $633,82
Estimated 1st Year DCR: 1.22

DEVELOPMENT TEAM

Consultant:	Coats, Rose, Yale, Ryman & Lee, P.C.	Manager:	TBD
Attorney:	Coats, Rose, Yale, Ryman & Lee, P.C.	Architect:	Gideon Toal
Accountant:	TBD	Engineer:	TBD
Market Analyst:	Integra	Lender:	Red Capital Group
Contractor:	Carleton Construction, Ltd.	Syndicator:	Red Capital Group

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Mike Moncrief, District 12 - NC Rep. Anna Mowery, District 97 - NC Mayor Kenneth L. Barr - S Jerome C. Walker, Fort Worth Director of Housing Consistent with the Fort Worth Consolidated Plan.

CONDITION(S) TO COMMITMENT

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")."

Receipt, review, and acceptance of a definitive opinion from a qualified environmental analyst as to the requirement to submit a Section 404 development permit.

Receipt, review, and acceptance of evidence that no portion of the site lies within the 100-year floodplain. If any portion of the site does lie within the 100-year floodplain, the Applicant must provide a flood remediation plan.

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

Receipt, review, and acceptance of a revised and consistent site plan and unit and building list.

Receipt, review, and acceptance of an engineer's detailed cost breakdown for all sitework costs, including costs per unit of material and numbers of units required.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS	
Approved Tax Credit Amount:	Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond.	☐ Housing Ty

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 I

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Ty

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Ty

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Chair, Executive Award & Review Committee Date

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

Signature: ______________________________ __________

Michael E. Jones, Chairman

Date

1 Development Name: GatewayGeorgetown TDHCA#: 01

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DEVELOPMENT AND OWNER INFORMATION					
Development Location:	Georgetown	QCT: N	DDA: N	TTC:	
Development Owner:	Georgetown Multi-Housing, Ltd.				
General Partner(s):	Agape Georgetown Housing, Inc., 100%, Contact: Laura Taylor Wingfield				
Construction Category:	New				
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: Capital Area HFC			
Development Type:	Family				

Annual Tax Credit Allocation Calculation

Applicant Request: $392,635 Eligible Basis Amt: $399,009 Equity/Gap Amt.: $571,086

Annual Tax Credit Allocation Recommendation: $399,009, if all alternative project conditions are met.

Total Tax Credit Allocation Over Ten Years: $3,990,090

3

PROPERTY INFORMATION

Unit and Building Information

Total Units:	160	LIHTC Units:	160	% of LIHTC Units:	100%
Gross Square Footage:	152,271				
Average Square Footage/Unit:	914				
Number of Buildings:	7				
Currently Occupied:	N				

Development Cost

Total Cost: $13,132,028 Total Cost/Net Rentable Sq. Ft.: $89.826

Income and Expenses

Effective Gross Income:[1]	$1,280,547	Ttl. Expenses:	$551,788	Net Operating Inc.:	$728,759
Estimated 1st Year DCR:	1.07				

4

DEVELOPMENT TEAM			
Consultant:	Bengal Development Corp.	Manager:	Domocile Property Management
Attorney:	Fulbright Jaworski, Inc.	Architect:	Griffin Architects
Accountant:	Unknown	Engineer:	Bury Partners, Inc.
Market Analyst:	Capitol Market Research	Lender:	Charter MAC
Contractor:	Bengal Construction Corp.	Syndicator:	Related Capital Acceptance Co.

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PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Steve Ogden, District 5 - NC Rep. Mike Krusee, District 52 - NC Mayor Mary Ellen Kersch - NC Melissa Murphy, City of Georgetown Development Planner The development is consis with the City of Georgetown's local Century Plan.

CONDITION(S) TO COMMITMENT

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")."
TDHCA Board waiver of the Department's Concentration Policy in regards to this project.
Receipt, review, and acceptance of an acceptable site inspection report by a TDHCA staff member.
Receipt, review, and acceptance of a third party detailed site work cost breakdown for all sitework costs, including costs per unit of materials and numbers of units required 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.
Receipt, review, and acceptance of a third party engineer's off-site cost certification.
Receipt, review, and acceptance of a signed certification that no proposed improvements will be located in the 100-year floodplain.
Receipt, review, and acceptance of documentation confirming that the site will be annexed into the City of Georgetown and zoned for the multi-family use proposed by the Applicant.
Receipt, review, and acceptance of a letter of credit commitment for the full amount of the bonds.
Receipt, review, and acceptance of a revised permanent loan commitment reflecting a debt service not to exceed $662,282.
Receipt, review, and acceptance of previous participation information from the general partner of the applicant and the developer.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS	
Approved Tax Credit Amount:	Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond.	☐ Housing Ty

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.

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Charles E. Nwaneri, Acting Program Manager Date David I

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Ty

Other Comments including discretionary factors (if applicable).______________________________

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Edwina P. Carrington, Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Ty

Other Comments including discretionary factors (if applicable).______________________________

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Edwina P. Carrington, Chair, Executive Award & Review Committee Date

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

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Signature: ______________________________ ______________
Michael E. Jones, Chairman
Date

Development Name: Sierra Vista TDHCA#: 0

DEVELOPMENT AND OWNER INFORMATION

Development Location: El Paso QCT: N DDA: Y TTC:

Development Owner: PAB Sierra Vista, Ltd.

General Partner(s): PAB Sierra Vista Housing, LLC, 100%, Contact: Robert Kelly

Construction Category: Acq/Rehab

Set-Aside Category: Tax Exempt Bond Bond Issuer: County of El Paso HFC

Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: $300,601 Eligible Basis Amt: $196,734 Equity/Gap Amt.: $130,373

Annual Tax Credit Allocation Recommendation: $130,373

Total Tax Credit Allocation Over Ten Years: $1,303,730

PROPERTY INFORMATION

Unit and Building Information

Total Units: 106 LIHTC Units: 106 % of LIHTC Units: 100%

Gross Square Footage: 102,652

Average Square Footage/Unit: 954

Number of Buildings: 16

Currently Occupied: Y

Development Cost

Total Cost: $5,497,712 Total Cost/Net Rentable Sq. Ft.: 54.37

Income and Expenses

Effective Gross Income:[1] $825,428 Ttl. Expenses: $376,045 Net Operating Inc.: $449,38

Estimated 1st Year DCR: 1.25

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	HBC Property Managers, L.P.
Attorney:	Ainsa Hudson, LLP	Architect:	Unknown
Accountant:	Robert Woolley, Jr. CPA	Engineer:	Unknown
Market Analyst:	Gerald A. Teel Company	Lender:	SunAmerica
Contractor:	Hunt Building Corp.	Syndicator:	SunAmerica Affordable Housing Partners, Inc.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Eliot Shapleigh, District 29 - NC Rep. Norma Chavez, District 76 - NC Mayor Ray Caballero - S Ray Caballero, Mayor Consistent with the City of El Paso Consolidated Plan.

CONDITION(S) TO COMMITMENT

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")."

Receipt, review, and acceptance of an acceptable site inspection report completed by TDHCA staff.

Receipt, review, and acceptance of a FEMA floodplain map with floodplains and the location of the subject property clearly identified.

Receipt, review, and acceptance of documentation for the cost of the submitted relocation plan.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS

Approved Tax Credit Amount: Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:

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

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 I

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:

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

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:

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

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Chair, Executive Award & Review Committee Date

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

Signature:

Michael E. Jones, Chairman

1

2 2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

3 Texas Department of Housing and Community Affairs

4 Development Name: Woodland Ridge TDHCA#: 01

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DEVELOPMENT AND OWNER INFORMATION					
Development Location:	San Antonio		QCT: N	DDA: N	TTC:
Development Owner:	AAMHA Woodland Ridge, L.P.				
General Partner(s):	AAMHA Wurzbach Apartments, Inc.,100%, Contact: Sandra Williams				
Construction Category:	Acq/Rehab				
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: Bexar County HFC			
Development Type:	Family				

Annual Tax Credit Allocation Calculation

Applicant Request:	$213,550	Eligible Basis Amt:	$232,791	Equity/Gap Amt.:	$403,831

Annual Tax Credit Allocation Recommendation: $232,791

Total Tax Credit Allocation Over Ten Years: $2,327,910

6

PROPERTY INFORMATION

Unit and Building Information

Total Units:	150	LIHTC Units:	150	% of LIHTC Units:	100%

Gross Square Footage:	123615
Average Square Footage/Unit:	806
Number of Buildings:	13
Currently Occupied:	Y

Development Cost

Total Cost:	$8,142,151	Total Cost/Net Rentable Sq. Ft.:	67.34

Income and Expenses

Effective Gross Income:[1]	$925,203	Ttl. Expenses:	$441,013	Net Operating Inc.:	$484,19
Estimated 1st Year DCR:	.99				

7

DEVELOPMENT TEAM

Consultant:	Diana McIver & Associates, Inc.	Manager:	Alpha-Barnes Real Estate Services
Attorney:	Jenkens & Gilchrist	Architect:	Lloyd Walker Jary & Associates, In
Accountant:	Novogradac & Company LLP	Engineer:	Not Utilized
Market Analyst:	Land America Financial Group, Inc.	Lender:	William R. Hough & Co.
Contractor:	Concept General Contracting, Inc. dba Concept Builders	Syndicator:	Texas Housing Finance Corp.

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PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 3 # in Opposition: 0	Sen. Leticia Van De Putte, District 26 - S Rep. Frank Corte, Jr., District 123 - S Mayor Ed Garza - S Andrew W. Cmaeron, Director Consistent with the City of San Antonio Consolidated P

CONDITION(S) TO COMMITMENT

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")."

Receipt, review, and acceptance of an acceptable site inspection report completed by TDHCA staff.

Receipt, review, and acceptance of evidence of compliance with all USEPA requirements pertaining to lead-based paint.

Receipt, review, and acceptance of an inventory report of all the thermal systems insulation and surfacing material present in the project buildings in accordance with OSHA requirements.

Receipt, review, and acceptance of a comprehensive asbestos survey report of the entire facility, or that portion slated for renovation, to be performed prior to initiating destructive rehabilitation activities and in compliance with NESHAP regulations.

Receipt, review, and acceptance of the report of a PCB testing program for the property.

Receipt, review, and acceptance of a statement from a qualified environmental analyst indicating that any of the above environmental testing or abatement actions are not recommended for the purposes of the TDHCA LIHTC allocation program would satisfy the individual conditions listed above.

Receipt, review, and acceptance, prior to closing of the bonds, of documentation from the Bexar County Appraisal District or other relevant taxing authority as to the requirements for property tax exemption or PILOT agreement, along with substantiation from the Applicant that all of these requirements will be met.

Receipt, review, and acceptance of a relocation plan including the estimated costs and net operating income during the rehabilitation period.

Receipt, review, and acceptance of a revised permanent loan commitment reflecting the anticipated terms, interst rates, step repayment structure and a debt service not to exceed $450,847.

Should the terms of the proposed debt be altered, the previous condition should be re-evaluated.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS

Approved Tax Credit Amount: Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:

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

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

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:

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

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:

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

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Chair, Executive Award & Review Committee Date

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

Signature: Michael E. Jones, Chairman

Date

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2 2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

3 Texas Department of Housing and Community Affairs

4 Development Name: Clearwood Villas TDHCA#: 01

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DEVELOPMENT AND OWNER INFORMATION				
Development Location:	Houston	QCT: N	DDA: N	TTC:
Development Owner:	Hemma II, Ltd.			
General Partner(s):	JNP Properties II, Inc., Kurt Kehoe, 100%			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond	Bond Issuer: Houston HFC		
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $748,575 Eligible Basis Amt: $776,921 Equity/Gap Amt.: $1,085,78

Annual Tax Credit Allocation Recommendation: $776,921

Total Tax Credit Allocation Over Ten Years: $7,769,210

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PROPERTY INFORMATION

Unit and Building Information

Total Units: 276 LIHTC Units: 276 % of LIHTC Units: 100%

Gross Square Footage:	324,334
Average Square Footage/Unit:	1,161
Number of Buildings:	18
Currently Occupied:	N

Development Cost

Total Cost: $23,824,910 Total Cost/Net Rentable Sq. Ft.: 74.32

Income and Expenses

Effective Gross Income:[1] $2,185,812 Ttl. Expenses: $970,457 Net Operating Inc.: $1,215,3

Estimated 1st Year DCR: 1.08

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DEVELOPMENT TEAM			
Consultant:	Not Utilized	Manager:	Innovation Management Co.
Attorney:	True & Shackelford, L.L.P.	Architect:	Humphries & Partners Architects
Accountant:	Thomas Stephens & Co. LLP	Engineer:	Brown & Gay
Market Analyst:	Integra Realty Resources	Lender:	Wachovia Securities, Inc.
Contractor:	Texas BBL. L.P.	Syndicator:	Wachovia Securities, Inc.

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PUBLIC COMMENT[2]	
From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Mike Jackson, District 11 - NC Rep. Al Edwards, District 146 - NC Mayor Lee Brown - NC Margie Bingham, Director of City of Houston Housing & Community Development Department Consistent with the City of Houston's Consolidated Plan.

CONDITION(S) TO COMMITMENT

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")."

Receipt, review, and acceptance of a copy of the release of vendor's liens on the property or an updated title commitment showing clear title.

Receipt, review, and acceptance of an acceptable TDHCA site inspection report.

The project's first year of total debt service should not exceed $1,104,624. Unless the final permanent bond size is reduced through mandatory redemption it is likely that all or a portion of TDHCA fees may need to be deferred or waived in the first two years.

AD HOC TAX CREDIT COMMITTEE DETERMINATIONS	
Approved Tax Credit Amount:	Date of Determination:

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER AND DIVISION DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond.	☐ Housing Ty

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 I

DEVELOPMENT'S SELECTION BY EXECUTIVE DIRECTOR IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Ty

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW COMMMITTEE IS BASED ON:				
☐ Score	☐ Utilization of Set-Aside	☐ Geographic Distrib.	☒ Tax Exempt Bond	☐ Housing Ty

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Chair, Executive Award & Review Committee Date

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

Signature: ______________________________ __________

Michael E. Jones, Chairman

Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: March 25, 2002 **PROGRAM:** Multifamily Bonds 4% LIHTC **FILE NUMBER:** 2002-002 01461

DEVELOPMENT NAME

Park Meadows Apartments

APPLICANT

Name: Boerne Park Meadows Apartments, L.P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 2951 Fall Creek Road **City:** Kerrville **State:** TX

Zip: 78028 **Contact:** G. Granger MacDonald **Phone:** (830) 257-5323 **Fax:** (830) 257-3168

PRINCIPALS of the APPLICANT

Name	(%)	Title
Boerne Park Meadows Developers, L.L.C.	.01	Managing General Partner
SunAmerica Affordable Housing Partners, Inc.	99.99	Initial Limited Partner
G. G. MacDonald, Inc.		50% Owner of MGP
Resolution Real Estate Services, L.L.C. (RRES)		50% Owner of MGP
Steve Ford		Owner of RRES

GENERAL PARTNER

Name: Boerne Park Meadows Developers, L.L.C. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 2951 Fall Creek Road **City:** Kerrville **State:** TX

Zip: 78028 **Contact:** G. Granger MacDonald **Phone:** (830) 257-5323 **Fax:** (830) 257-3168

PROPERTY LOCATION

Location: Calk Lane and West San Antonio Street ☐ QCT ☐ DDA

City: Boerne **County:** Kendall **Zip:** 78006

REQUEST

Amount	Interest Rate	Amortization	Term
❶ $250,039	N/A	N/A	N/A
❷ $4,700,000	6.5%	30 yrs	30 yrs

Other Requested Terms: ❶ Annual ten-year allocation of low-income housing tax credits
❷ Tax-exempt mortgage revenue bonds
The Applicant has also recently made application for $375,000 in Housing Trust Funds

Proposed Use of Funds: New construction

SITE DESCRIPTION

Size: 13.788 acres 600,605 square feet **Zoning/ Permitted Uses:** R-1, Single-Family Residential, approved by city council for proposed use

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: 100 **# Rental Buildings** 25 **# Common Area Bldngs** 1 **# of Floors** 1 **Age:** N/A yrs **Vacant:** N/A at

Number	Bedrooms	Bathroom	Size in SF
48	1	1	826
52	2	1.5	1,079

Net Rentable SF: 95,756 **Av Un SF:** 958 **Common Area SF:** 2,289 **Gross Bldng SF** 98,045

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% stone veneer/75% 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, ceiling fans, laminated counter tops, individual water heaters.

ON-SITE AMENITIES

1,905 SF community building with game room, management offices, fitness & laundry facilities, restrooms, swimming pool, meeting rooms, picnic area, perimeter fencing with limited access gate and monitored security. Also contains a 384 SF utility building.

Uncovered Parking: 226 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Michael Fowler

Principal Amount: $4,700,000 **Interest Rate:** 6.5%

Additional Information: Tax-exempt bond proceeds, interest-only payments

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

LONG TERM/PERMANENT FINANCING

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Michael Fowler

Principal Amount: $4,700,000 **Interest Rate:** 6.5%

Additional Information: Tax-exempt bond proceeds

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

Annual Payment: $356,260 **Lien Priority:** 1st **Commitment Date** 2/ 10/ 2002

LIHTC SYNDICATION

Source: SunAmerica Affordable Housing Partners, Inc. **Contact:** Michael Fowler

Address: 1 SunAmerica Center, Century City **City:** Los Angeles

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

Net Proceeds: $1,778,943 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 80¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 10/ 2002

Additional Information: Commitment letter reflects proceeds of $1,778,943 based on credits of $2,223,902

APPLICANT EQUITY

Amount: $311,106 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: 13.788 ac. $103,410 **Assessment for the Year of:** 2001

Valuation by: Kendall County Appraisal District

Total Assessed Value: $103,410 **Tax Rate:** 2.4002

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Warranty deed

Closing Date: 8/ 30/ 2001

Acquisition Cost: $ 468,792 **Other Terms/Conditions:**

Seller: National Exchange Services, Inc. for Tri-County Service Co., Inc. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

Park Meadows Apartments was submitted and underwritten in the 2001 LIHTC 9% cycle. The underwriting analysis recommended the project be approved subject to the following condition:

- Receipt, review, and acceptance of evidence of a zoning change for the site to R-1, Single-Family Residential District, and approval by the Boerne City Council of the placement of an elderly housing project in this zone. This condition has been satisfied.

The project did not receive an allocation in the 2001 cycle.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Park Meadows Apartments is a proposed new construction project of 100 units of affordable elderly housing located in far west Boerne. The project is comprised of 25 residential buildings as follows:

- Twelve Building Style 826 with four 1-bedroom units;
- Thirteen Building Style 1079 with four 2-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building and swimming pool located near the center of the site. The 1,905-square foot community building is planned to have the management office, a 556-square foot community room, exercise and meeting rooms, restrooms, and laundry facilities. Each unit will have an area available for tenant gardening if desired. The site plan also shows a utility building with 384 SF.

Supportive Services: The Applicant has contracted with the Community Council of South Central Texas, Inc. to provide the following supportive services to tenants: meals and nutrition information, budget and money management counseling, Medicaid transportation, health screenings and testing, utility bill payment assistance and energy conservation training, and information and referral services for other local service providers. 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 a fee of $100 per month (or a mutually agreeable sum) per month for these support services.

Schedule: The Applicant anticipates construction to begin in July of 2002, to be completed in March of 2003, to be placed in service in June of 2003, and to be substantially leased-up in February of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, but all (100%) of the units will be reserved for low-income, elderly tenants. Although this allows for prospective tenants to be qualified at the 60% of AMGI or less income level, as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI.

Special Needs Set-Asides: Five units (5%) will be handicapped-accessible and the remaining units will be adaptable for accessibility and usability for tenants with disabilities.

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

MARKET HIGHLIGHTS

A market feasibility study dated September 10, 2001 was prepared by Mark C. Temple Real Estate Economist, Market Analyst and highlighted the following findings:

Definition of Market/Submarket: "The primary or defined market area for the Boerne Park Meadows Apartments is considered [to be] Kendall County" (p. I-1)

Total Local/Submarket Market Demand for Rental Units: "The Boerne, Kendall County, Texas area experienced a strong increase in population during the past decade. Future population trends indicate similar statistics through 2006. Factors that have contributed to this growth pattern include proximity to the San Antonio MSA, the availability of economic opportunities, and a quality of the environment." (p. II-1)

Capture Rate: Calculated by the analyst to be 30.2% (based upon 120 proposed units, should be 25.1% based on 100 units) (p.IV-3). The Underwriter regards this figure to in fact represent a penetration rate of the target market, and calculated a capture rate of 56% based upon the Underwriter's analysis of the market analyst's data. This rate, although high, is acceptable under TDHCA guidelines for a rural project.

Local Housing Authority Waiting List Information: No information provided.

ANNUAL INCOME-ELIGIBLE MARKET DEMAND SUMMARY*		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	13	7%
Turnover Demand	89	50%
Existing Overburdened/Substandard	78	43%
TOTAL ANNUAL DEMAND	**180**	**100%**

*NOTE: These figures were calculated by the Underwriter from data provided by the market analyst. The market analyst calculated 42 units of growth demand based on an improbably low average household size of 1.0 and did not include turnover demand in total demand.

Market Rent Comparables: The market analyst surveyed seven multifamily apartment projects totaling 382 units in the market area. None of these were elderly projects.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type	**Proposed**	**Program Max**	**Differential**	**Ave. Market**	**Differential**
1-Bedroom	$570	$570	$0	$533	+$37
2-Bedroom	$662	$662	$0	$690	-$28

(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) (p.III-1)

Submarket Vacancy Rates: "The occupancy level of the market area is presently 99.3%." (p. III-1)

Absorption Projections: "Based upon current positive multifamily indicators and present absorption levels of 10 to 15 units per month, it is estimated that a 95+ percent occupancy level can be achieved in an eight to twelve month time frame." (p. I-12)
Known Planned Development: The analyst indicated that a building permit for 100 units of multifamily housing was issued in 2000 but provided no other information. (p. III-30)
Effect on Existing Housing Stock: "The proposed project, in light of the vacancy and absorption rates for the applicable market area, is not likely to result in an unreasonably high vacancy rate for comparable units within the market area" (certificate, para. C)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation, but was deficient in documenting elderly-specific comparables (or the lack thereof). Additionally, the analyst did not document certain calculations (e.g., the deletion of residents of group homes from the average household size calculation) and modifications to source material (e.g., the halving of the IREM turnover rate based on empirical data). Although the analyst did not address possible demand from nearby San Antonio, the Underwriter regards this as a significant likely source of demand for the project.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Boerne is located in central Texas, approximately 20 miles northwest of San Antonio in Kendall County. The site is an irregularly-shaped parcel located in the far western area of Boerne, approximately one-half mile from the central business district. The site is situated on the west side of Calk Lane.
Population: The estimated total 2001 population of City of Boerne was 5,315 and is expected to increase by 6.6% to approximately 5,665 by 2006. The estimated 2001 elderly population of the primary market area (Kendall County) was 6,345 and is expected to increase by 21.8% by 2006. Within the primary market area there were estimated to be 3,726 elderly households in 2001.
Adjacent Land Uses: Land uses in the overall area in which the site is located are primarily residential and agricultural, with commercial and retail within one mile. Adjacent land uses include:

- **North:** Single-family residential
- **South:** Agricultural land
- **East:** Calk Lane with a single-family residential property with agricultural land beyond
- **West:** Agricultural land

Site Access: Access to the property is from the north or south from Calk Lane. The project is to have two entries, both from Calk Lane. Access to Interstate Highway 10 is one-half mile west and Business 87 is one-half mile east, which provides connections to all other major roads serving the Boerne area as well as San Antonio and other communities.
Public Transportation: Public transportation is not available in Boerne.
Shopping & Services: The site is within one mile of all significant facilities in Boerne, and within 30 minutes driving time of San Antonio. A seniors activity center is located within walking distance.
Site Inspection Findings: A TDHCA staff member performed a site inspection on 5/3/01 and found the location to be acceptable for the proposed development. The inspector noted the site is within walking distance of a seniors recreation center.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 6, 2001 was prepared by TriCo Inspecting Service, Inc and contained the following finding: "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 rent projections are the maximum rents allowed under LIHTC guidelines, and are generally substantiated by the market study (although the 1-BR unit rents are $37 higher than the market average, the proposed units would be newer and feature superior amenities). Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $2,878 per unit is 5.7% lower than an adjusted TDHCA database-derived estimate of $3,053 per unit for comparably-sized projects. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($8.1K lower), payroll ($10K higher), repairs and maintenance ($9.5K lower), water, sewer, and trash ($5.6K lower), insurance ($9.2K higher), and property tax ($14.5K lower).
Conclusion: The Applicant's estimated total estimated operating expense is 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. Due primarily to the difference in estimated expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.05 is slightly less than the program minimum standard of 1.10. The Underwriter's proforma suggests that up to $14K of the TDHCA administrative fees may need to be deferred in order to maintain a 1.10 DCR in the first year of stabilized occupancy, and indicates a steadily improving DCR in future years.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $34K/acre or $0.78/SF is 453% of the tax assessed value but is assumed to be reasonable since it is an arm's-length transaction. The market analyst provided no data regarding recent comparable land sales for comparison.
Sitework Cost: The Applicant's claimed sitework costs of $5,035 per unit are considered reasonable compared to historical sitework costs for multifamily projects.
Direct Construction Cost: The Applicant's direct construction cost estimate is $307K or 8% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This would suggest that the Applicant's direct construction costs may be understated, the Applicant is intending to build to less than average quality, or this difference may reflect cost savings realized by the use of a related general contractor.
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 by $85,000 with the overage effectively moved to ineligible costs. The Applicant incorrectly included $40K in construction loan broker's fee (to be paid to a co-developer) as an eligible cost; the Underwriter moved this fee to developer's fee, where it contributed to an overstatement of allowable developer fee of $54,121.
Interim Financing Fees: The Underwriter reduced the Applicant's interim financing fees by $53,592 to reflect the net effect of the Applicant's projection of that amount in income from a guaranteed investment contract, which results in an equivalent reduction in eligible basis. In addition, the Applicant included a fully drawn two years interest expense as eligible construction interest and includes the full amount of tax counsel fees and underwriting fees for the bonds as eligible when they should have been prorated and only the amount for the construction financing included as eligible. These issues were clarified in correspondence with the Applicant and amount to an additional reduction in the Applicant's eligible basis of $438,786.
Conclusion: The Applicant's total project cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. As a result, the Applicant's adjusted eligible basis of $6,162,550 is used to determine a credit allocation of $226,166 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with six types of financing from five sources: a conventional interim to permanent loan based on tax-exempt bond proceeds, syndicated LIHTC equity, a Housing Trust Fund grant, income from operations, interest income from a guaranteed investment contract, and deferred developer's fees.
Bonds and Conventional Interim to Permanent Loan: There is a commitment for interim to permanent financing based on tax-exempt bond proceeds through SunAmerica Affordable Housing Partners, Inc. in the amount of $4,700,000 during both the interim period and at conversion to permanent. The bonds are tax-exempt private activity mortgage revenue bonds to be issued by TDHCA and placed privately with SunAmerica. The bonds will be amortized over 30 years following a two-year interest-only construction period, at an estimated interest rate of 6.5%. The final interest rate will be made available approximately ten days prior to closing.

LIHTC Syndication: SunAmerica has also offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $1,778,943 based on a syndication factor of 80%. The funds would be disbursed in a four-phased pay-in schedule:

1. 4% upon admission to the partnership;
2. 75% upon completion of construction;
3. 15% upon receipt of an audited cost certification and attainment of 90% physical and a DCR of 1.15 for three consecutive months;
4. 6% upon receipt of IRS Forms 8609.

SunAmerica will also make a bridge loan of $1,333,360,available to the partnership at the time of admission to the partnership and bond closing, with interest accruing on any balance above $1,067,366 at the rate of the prime rate + 1%. This loan will be paid off by the second equity contribution.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $311,106 amount to 38% of the total fees.

Housing Trust Fund Grant: The Applicant has applied for a grant of $375,000 from the Housing Trust Fund. This application is pending, but appears unlikely to be awarded as it does not meet the requirement of spending 40% of HTF funding on extremely low-income (ELI) (30% AMI) units. The requested $375,000 proposes to include two ELI units. At a program-defined maximum of $70,000 per ELI unit, the $140,000 used for ELI units only amounts to 37% of the funds requested. If the grant is not awarded, sufficient developer fee exists to substitute for this source. Moreover, the HTF funds were not part of the Applicant's sources and uses of funds in either the bond application or the LIHTC application and do not appear to be an integral part of the financing for this project.

Income from Operations: The Applicant forecast rental income of $172,200 from lease-up prior to project completion. The Underwriter regards this income source as speculative and therefore does not rely on it but rather allows this to be funded out of deferred developer fees.

GIC Interest Income: The Applicant included $53,592 in GIC income; the Underwriter has removed this amount as a source of funds and removed an equivalent amount from interim financing interest cost to compensate.

Financing Conclusions: Since the Applicant's total development costs were approximately 3.7% lower than the Underwriter's estimate, the Applicant's adjusted development costs were used to determine eligible basis. These adjustments reduced the Applicant's eligible basis by $631,999 and account for the majority of the reduction in the recommended credit amount. The applicable percentage rate was adjusted in order to reflect the current underwriting rate of 3.67% rather that the 3.68% used by the Applicant. These adjustments combine to decrease the recommended tax credit allocation to $226,166 per year, resulting in syndication proceeds of approximately $1,809,143. As discussed above, the Underwriter estimates that the project will be unable to service the $4.7M in first lien debt and all fees at a DCR of 1.10 or above, and deferral of all or some portion of the TDHCA administration, compliance, and asset oversight fees for the first year of stabilized operation may be required in order to achieve a minimum 1.10 DCR, or acceptance of a potential initial DCR that is projected to be slightly below the 1.10 guideline, is required. The project is subject to a mandatory redemption which will ensure that at the time stabilization occurs the DCR is satisfactory to the lender. The Underwriter has estimated the maximum potential amount of bonds to be redeemed to be $184K if rents and expenses were to remain flat. It is more likely, however that TDHCA fees could be deferred in an amount sufficient to meet any debt coverage obligation and no redemption would be required. This deferral of fees is estimated to be all of the fees in the first year and $5,820 in the second year and could be repaid out of cash flow. The Housing Trust Fund grant is unlikely to be approved for programmatic considerations, and therefore 100% of the developer fee will need to be deferred as well as $154K of contractor fees, which can be accomplished due to the related party general contractor. This represents an increase in deferred fees to $957,314 which is not forecast to be repayable within ten years but is projected to be repayable within 15 years. In the event of a cost overrun or mandatory redemption of any of the bonds due to debt coverage shortages, there will not be significant additional fees to defer and fill the gap. Therefore the cushion for this project is extremely slim.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The units are in fourplex structures with mixed Hardiplank and native stone veneer exterior finish and pitched roofs. Each unit has a private, covered entry patio with a small outdoor utility closet with hookups for full-size appliances.

Unit Floorplans:

1. Entry to the 1-BR/1-BA unit is directly into the living and dining area, and the galley kitchen is adjoins the dining area. The bathroom is accessible from the living area and has a linen closet. The bedroom is off a short hall beyond the living area and has a walk-in closet.
2. The 2-BR/1-BA unit is basically identical to the 1-BR unit, with the second bedroom and bathroom added behind the dining area. There are two separate half-baths which share a tub/shower. Both bedrooms have walk-in closets.

IDENTITIES of INTEREST

Granger MacDonald, the 50% Co-Developer and co-owner of the General Partner, also owns the General Contractor. 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.
- The General Contractor, G.G. MacDonald, Inc., submitted an unaudited financial statement as of 8/31/01 reporting total assets of $5.6M and consisting of $91K in cash, $930K in receivables, $139K in machinery, equipment, and fixtures, and ($27K) in investments. Liabilities totaled $5.4M, resulting in a net worth of $184K.
- The Co-Managing General Partner, Resolution Real Estate Services, LLC, submitted an unaudited financial statement as of 6/30/01 reporting total assets of $898K and consisting of $140K in cash, $700K in receivables, $28K in machinery, equipment, and fixtures, and 30K in investments. Liabilities totaled $95K, resulting in a net worth of $803K.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The General Contractor, G. Granger MacDonald, has participated as general partner, developer, and/or general contractor on nine affordable and conventional housing projects totaling 975 units since 1994.
- The Co-Managing General Partner, J. Steve Ford, has participated as general partner, developer, and/or general contractor on four affordable and conventional housing projects totaling 844 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- The project appears unlikely to generate sufficient net operating income in the first year of stabilized operation to service its debt and all TDHCA fees at a DCR of 1.10 or greater.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years could be removed from eligible basis.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $226,166 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☑ RECOMMEND ISSUANCE OF TAX-EXEMPT BONDS AS REQUESTED IN THE AMOUNT OF $4,700,000, TO BE FULLY AMORTIZED OVER 30 YEARS. THE INTEREST RATE OF THE BONDS WILL BE 6.5%.

CONDITIONS

1. TDHCA Board acceptance of the potential deferral of all of the TDHCA administration, compliance, and asset oversight fees for the first year of stabilized operation and approximately $6K in the second year in order to achieve a minimum 1.10 DCR, or acceptance of a potential initial DCR that is projected to be slightly below the 1.10 guideline.

Underwriter:	*Carl Hoover*	**Date:**	March 25, 2002
Credit Underwriting Supervisor:	*Jim Anderson*	**Date:**	March 25, 2002
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	March 25, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Park Meadows Apartments, Boerne, MFB #2002-002/4% LIHTC #01461

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (50%)	48	1	1	826	$598	$570	$27,341	$0.69	$28.39	$24.18
TC (50%)	52	2	1.5	1,079	717	662	34,424	0.61	55.00	30.39
TOTAL:	100		**AVERAGE:**	958	$660	$618	$61,765	$0.65	$42.23	$27.41

INCOME Total Net Rentable Sq Ft: 95,756

				TDHCA	APPLICANT			
POTENTIAL GROSS RENT				$741,183	$739,983			
Secondary Income		Per Unit Per Month:	$10.00	12,000	12,000	$10.00	Per Unit Per Month	
Other Support Income:				0	0			
POTENTIAL GROSS INCOME				$753,183	$751,983			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(56,489)	(56,399)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$696,695	$695,585			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.54%	$316	$0.33	$31,647	$23,500	$0.25	$235	3.38%
Management	5.00%	348	0.36	34,835	34,779	0.36	348	5.00%
Payroll & Payroll Tax	8.88%	619	0.65	61,900	71,900	0.75	719	10.34%
Repairs & Maintenance	5.26%	366	0.38	36,613	27,100	0.28	271	3.90%
Utilities	1.85%	129	0.13	12,922	14,000	0.15	140	2.01%
Water, Sewer, & Trash	4.72%	329	0.34	32,891	27,305	0.29	273	3.93%
Property Insurance	2.23%	156	0.16	15,562	24,800	0.26	248	3.57%
Property Tax 2.5748	8.29%	577	0.60	57,748	43,200	0.45	432	6.21%
Reserve for Replacements	2.87%	200	0.21	20,000	20,000	0.21	200	2.88%
Other: Supportive Services	0.17%	12	0.01	1,200	1,200	0.01	12	0.17%
TOTAL EXPENSES	43.82%	$3,053	$3.19	$305,316	$287,784	$3.01	$2,878	41.37%
NET OPERATING INC	56.18%	$3,914	$4.09	$391,378	$407,801	$4.26	$4,078	58.63%
DEBT SERVICE						0.00%	$0	0
First Lien Loan	51.17%	$3,565	$3.72	$356,486	$356,260	$3.72	$3,563	51.22%
Trustee Fee	0.50%	$35	$0.04	$3,500	0	$0.00	$0	0.00%
TDHCA Admin. Fees	0.67%	$47	$0.05	4,700	0	$0.00	$0	0.00%
Asset Oversight & Compliance Fee	0.72%	$50	$0.05	5,000	2,500	$0.03	$25	0.36%
NET CASH FLOW	3.11%	$217	$0.23	$21,692	$49,041	$0.51	$490	7.05%
AGGREGATE DEBT COVERAGE RATIO				1.06	1.14			
BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO				1.09				
BONDS-ONLY DEBT COVERAGE RATIO				1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldng)		6.07%	$4,700	$4.91	$470,000	$470,000	$4.91	$4,700	6.29%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.50%	5,035	5.26	503,500	503,500	5.26	5,035	6.74%
Direct Construction		47.68%	36,951	38.59	3,695,085	3,388,500	35.39	33,885	45.38%
Contingency	4.05%	2.19%	1,700	1.78	170,000	170,000	1.78	1,700	2.28%
General Requirem	5.67%	3.07%	2,380	2.49	238,020	238,020	2.49	2,380	3.19%
Contractor's G &	2.00%	1.08%	840	0.88	83,972	154,340	1.61	1,543	2.07%
Contractor's Pro	5.67%	3.07%	2,380	2.49	238,020	238,020	2.49	2,380	3.19%
Indirect Construction		3.04%	2,355	2.46	235,500	235,500	2.46	2,355	3.15%
Ineligible Expenses		8.31%	6,443	6.73	644,286	644,286	6.73	6,443	8.63%
Developer's G & A	2.26%	1.65%	1,282	1.34	128,178	134,042	1.40	1,340	1.80%
Developer's Profit	12.74%	9.34%	7,239	7.56	723,890	723,890	7.56	7,239	9.70%
Interim Financing		6.66%	5,164	5.39	516,359	516,359	5.39	5,164	6.92%
Reserves		1.32%	1,022	1.07	102,168	50,000	0.52	500	0.67%
TOTAL COST		100.00%	$77,490	$80.92	$7,748,977	$7,466,457	$77.97	$74,665	100.00%
Recap-Hard Construction Costs		***63.60%***	***$49,286***	***$51.47***	***$4,928,596***	***$4,692,380***	***$49.00***	***$46,924***	***62.85%***

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED
Tax-Exempt Bond Proceeds	60.65%	$47,000	$49.08	$4,700,000	$4,700,000	$4,700,000
LIHTC Syndication Proceeds	22.96%	$17,789	$18.58	1,778,943	1,778,943	1,809,143
Housing Trust Fund Grant	4.84%	$3,750	$3.92	375,000	375,000	0
Deferred Dev'r's & Contractor's	5.68%	$4,403	$4.60	440,314	440,314	957,314
Cash Flow From Operations	2.22%	$1,722	$1.80	172,200	172,200	0
Additional (excess) Funds Required	5.87%	$4,547	$4.75	454,720	0	0
TOTAL SOURCES				$7,921,177	$7,466,457	$7,466,457

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.28	$3,952,615
Adjustments				
Exterior Wall Fini	2.75%		$1.14	$108,697
Elderly	5.0%		2.06	197,631
Roofing			0.00	0
Subfloor			(1.96)	(187,682)
Floor Cover			1.82	174,276
Porches/Balconies	$28.10	13,505	3.96	379,483
Plumbing	$585	104	0.64	60,840
Built-In Appliance	$1,550	100	1.62	155,000
Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.41	135,016
Garages/Carports			0.00	0
Comm &/or Aux bldn	$59.23	2,289	1.42	135,580
Other:			0.00	0
SUBTOTAL			53.38	5,111,457
Current Cost Multiplie	1.03		1.60	153,344
Local Multiplier	0.86		(7.47)	(715,604)
TOTAL DIRECT CONSTRUCTION COSTS			$47.51	$4,549,196
Plans, specs, survy, b	3.90%		($1.85)	($177,419)
Interim Construction I	3.38%		(1.60)	(153,535)
Contractor's OH & Prof	11.50%		(5.46)	(523,158)
NET DIRECT CONSTRUCTION COSTS			$38.59	$3,695,085

PAYMENT COMPUTATION

Primary	$4,700,000	Term	360
Int Rate	6.50%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.08

Additional		Term	
Int Rate		Aggregate DCR	1.06

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$356,486
Trustee Fee	3,500
TDHCA Fees	9,700
NET CASH FLOW	$21,692

Primary	$4,700,000	Term	360
Int Rate	6.50%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.09

Additional		Term	
Int Rate		Aggregate DCR	1.06

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$741,183	$763,419	$786,321	$809,911	$834,208	$967,076	$1,121,106	$1,299,670	$1,746,647
Secondary Income	12,000	12,360	12,731	13,113	13,506	15,657	18,151	21,042	28,279
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	753,183	775,779	799,052	823,024	847,715	982,733	1,139,257	1,320,712	1,774,926
Vacancy & Collection Los	(56,489)	(58,183)	(59,929)	(61,727)	(63,579)	(73,705)	(85,444)	(99,053)	(133,119)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$696,695	$717,595	$739,123	$761,297	$784,136	$909,028	$1,053,813	$1,221,658	$1,641,806
EXPENSES at 4.00%									
General & Administrative	$31,647	$32,913	$34,229	$35,599	$37,023	$45,044	$54,802	$66,675	$98,696
Management	34,835	35,880	36,956	38,065	39,207	45,451	52,691	61,083	82,090
Payroll & Payroll Tax	61,900	64,376	66,951	69,629	72,414	88,103	107,191	130,414	193,045
Repairs & Maintenance	36,613	38,077	39,600	41,184	42,831	52,111	63,401	77,137	114,182
Utilities	12,922	13,438	13,976	14,535	15,116	18,391	22,376	27,224	40,298
Water, Sewer & Trash	32,891	34,207	35,575	36,998	38,478	46,814	56,957	69,296	102,576
Insurance	15,562	16,184	16,831	17,505	18,205	22,149	26,948	32,786	48,531
Property Tax	57,748	60,058	62,460	64,959	67,557	82,193	100,001	121,666	180,096
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	1,200	1,248	1,298	1,350	1,404	1,708	2,078	2,528	3,742
TOTAL EXPENSES	$305,316	$317,181	$329,509	$342,320	$355,632	$430,431	$521,077	$630,947	$925,628
NET OPERATING INCOME	$391,378	$400,415	$409,614	$418,977	$428,504	$478,597	$532,736	$590,711	$716,178
DEBT SERVICE									
First Lien Financing	$356,486	$356,486	$356,486	$356,486	$356,486	$356,486	$356,486	$356,486	$356,486
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees	4,700	4,647	4,591	4,532	4,468	4,079	3,540	2,796	344
Asset Oversight & Compli	5,000	5,200	5,408	5,624	5,849	7,117	8,658	10,534	15,593
Cash Flow	21,692	30,581	39,628	48,835	58,200	107,416	160,551	217,394	340,254
AGGREGATE DCR	1.06	1.08	1.11	1.13	1.16	1.29	1.43	1.58	1.91

LIHTC Allocation Calculation - Park Meadows Apartments, Boerne, MFB #2002-002/4% LI

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$470,000	$470,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$503,500	$503,500	$503,500	$503,500
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$3,388,500	$3,695,085	$3,388,500	$3,695,085
(4) Contractor Fees & General Requirements				
Contractor overhead	$154,340	$83,972	$77,840	$83,972
Contractor profit	$238,020	$238,020	$233,520	$238,020
General requirements	$238,020	$238,020	$233,520	$238,020
(5) Contingencies	$170,000	$170,000	$170,000	$170,000
(6) Eligible Indirect Fees	$235,500	$235,500	$235,500	$235,500
(7) Eligible Financing Fees	$516,359	$516,359	$516,359	$516,359
(8) All Ineligible Costs	$644,286	$644,286		
(9) Developer Fees			$803,811	
Developer overhead	$134,042	$128,178		$128,178
Developer fee	$723,890	$723,890		$723,890
(10) Development Reserves	$50,000	$102,168		
TOTAL DEVELOPMENT COSTS	$7,466,457	$7,748,977	$6,162,550	$6,532,524

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		$6,162,550	$6,532,524
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$6,162,550	$6,532,524
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$6,162,550	$6,532,524
Applicable Percentage		3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS		$226,166	$239,744
Syndication Proceeds	**0.7999**	**$1,809,143**	**$1,917,757**

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: March 27, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01463

DEVELOPMENT NAME

The Grand Reserve Seniors Community

APPLICANT

Name: The Grand Reserve, Ltd. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 1005 Shady River Court North **City:** Benbrook **State:** Texas

Zip: 76126 **Contact:** Kenneth H. Mitchell **Phone:** (817) 249-6886 **Fax:** (817) 249-1010

PRINCIPALS of the APPLICANT

Name	(%)	Title
McKinney Grand Reserve, Inc.	0.01	Managing General Partner
SunAmerica Affordable Housing Partner, Inc.	99.99	Limited Partner
Kenneth H Mitchell	n/a	President & 100% owner of GP
Deborah T Mitchell	n/a	Secretary/Treasurer of GP

GENERAL PARTNER

Name: McKinney Grand Reserve, Inc. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 1005 Shady River Court North **City:** Benbrook **State:** TX

Zip: 76126 **Contact:** Kenneth H. Mitchell **Phone:** (817) 249-6886 **Fax:** (817) 248-1010

PROPERTY LOCATION

Location: East of Hwy 5, south of Enterprise Dr. ☒ **QCT** ☐ **DDA**

City: McKinney **County:** Collin **Zip:** 75069

REQUEST

Amount	Interest Rate	Amortization	Term
$495,442	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

SITE DESCRIPTION

Size: 9.803 acres 427,019 square feet **Zoning/ Permitted Uses:** PD/multifamily permitted*

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

* Rezoned to "MF2" – multifamily by McKinney Planning and Zoning Commission on February 12, 2002; scheduled to go before McKinney City Council on March 5, 2002

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: April 1, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01485

DEVELOPMENT NAME

Clearwood Villas Apartments

APPLICANT

Name: Hemma II, Ltd. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

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

Zip: 32714 **Contact:** Kurt Kehoe **Phone:** (407) 772-0200 **Fax:** (407) 772-0220

PRINCIPALS of the APPLICANT

Name	(%)	Title
JNP Properties II, Inc.	.01	Managing General Partner
Wachovia Securities, Inc.	99.99	Initial Limited Partner
Picerne Development Corporation		51% owner of G.P.
John Paul		49% owner of G.P.

GENERAL PARTNER

Name: JNP Properties II, Inc. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

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

Zip: 32714 **Contact:** Kurt Kehoe **Phone:** (407) 772-0200 **Fax:** (407) 772-0220

PROPERTY LOCATION

Location: 9305 block of Clearwood Drive (SW corner of intersection of Meldrum Street & Clearwood Drive) ☐ **QCT** ☐ **DDA**

City: Houston **County:** Harris **Zip:** 77075

REQUEST

Amount	Interest Rate	Amortization	Term
$748,575	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

SITE DESCRIPTION

Size: 12.018 acres 523,504 square feet **Zoning/ Permitted Uses:** No zoning in Houston

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: 276 **# Rental Buildings** 18 **# Common Area Bldngs** 1 **# of Floors** 3 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
60	2	2	958
138	3	2	1,188
78	4	2	1,271

Net Rentable SF: 320,562 **Av Un SF:** 1,161 **Common Area SF:** 3,772 **Gross Bldng SF** 324,334

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 80% stucco/20%brick veneer exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

3,772-SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, conference/business center, swimming pool, equipped children's play area, perimeter fencing with limited access gate

Uncovered Parking: 552 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Wachovia Securities, Inc. **Contact:** Pete Teneyck

Principal Amount: $15,125,000 **Interest Rate:** 7%

Additional Information: Loan based on tax-exempt bond proceeds, interest-only during construction phase

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

LONG TERM/PERMANENT FINANCING

Source: Wachovia Securities, Inc. **Contact:** Pete Teneyck

Principal Amount: $15,125,000 **Interest Rate:** 7%

Additional Information: Loan based on tax-exenpt bond proceeds

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

Annual Payment: $1,127,898 **Lien Priority:** 1st **Commitment Date** 2/ 19/ 2002

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

LIHTC SYNDICATION

Source: Wachovia Securities, Inc. **Contact:** Pete Teneyck

Address: 301 South College Street **City:** Charlotte

State: NC **Zip:** 28288 **Phone:** (704) 383-9481 **Fax:** (704) 383-9525

Net Proceeds: $6,212,554 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 83¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 3/ 12/ 2002

Additional Information: Commitment letter reflects proceeds of $6,212,554 based on credits of $7,485,753

APPLICANT EQUITY

Amount: $1,326,876 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land:	$265,900	**Assessment for the Year of:**	2001
Building:	N/A	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$265,900		

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 5/ 31/ 2002 **Anticipated Closing Date:** 5/ 15/ 2001

Acquisition Cost: $ 837,606.07 **Other Terms/Conditions:** $50,000 earnest money

Seller: Texas Blackstar Investments, Inc. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Clearwood Villas Apartments is a proposed new construction project of 276 units of affordable housing located in southeast Houston. The project is comprised of 18 residential buildings as follows:

- Thirteen Building Type I with six each 3-bedroom and 4-bedroom units;
- Five Building Type II with 12 each 2-bedroom and 3-bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building and swimming pool located near the entrance to the site. The units will be separated in each building by an extensive system of breezeways. The 3,772-square foot community building is planned to have the management offices, a community room, business/conference room, exercise room, kitchen, restrooms, and laundry and maintenance facilities.

Supportive Services: The Applicant has contracted with Royal Community Foundation, Inc. to provide the following supportive services to tenants: social, intellectual, and cognitive development programs, job enrichment programs, personal and professional skills training, and mentoring and academic and athletic skills training for children. These services will be provided at no cost to tenants. The contract requires the Applicant to recruit the supportive services staff and to pay $1,500 per month for these support services.

Schedule: The Applicant anticipates construction to begin in May of 2002, to be completed in July of 2003, to be placed in service in August of 2003, and to be substantially leased-up in May of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI. This allows for prospective tenants to be qualified at the 60% of AMGI or less income level.
Special Needs Set-Asides: Fourteen units (5% of the total) will be handicapped-accessible.
Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

A market feasibility study dated December 27, 2001 was prepared by Integra Realty Resources DFW and highlighted the following findings:
Definition of Market/Submarket: "…we consider the primary market area to be a three-mile radius from the proposed subject site" (p. 21)
Total Regional Market Demand for Rental Units: "The Houston metropolitan area as a whole has a balanced apartment market, which is experiencing moderate absorption, a healthy level of construction, average occupancy rates, and increasing rents." (p. 32)
Total Local/Submarket Demand for Rental Units: "The subject is located in an area with average occupancy levels, average rents, and no new supply forecast to come on-line within the next 24 months" (p. 32)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	0	0%	25	1%
Resident Turnover	0	0%	1,499**	99%
Other Sources: "Step-Up" Demand	181*	80%	0	0%
Historical Absorption Rate (1960-2000)	44*	20%	0	0%
TOTAL ANNUAL DEMAND	**225**	**100%**	**1,524**	**100%**

Ref: p. 33
NOTES:
*The analyst's gross step-up demand (1,331) and historical absorption (320) figures were income-qualified by the Underwriter using the analyst's stated income band of 13.6%
**Calculated by the Underwriter by multiplying total income-qualified renter households (2,418) times 2000 IREM turnover rate for Houston (62%)
Capture Rate: None provided by the analyst; calculated by the Underwriter to be 18% (1,524 units of income-qualified demand/276 subject units).
Local Housing Authority Waiting List Information: No information provided.
Market Rent Comparables: The market analyst surveyed 45 existing apartment projects totaling 14,308 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market*	Differential
2-Bedroom (50%)	$609	$609	$0	$661	-$52
3-Bedroom (50%)	$703	$703	$0	$820	-$117
4-Bedroom (50%)	$777	$777	$0	$877	-$100

(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)
* Average market rents calculated from analyst's average Class B rent of $0.69/SF (p. 30)

Submarket Vacancy Rates: "According to Apartment Data Services, Inc., November 2001 vacancy was 8.2%…" (p. 28)
Absorption Projections: "Based on historical trends, the PMA has exhibited the ability to absorb

approximately 300 units per year." (p. 35)

Known Planned Development: "…we found there to be no new units planned or currently under construction within the PMA." (p. 32)

Effect on Existing Housing Stock: No information provided.

The Underwriter found the market study provided sufficient information on which to base a funding recommendation. The analyst failed to document that sufficient income-qualified demand for the project exists or will exist within the designated primary market area during the anticipated construction period, but provided sufficient demographic data for the Underwriter to generate an adequate estimated demand figure using TDHCA methodology. The Underwriter regards the analyst's use of a 40-year absorption period as exaggerated, and notes that absorption data since 1990 yields an annual rate of 39 units/year.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a nearly rectangularly-shaped parcel located in the southeast area of Houston, approximately seven miles from the central business district. The site is situated on the east side of Clearwood Drive.

Population: The estimated 2001 population of the primary market area was 98,515 and is expected to increase by 5.2% to approximately 103,637 by 2006. Within the primary market area there are estimated to be 37,576 households in 2002.

Adjacent Land Uses: Land uses in the overall area in which the site is located are a mixture of single- and multifamily residential along with vacant land and some commercial. Adjacent land uses include:

- **North:** A concrete drainage ditch and multifamily residential beyond
- **South:** Vacant land
- **East:** Vacant land
- **West:** Clearwood Drive with vacant land beyond

Site Access: Access to the property is from the north or south from Clearwood Drive. The project is to have two entries from Clearwood Drive. Access to Interstate Highway 45 is one-half mile northeast, which provides connections to all other major roads serving the Houston area.

Public Transportation: Public transportation to the area is provided by the Houston public bus system.

Shopping & Services: The site is within two miles of several grocery store-anchored community shopping centers as well as a regional shopping mall 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 title commitment lists two vendor's liens in the total amount of $161,856 that must be cleared by the closing. Receipt, review, and acceptance of documentation verifying the resolution of these issues is a condition of this report.

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 December 6, 2001 was prepared by Tidewater Environmental Services, Inc. and contained the following findings and recommendations: "Based on investigations of the subject property completed to date, Tidewater Environmental Services, Inc. found no recognized environmental conditions in connection with the subject property. Therefore, no immediate response actions, further field studies,, or environmental research are necessary at this time " (p. 16)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and are substantiated by the market study data on market rents. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $3,366 per unit is within 6.7% lower than an adjusted TDHCA database-derived estimate of $3,606 per unit for comparably-sized projects. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($19K lower), utilities ($37K lower), water, sewer, and trash ($30K lower), and insurance ($12K higher).

Conclusion: The Applicant's estimated total estimated operating expense is 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. It should be noted that expense estimates for compliance and supportive services were removed from both the Applicant and Underwriter's net operating income calculation. This allows the reader to see the true effect of the bonds-only debt service requirement as compliance fees can be waived by the Department if necessary and supportive services can be funded out of net cash flow. Due primarily to the difference in operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.05 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to $1,104,624 by a reduction of the bond/loan amount and/or a reduction in the interest rate and/or an extension of the term. The Underwriter's proforma suggests that up to $24,900 of the support services and TDHCA compliance fees may need to be paid out of cash flow or deferred in order to maintain a 1.10 DCR in the first year of stabilized occupancy.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $837,606 ($1.60/SF or $69.7K/acre), although over three times the tax assessed value, is assumed be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $5,914 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's costs are more than $1.4M (10%) lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This would suggest that the Applicant's direct construction costs may be understated, although some cost savings may be expected from the Applicant's use of a related general contractor.

Ineligible Costs: The Applicant incorrectly included $125K 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.

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's fees for general and administrative expenses and profit are within the maximums allowed by TDHCA guidelines.

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. As a result an eligible basis of $21,169,508 is used to determine a credit allocation of $776,921 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's/ Underwriter's costs to determine the recommended credit amount.

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 tax-exempt bond proceeds, syndicated LIHTC equity, and deferred developer's fees.

Bonds and Conventional Interim to Permanent Loan: The bonds are $15,125,000 in private activity mortgage revenue bonds to be issued by the Houston Housing Finance Corporation and placed privately with Charter Municipal Mortgage Acceptance Company (Charter MAC). As of the date of the underwriting analysis, there will be $15,000,000 in tax-exempt bonds and $125,000 in taxable bonds. There is a commitment for interim to permanent financing through Charter MAC in the amount of $15,125,000 during both the interim period and at conversion to permanent. The commitment letter indicated a term of 24 months for the construction portion and 40 years for the permanent, at a fixed interest rate of 7%.

LIHTC Syndication: Wachovia Securities, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $6,212,554 based on a syndication factor of 83%.

The funds would be disbursed in a four-phased pay-in schedule:
1. 49% upon admission to the partnership;
2. 29% during construction in 14 monthly installments beginning June 1, 2002
3. 11% upon completion of construction;
4. 11% upon the later of final closing of the permanent mortgage loan, attainment of a 1.1 DCR for 90 consecutive days, or receipt of IRS Forms 8609.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,326,876 amount to 48% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed $776,921 annually for ten years, resulting in syndication proceeds of approximately $6,448,445. This is more than requested due to the Applicant's use of a lower applicable percentage of 3.50% rather than the current underwriting rate of 3.67%.Based on the underwriting analysis, the debt service amount should not exceed $1,104,624 to yield a bonds-only DCR of 1.10. To compensate for the reduced debt amount, the Applicant's deferred developer fee will be increased to $2,563,569, which represents 94% of the available fee and which will not be repayable within ten years. In the event of a cost overrun or mandatory redemption of any of the bonds due to debt coverage shortages, there will only be a nominal amount of developer fee plus related contractor fees available to defer to cover such a gap.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The units are in three-story walk-up structures with mixed stucco and brick veneer exterior finish and hipped and gabled roofs. The exterior elevations are simple and typical of current conventional and affordable apartment building design. All units are of above average size for market rate and LIHTC units, and have covered patios or balconies and utility closets with hookups for full-size appliances. The 4-bedroom units have outdoor storage closets. Each unit has a semi-private exterior entry off an interior breezeway that is shared with three other units.

Unit Floorplans:
1. Entry to the 2-bedroom /2-bathroom unit is into a tiled entry foyer between the living and dining areas, and the galley kitchen is adjacent to the dining area. The patio is accessed from the living room. A central hallway off the living area leads to the bedrooms, and one bathroom is accessible from the living area. Both bedrooms have walk-in closets.
2. The 3-bedroom /2-bathroom unit arranged similarly to the 2- bedroom unit, with the addition of the third bedroom at the rear of the unit. All bedrooms have walk-in closets.
3. Entry into the 4-bedroom /2-bathroom unit is through a large entry foyer with two coat closets. The combined living and dining area is beyond, and the kitchen is separated from the dining space by a long breakfast bar. The master bedroom is located off the entry foyer living space and has a walk-in closet. One secondary bedroom is directly off the living area (through double doors), and the other two bedrooms and bathroom are located along a short hallway off the dining area. Two of the secondary bedrooms feature walk-in closets and the fourth has a conventional closet. The utility closet is off the kitchen and there is a desk alcove in the central hallway.

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager all share common principals. These are common relationships in multi family transactions.

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 51% owner of the General Partner, Picerne Development, is a subsidiary of Picerne Investment Corporation. An unaudited financial statement dated March 31, 2001 for the consolidated companies of Picerne Investment Corporation was submitted reporting total assets of $633M and consisting of $94M in cash, $76M in receivables, $439M in real property and construction in progress, and $23M in other assets. Liabilities totaled $628M, resulting in a net worth of $5M.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The Picerne Development Corporation, the Developer, General Contractor, Property Manager, and 51% owner of the General Partner, listed participation as general partner, developer, contractor, and/or manager on 54 affordable housing projects totaling 7,035 units since 1985.
- John Paul, the 49% owner of the General Partner listed participation as sole or part owner of the general partner on eight affordable housing projects totaling 1,626 units since 1997.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- 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 $776,921 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a copy of the release of vendor's liens on the property or an updated title commitment showing clear title.
2. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
3. The project's first year of total debt service should not exceed $1,104,624. Unless the final permanent bond size is reduced through mandatory redemption it is likely that all or a portion of TDHCA fees and supportive services may need to be deferred or waived in the first year.

Credit Underwriting Supervisor:	____________________ *Jim Anderson*	**Date:**	April 1, 2002
Director of Credit Underwriting:	____________________ *Tom Gouris*	**Date:**	April 1, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Clearwood Villas Apartments, 4% LIHTC #01485

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (50%)	60	2	2	958	$670	$609	$36,540	$0.64	$60.93	$28.30
TC (50%)	138	3	2	1,188	775	703	97,014	0.59	71.13	28.30
TC (50%)	78	4	2	1,271	863	777	60,606	0.61	85.65	28.30
TOTAL:	276			1,161	$777	$703	$194,160	$0.61	$73.02	$28.30

INCOME Total Net Rentable Sq Ft: 320,562

			TDHCA	APPLICANT		
POTENTIAL GROSS RENT			$2,329,920	$2,329,920		
Secondary Income	Per Unit Per Month:	$10.00	33,120	33,120	$10.00	Per Unit Per Month
Other Support Income:			0	0		
POTENTIAL GROSS INCOME			$2,363,040	$2,363,040		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(177,228)	(177,228)	-7.50%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0		
EFFECTIVE GROSS INCOME			$2,185,812	$2,185,812		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		3.58%	$284	$0.24	$78,352	$59,100	$0.18	$214	2.70%
Management		5.00%	396	0.34	109,291	109,290	0.34	396	5.00%
Payroll & Payroll Tax		8.37%	663	0.57	182,988	185,600	0.58	672	8.49%
Repairs & Maintenance		5.05%	400	0.34	110,286	109,020	0.34	395	4.99%
Utilities		2.82%	223	0.19	61,666	24,840	0.08	90	1.14%
Water, Sewer, & Trash		4.29%	340	0.29	93,730	63,268	0.20	229	2.89%
Property Insurance		2.35%	186	0.16	51,290	63,840	0.20	231	2.92%
Property Tax	3.001365	9.84%	780	0.67	215,154	221,452	0.69	802	10.13%
Reserve for Replacements		2.53%	200	0.17	55,200	55,200	0.17	200	2.53%
Other: security		0.57%	45	0.04	12,500	12,500	0.04	45	0.57%
TOTAL EXPENSES		44.40%	$3,516	$3.03	$970,457	$904,110	$2.82	$3,276	41.36%
NET OPERATING INC		55.60%	$4,403	$3.79	$1,215,355	$1,281,702	$4.00	$4,644	58.64%
DEBT SERVICE									
First Lien Mortgage		51.60%	$4,087	$3.52	$1,127,898	$1,127,898	$3.52	$4,087	51.60%
Support services, compliance fe		1.14%	$90	$0.08	24,900	24,900	$0.08	$90	1.14%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		2.86%	$227	$0.20	$62,558	$128,904	$0.40	$467	5.90%
AGGREGATE DEBT COVERAGE RATIO					1.05	1.11			
ALTERNATIVE DEBT COVERAGE RATIO					1.08				
ALTERNATIVE BONDS-ONLY DEBT COVERAGE RATIO					1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg		3.52%	$3,035	$2.61	$837,606	$837,606	$2.61	$3,035	3.70%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.85%	5,914	5.09	1,632,141	1,632,141	5.09	5,914	7.20%
Direct Construction		54.29%	46,860	40.35	12,933,433	11,704,782	36.51	42,409	51.64%
Contingency	4.58%	2.80%	2,416	2.08	666,846	666,846	2.08	2,416	2.94%
General Requirem	5.77%	3.53%	3,044	2.62	840,226	840,226	2.62	3,044	3.71%
Contractor's G &	1.92%	1.18%	1,015	0.87	280,075	280,075	0.87	1,015	1.24%
Contractor's Pro	5.77%	3.53%	3,044	2.62	840,226	840,226	2.62	3,044	3.71%
Indirect Construction		3.51%	3,031	2.61	836,601	836,601	2.61	3,031	3.69%
Ineligible Expenses		2.37%	2,043	1.76	563,958	563,958	1.76	2,043	2.49%
Developer's G & A	3.54%	2.88%	2,482	2.14	685,000	685,000	2.14	2,482	3.02%
Developer's Profit	10.61%	8.63%	7,446	6.41	2,055,000	2,055,000	6.41	7,446	9.07%
Interim Financing		5.59%	4,821	4.15	1,330,719	1,721,969	5.37	6,239	7.60%
Reserves		1.36%	1,171	1.01	323,080	0	0.00	0	0.00%
TOTAL COST		100.00%	$86,322	$74.32	$23,824,910	$22,664,430	$70.70	$82,118	100.00%
Recap-Hard Construction Costs		*72.16%*	***$62,293***	***$53.63***	***$17,192,947***	***$15,964,296***	***$49.80***	***$57,842***	*70.44%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED
First Lien Mortgage	63.48%	$54,801	$47.18	$15,125,000	$15,125,000	$14,812,896
LIHTC Syndication Proceeds	26.08%	$22,509	$19.38	6,212,554	6,212,554	6,448,445
Additional Financing	0.00%	$0	$0.00	0	0	0
Deferred Developer Fees	5.57%	$4,808	$4.14	1,326,876	1,326,876	2,563,569
Additional (excess) Funds Requi	4.87%	$4,205	$3.62	1,160,480	0	0
TOTAL SOURCES				$23,824,910	$22,664,430	$23,824,910

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Clearwood Villas Apartments, 4% LIHTC #01485

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$39.29	$12,595,071
Adjustments				
Exterior Wall Fini:	1.60%		$0.63	$201,521
9-Ft Ceilings	3.00%		1.18	377,852
Roofing			0.00	0
Subfloor			(0.65)	(209,434)
Floor Cover			1.82	583,423
Porches/Balconies	$23.99	22,343	1.67	535,934
Plumbing	$585	828	1.51	484,380
Built-In Appliance:	$1,550	276	1.33	427,800
Stairs/Fireplaces	$1,550	112	0.54	173,600
Floor Insulation			0.00	0
Heating/Cooling			1.41	451,992
Breezeways	$23.99	38,745	2.90	929,363
Comm &/or Aux Bldg:	$55.55	3,772	0.65	209,519
Other:			0.00	0
SUBTOTAL			52.29	16,761,021
Current Cost Multiplie	1.04		2.09	670,441
Local Multiplier	0.91		(4.71)	(1,508,492)
TOTAL DIRECT CONSTRUCTION COSTS			$49.67	$15,922,970
Plans, specs, survy, b	3.90%		($1.94)	($620,996)
Interim Construction I	3.38%		(1.68)	(537,400)
Contractor's OH & Prof	11.50%		(5.71)	(1,831,142)
NET DIRECT CONSTRUCTION COSTS			$40.35	$12,933,433

PAYMENT COMPUTATION

Primary	$15,125,000	Term	480
Int Rate	7.00%	DCR	1.08

Secondary	$6,212,554	Term	
Int Rate	0.00%	Subtotal DCR	1.05

Additional	$0	Term	
Int Rate		Aggregate DCR	1.05

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$1,104,624
Secondary Debt Service	24,900
Additional Debt Service	0
NET CASH FLOW	$85,832

Primary	$14,812,896	Term	480
Int Rate	7.00%	DCR	1.10

Secondary	$6,448,445	Term	0
Int Rate	0.00%	Subtotal DCR	1.08

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.08

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,329,920	$2,399,818	$2,471,812	$2,545,966	$2,622,345	$3,040,017	$3,524,213	$4,085,529	$5,490,609
Secondary Income	33,120	34,114	35,137	36,191	37,277	43,214	50,097	58,076	78,049
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,363,040	2,433,931	2,506,949	2,582,158	2,659,622	3,083,231	3,574,310	4,143,605	5,568,659
Vacancy & Collection Loss	(177,228)	(182,545)	(188,021)	(193,662)	(199,472)	(231,242)	(268,073)	(310,770)	(417,649)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,185,812	$2,251,386	$2,318,928	$2,388,496	$2,460,151	$2,851,989	$3,306,237	$3,832,835	$5,151,009
EXPENSES at 4.00%									
General & Administrative	$78,352	$81,486	$84,746	$88,136	$91,661	$111,520	$135,681	$165,076	$244,353
Management	109,291	112,569	115,946	119,425	123,008	142,599	165,312	191,642	257,550
Payroll & Payroll Tax	182,988	190,308	197,920	205,837	214,070	260,449	316,876	385,528	570,676
Repairs & Maintenance	110,286	114,697	119,285	124,057	129,019	156,971	190,979	232,356	343,943
Utilities	61,666	64,133	66,698	69,366	72,141	87,771	106,786	129,922	192,316
Water, Sewer & Trash	93,730	97,479	101,378	105,433	109,650	133,406	162,309	197,474	292,310
Insurance	51,290	53,342	55,475	57,694	60,002	73,002	88,818	108,060	159,955
Property Tax	215,154	223,760	232,710	242,019	251,700	306,231	372,577	453,297	670,990
Reserve for Replacements	55,200	57,408	59,704	62,092	64,576	78,567	95,589	116,298	172,150
Other	12,500	13,000	13,520	14,061	14,623	17,791	21,646	26,336	38,983
TOTAL EXPENSES	$970,457	$1,008,182	$1,047,384	$1,088,119	$1,130,450	$1,368,307	$1,656,573	$2,005,989	$2,943,227
NET OPERATING INCOME	$1,215,355	$1,243,204	$1,271,544	$1,300,376	$1,329,701	$1,483,682	$1,649,664	$1,826,846	$2,207,782
DEBT SERVICE									
First Lien Financing	$1,104,624	$1,104,624	$1,104,624	$1,104,624	$1,104,624	$1,104,624	$1,104,624	$1,104,624	$1,104,624
Second Lien	24,900	24,900	24,900	24,900	24,900	24,900	24,900	24,900	24,900
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$85,832	$113,681	$142,021	$170,853	$200,177	$354,158	$520,140	$697,322	$1,078,259
DEBT COVERAGE RATIO	1.08	1.10	1.13	1.15	1.18	1.31	1.46	1.62	1.95

LIHTC Allocation Calculation - Clearwood Villas Apartments, 4% LIHTC #01

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$837,606	$837,606		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,632,141	$1,632,141	$1,632,141	$1,632,141
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$11,704,782	$12,933,433	$11,704,782	$12,933,433
(4) Contractor Fees & General Requirements				
Contractor overhead	$280,075	$280,075	$266,738	$280,075
Contractor profit	$840,226	$840,226	$800,215	$840,226
General requirements	$840,226	$840,226	$800,215	$840,226
(5) Contingencies	$666,846	$666,846	$666,846	$666,846
(6) Eligible Indirect Fees	$836,601	$836,601	$836,601	$836,601
(7) Eligible Financing Fees	$1,721,969	$1,330,719	$1,721,969	$1,330,719
(8) All Ineligible Costs	$563,958	$563,958		
(9) Developer Fees				
Developer overhead	$685,000	$685,000	$685,000	$685,000
Developer fee	$2,055,000	$2,055,000	$2,055,000	$2,055,000
(10) Development Reserves		$323,080		
TOTAL DEVELOPMENT COSTS	$22,664,430	$23,824,910	$21,169,508	$22,100,267

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			$21,169,508	$22,100,267
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			$21,169,508	$22,100,267
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			$21,169,508	$22,100,267
Applicable Percentage			3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS			$776,921	$811,080
	Syndication Proceeds	**0.8300**	**$6,448,445**	**$6,731,963**

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: April 2, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01483

DEVELOPMENT NAME

Woodland Ridge Apartments

APPLICANT

Name: AAMHA Woodland Ridge, L.P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 4502 Centerview Road, Suite 233 **City:** San Antonio **State:** TX

Zip: 78228 **Contact:** Sandra Williams **Phone:** (210) 731-8030 **Fax:** (210) 710-8025

PRINCIPALS of the APPLICANT

Name	(%)	Title
AAMHA Wurzbach Apartments, Inc.	.01	Managing General Partner
Texas Housing Finance Corporation	99.99	Initial Limited Partner
Alamo Area Mutual Housing Assn. (AAMHA)	n/a	Parent/owner of G.P.
Sandra Williams	n/a	Exec. Dir. of G.P. & AAMHA
Randall Mason	n/a	President of G.P.

GENERAL PARTNER

Name: AAMHA Wurzbach Apartments, Inc. **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 4502 Centerview Road, Suite 233 **City:** San Antonio **State:** TX

Zip: 78228 **Contact:** Sandra Williams **Phone:** (210) 731-8030 **Fax:** (210) 710-8025

PROPERTY LOCATION

Location: 7026 Wurzbach Road ☐ **QCT** ☐ **DDA**

City: San Antonio **County:** Bexar **Zip:** 78240

REQUEST

Amount	Interest Rate	Amortization	Term
$213,550	N/A	N/A	N/A

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

Proposed Use of Funds: Acquisition & rehab.

SITE DESCRIPTION

Size: 7.014 acres 305,530 square feet **Zoning/ Permitted Uses:** R-3; Multifamily Residential

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: 150 **# Rental Buildings** 13 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** 29 yrs **Vacant:** 23 at 11/ 30/ 2001

Number	Bedrooms	Bathroom	Size in SF
59	1	1	653
63	2	1	842
24	3	2	1,043
4	3	2	1,076

Net Rentable SF: 120,909 **Av Un SF:** 806 **Common Area SF:** 2,706 **Gross Bldng SF** 123,615

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 55% stone veneer/45% wood 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, ceiling fans, laminated counter tops

ON-SITE AMENITIES

Equipped children's play area, picnic area and perimeter fencing, community center with computer facilities, learning center, & laundry room.

Uncovered Parking: 233 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: William R. Hough & Company **Contact:** Helen Hough Feinberg

Principal Amount: $5,200,000 **Interest Rate:** Estimated at 7.25%

Additional Information:

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

LONG TERM/PERMANENT FINANCING

Source: William R. Hough & Company **Contact:** Helen Hough Feinberg

Principal Amount: $5,200,000 **Interest Rate:** To be determined, estimated at 7%

Additional Information: * Payment will be $38,914 for the first 104 payments and $28,398 for the remaining 292 payment (Underwriter’s estimations based on estimated interest rate and IRP)

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

Annual Payment: $466,971* **Lien Priority:** 1st **Commitment Date** 3/ 28/ 2002

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

LONG TERM/PERMANENT FINANCING

Source: City of San Antonio **Contact:** Paula Stallcup

Principal Amount: $500,000 **Interest Rate:** Not specified in City's letter, indicated as 3% by Applicant

Additional Information: Applicant provided only acknowledgment of receipt of application by City, no loan terms provided

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

Annual Payment: $25,296 (estimated) **Lien Priority:** Unk. **Commitment Date** 3/ 28/ 2002

LONG TERM/PERMANENT FINANCING

Source: Alamo Area Mutual Housing Association, Inc. **Contact:** Sandra Williams

Principal Amount: $500,000 **Interest Rate:** 1.0%

Additional Information: Cash flow loan

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

Annual Payment: $15,171 **Lien Priority:** 2nd **Commitment Date** 9/ 28/ 2001

LIHTC SYNDICATION

Source: Texas Housing Finance Corporation **Contact:** Janna Cormier

Address: 1145 West 5th Street **City:** Austin

State: TX **Zip:** 78703 **Phone:** (512) 469-9059 **Fax:** (512) 469-9864

Net Proceeds: $1,665,520 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 78¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 25/ 2002

Additional Information: Commitment letter reflects proceeds of $1,665,520 based on credits of $2,135,500

APPLICANT EQUITY

Amount: $452,624 **Source:** Deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only:	$610,000	**Date of Valuation:**	12/ 21/ 2001
Existing Building: as is	$3,480,000	**Date of Valuation:**	12/ 21/ 2001
Existing Building: as renovated	Not provided	**Date of Valuation:**	/ /

Appraiser: LandAmerica/Thomas C. Doctor **City:** San Antonio **Phone:** (210) 493-3132

ASSESSED VALUE

Land: 7.014 ac.	$844,300	**Assessment for the Year of:**	2001
Building:	$1,805,700	**Valuation by:**	Bexar County Appraisal District
Total Assessed Value:	$2,650,000	**Tax Rate:**	3.001365

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Warranty deed

Closing Date: 9/ 28/ 2001

Acquisition Cost: $ 3,300,000 **Other Terms/Conditions:**

Seller: Twin Oaks Apartments, Ltd. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Woodland Ridge is a proposed acquisition and rehabilitation project of 150 units of affordable housing located in northwest San Antonio. The project was built in 1973 and is comprised of 13 residential buildings as follows:

- Three 2-story Building Type A with eight three-bedroom units,
- Two 2-story Building Type B with eight two-bedroom units,
- One 1-story Building Type C with four three-bedroom units,
- One split 1- and 2-story Building Type D with 12 one-bedroom units with one one-bedroom unit converted to an office,
- Six 2-story Building Type E with eight each one- and two-bedroom units (one of the two-bedroom units has been converted to a learning center).

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the perimeter composed of parking lots. The management office and learning center are each converted apartments which are located near the entrance to the project.

Existing Subsidies: The project has been receiving interest reduction payments (IRP) under the HUD Section 236(e)(2) program, and the General Partner renewed this agreement upon acquiring the property in September 2001. These payments are expected to continue for 104 months.

Development Plan: The buildings are currently 85% occupied and in average to good condition. The architect's scope of work includes:

- Repair and/or replacement of site lighting, transformer panels, and interior electrical equipment
- Miscellaneous interior and exterior carpentry repairs
- Replacement of drywall as needed
- Replacement of roofing
- Replacement of kitchen and bathroom fixtures
- Installation of ceiling fans in master bedrooms and living rooms
- Replacement of carpeting and vinyl tile flooring
- Replacement of kitchen and bathroom cabinets and counter tops
- Replacement of all entry doors and 10% of interior doors
- Repainting of all interior walls, ceilings, trim, and doors

The rehabilitation will be phased to minimize displacement of current residents.

Supportive Services: The Applicant has contracted with Alamo Area Mutual Housing Association, Inc. to provide the following supportive service programs to tenants: youth, toddler, after school, education, and community wellness. These services will be provided at no cost to tenants. The contract requires the Applicant to make available at least $21,000 from the operation budget each year to pay the salary of a resident coordinator who will be responsible for organizing and facilitating the activities.

Schedule: The Applicant anticipates construction to begin in May of 2002 and to be completed 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 as a Priority 1 private activity bond lottery project 100% of the units must have rents

restricted to be affordable to households at or below 50% of AMGI. This program allows for prospective tenants to be qualified at the 60% of AMGI or less income level.
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 December 15, 2001 was prepared by MarketData Research Services, LLC and highlighted the following findings:
Definition of Market/Submarket: "…we defined the primary market area as a 5.0-mile radius around the site. This area was utilized as it was felt that the radius defined the housing needs and the demographic data applicable to the existing supply and demand factors for affordable housing." (p. 28)
Total Regional Market Demand for Rental Units: "The San Antonio MSA has experienced employment growth at a rate of 1.7% per year…we expect employment growth to continue trending in this fashion" (p. 70)
Total Local/Submarket Demand for Rental Units: "…it can be seen that northwest San Antonio is growing at an aggressive rate (p. 71) "We assess that the Primary Market Area could immediately absorb 1,103 rental units, without the overall occupancy of the market dropping below 93%." (p. 7)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	136*	100%
TOTAL ANNUAL DEMAND	**136***	**100%**

Ref: p.50
*NOTE: Calculated by the Underwriter from the analyst's non-income-qualified demand figure of 946 units/year times the stated income band of 14.4%

Capture Rate: None provided by the analyst. Since this a currently occupied project the capture rate is not relevant.
Local Housing Authority Waiting List Information: No information provided.
Market Rent Comparables: The market analyst surveyed six comparable apartment projects totaling 1,494 units in the market area. "The [competitive submarket supply analysis] report reflects solid demand, as did the overall macro market, for all of the competitive projects in the micro-market reviewed." (p. 8)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (50%)	$403	$409	-$6	$484	-$81
2-Bedroom (50%)	$483	$489	-$6	$624	-$141
3-Bedroom (50%)	$557	$564	-$7	$769	-$212

Ref: p. 9
(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 occupancy of the primary market area is very healthy at 94.7%" (p. 101)
Absorption Projections: "Absorption in the primary market area has been strong over the last decade, averaging 943 units per year. However, the absorption rate has increased considerably over the last few years." (p. 7)
Known Planned Development: The analyst identified four projects totaling 988 units currently in lease-up, three projects totaling 770 units under construction, and five projects totaling 1,224 units in the planning stage. (p. 49)
Effect on Existing Housing Stock: "As the subject is an existing property, it will not increase the number of rental units in the submarket" (p. 4)
Other Relevant Information: "Based on an analysis of the affordable housing market, there is a severe shortage of affordable housing in this market" (p. 75)

The Underwriter found the market study to be acceptable.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The property is a rectangularly-shaped parcel located in the northwest area of San Antonio, approximately eight miles from the central business district. The site is situated on the south side of Wurzbach Road.

Population: The estimated 2001 population of the primary market area was 325,418 and is expected to increase by 7.1% to approximately 348,449 by 2006. Within the primary market area there were estimated to be 124,250 households in 2001.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly single-family homes, along with retail and industrial uses, churches, schools and undeveloped land. Adjacent land uses include:

- **Northeast:** Wurzbach Road with multifamily residential.beyond
- **Southeast:** multifamily residential
- **Southwest:** commercial/institutional (church/school) properties
- **Northwest:** commercial/institutional (church/school) properties

Site Access: Access to the property is from the southeast or northwest along Wurzbach Road. The project has three entries, all off of Wurzbach Road. Access to Loop 410 is one mile south from the site, which provides connections to Interstate Highways 10, 35, 37, and all other parts of the city.

Public Transportation: Public transportation to the area is provided by the city public bus system which has service throughout the area and a bus stop on Wurzbach Road by the subject property.

Shopping & Services: The site is within one mile of Loop 410 which offers major grocery/pharmacies, shopping centers, a multi-screen theater, 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.

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 (ESA) report dated March 29, 2001 was prepared by Aaron & Wright Technical Services Incorporated. The report was written to meet the Multifamily Accelerated Processing (MAP) guidelines of the Section 223 HUD mortgage insurance program which appear to be more stringent in some respects than the standard Phase I ESA. The Underwriter regards the following findings and recommendations as relevant:

Findings:

- **Lead-Based Paint (LBP): "**Based on the date of construction (pre-1978), LBP may have been used at the project. HUD guidelines indicate that the property must be tested for LBP following the current HUD guidelines and a copy of test results provided with the initial application. For projects testing positive, compliance with the current HUD regulation must be incorporated into the project plans. In accordance with HUD protocols, Aaron & Wright commissioned an XRF LBP survey at the project. Of the 481 painted surfaces tested, only one surface tested positive: the green exterior door trim at unit 1204. Unless additional testing is performed, these exterior green painted surfaces should be treated as LBP and managed under LBP O&M program. All interior surfaces tested negative." (p. 3) The Applicant also provided a follow-on report dated December 17, 2001 from Aaron & Wright which provided the Applicant with a generic O&M program and stated, "Based on the results of the limited evaluation, LBP is present. These materials should be managed under an LBP O&M Program….In addition, the USEPA…requires that, effective September 6, 1996, property owners that rent or sell housing built before 1978 disclose all known LBP and LBP hazards in the housing and any available reports on lead in the housing. The property owner is also required to provide the renter or buyer the USEPA pamphlet *Protect Your Family from Lead in Your Home*…Certain warning language is also required in the lease or contract…Aaron & Wright recommends that property ownership consult its legal counsel to develop a program to remain in compliance with the final rule." (p. 2) It is a condition of this report that the Applicant provide TDHCA with evidence of compliance with all USEPA requirements pertaining to lead-based paint.

- **Asbestos-Containing Materials: "**Asbestos-containing ceiling texture, wallboard, floor tile and mastic were identified at the subject property. These materials were observed to be in average to good condition. Consistent with USEPA guidance, these materials can be effectively managed as part of an asbestos O&M program until such time as renovation or demolition activities necessitate their removal." (p. 3) The Applicant also provided a follow-on report dated December 17, 2001 from Aaron & Wright which provided the Applicant with a generic O&M program and also stated: "The Occupational Safety and Health Administration (OSHA)…requires that owners and managers of buildings constructed before 1981 inventory all of the thermal systems insulation and surfacing materials present in their buildings. These materials must be presumed to contain asbestos until such time as the owner can rebut the presumption. The owners and managers of the property are required to maintain documentation of this inventory, to deliver the inventory to subsequent owners and managers of the property, sand to inform and train certain groups of employees and individuals who may come in contact with those identified materials. If the facility is slated for…extensive renovation, it may be prudent to complete a comprehensive asbestos survey of the entire facility, or that portion slated for renovation, in compliance with NESHAP [National Emission Standard for Hazardous Air Pollutants] regulations, before initiating such destructive activities. That survey should include an assessment of all subject building materials, including those in areas which are normally inaccessible." (p. 3) It is a condition of this report that the Applicant inventory all of the thermal systems insulation and surfacing materials present in the project buildings in accordance with OSHA requirements, and provide a report of this survey to TDHCA. It is a further condition of this report that the Applicant, prior to initiating destructive rehabilitation activities, complete a comprehensive asbestos survey of the entire facility, or that portion slated for renovation, in compliance with NESHAP regulations and provide the survey report to TDHCA.
- **Polychlorinated Biphenyls (PCBs): "**Aaron & Wright identified privately owned transformers that may use dielectric fluid potentially containing levels of polychlorinated biphenyls (PCBs) in excess of 500 ppm. This equipment appeared to be in good condition with not evidence of leaks. Given the age of the subject property, there is potential that the pad-mounted electrical transformers contain PCBs. Because PCBs are federally regulated as a toxic substance, the transformers constitute a potential recognized environmental condition at the subject property. Therefore, testing of the transformers is recommended to verify whether or not they contain PCBs." (p. 3) Receipt, review, and acceptance of the report of a PCB testing program for the property is a condition of this report.

<u>Recommendations</u>: "The following additional actions are potentially required and, if so, estimated costs to the owner are provided:

- The development and implementation of a generic Lead-Based Paint Operations and Maintenance (O&M) Program: $350
- The development and implementation of a generic Asbestos Operations and Maintenance (O&M) Program. Costs indicated are for O&M Program document development only. Comprehensive survey costs, if required, will be identified as a result of O&M Program implementation: $350
- Test pad-mounted electrical transformers for PCB content: $2,500-3,000" (p. 7)

Receipt, review, and acceptance of a statement from a qualified environmental analyst indicating that any of the above testing is not recommended for the purposes of the LIHTC allocation program would satisfy the individual conditions listed above.

OPERATING PROFORMA ANALYSIS

<u>Income</u>: At the time of application the 2002 rent limits had not been released and the Applicant used slightly low estimated 2002 rent limits in setting rents. Based on the Applicant's intention to charge maximum program rents and the market study's support of the viability of these rents, the Underwriter used the 2002 maximum rents in this analysis, which results in an increase of $18.4K in potential gross rent. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The project will receive approximately $126K/year in HUD Section 236 Program interest reduction payments (IRP) for 8.7 years, declining to $121K by year 8 and $80.4K in year 9.

<u>Expenses</u>: The Applicant's total expense estimate of $2,835 per unit is 19% lower than a TDHCA database-derived estimate of $3,507 per unit for comparably-sized projects without a payment-in-lieu of taxes (PILOT) agreement and $3,105 per unit (4.6% different) with a PILOT agreement in place. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($12.5K lower), management ($7.1K lower), repairs and maintenance ($7.8K higher), utilities ($7.6K higher), water, sewer, and trash ($3.6K lower), and property taxes ($60.3K lower without a PILOT).

The Applicant included only $19.2K in estimated property tax based on the assumption that a payment in lieu of taxes (PILOT) agreement will be reached with the taxing authority, but provided nothing from the authority documenting this abatement or any exemption being granted. Alamo Area Mutual Housing Association , as the owner of the General Partner, is a CHDO and owns outright numerous other properties with tax exemptions, though it has owned this property for over six months and has not applied for the exemption as of yet. Nevertheless, the Underwriter regards the likelihood of the PILOT agreement being successfully negotiated as high, and has used the Applicant's estimated PILOT amount for the purposes of making an affirmative recommendation. In the absence of a confirmed exemption or PILOT, however, the Underwriter has also evaluated the project with estimated property taxes of $79.5K and this results in a fatally lower NOI and debt service capacity. It is a condition of this report that, prior to closing of the bonds, the Applicant provide documentation from the Bexar County Appraisal District or other relevant taxing authority as to the requirements for tax exemption or PILOT, along with substantiation from the Applicant that all of these requirements will be met.

The Applicant's reserve for replacement expense is $15K lower than the Underwriter's as $200/unit/year was used instead of the TDHCA guideline of $300/unit for rehabilitation projects. The Applicant also omitted the requirement, as stated in the supportive services contract, to pay "at least" $21,000/year for a resident supportive services coordinator. As the service provider is the owner of the General Partner, however, it is probable that this expense may be regarded as somewhat discretionary. Therefore, and in an attempt to make the bonds-only debt service read more clearly, supportive services and compliance fees totaling $24,750 were moved "below the line" in order to reflect to the reader the absolute minimum bonds-only debt service.

Conclusion: Under the property tax-exempt scenario 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 would be used to evaluate debt service capacity. Without the property tax exemption, the Applicant's estimated operating expense is 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 would be used to evaluate debt service capacity. In either case the project's estimated debt coverage ratio (DCR) is less than the program minimum standard of 1.10 and therefore the serviceable debt must be reduced.

If the PILOT agreement is provided the Applicant's NOI would support a bonds-only debt service of $450,847 annually or $16K less than the debt service calculated by the Underwriter to support the full $5.2M in bonds. A large portion of this debt will be secured and repaid by the IRP payments and thus after these IRP payments cease in approximately 104 months the monthly debt service of the project will be reduced by a corresponding amount. This results in a reduced maximum bond amount of $4,992,675. If the PILOT is not obtained, the Underwriter's NOI would only support a much lower $385,360 in debt service and result in a likely reduction in bond debt to not more than $4,150,642.

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Cost: The Underwriter used an acquisition cost of $3,300,000 based on a September 28, 2001 settlement statement submitted by the Applicant subsequent to the original application, which listed a cost of $3,450,000 plus $163,800 in closing costs. The appraisal listed a valuation of $4,090,000, although the tax assessed value is only $2,650,000. The Underwriter accepted the appraiser's land valuation of $610K as it was based on recent comparable adjusted land sales. Therefore the Underwriter valued the building at $2,690,000 and the Applicant's estimate was $221,588 higher.

Sitework Cost: The Applicant's claimed sitework costs of $1,572 per unit are considered reasonable compared to historical sitework costs for rehabilitation projects.

Direct Construction Cost: The rehabilitation costs for direct construction and sitework total $12,549 per unit which is well above the minimum of $6,000 per unit required.

Fees: The Applicant's contractor's fees for general requirements, overhead, and profit are within the maximums allowed by TDHCA guidelines, but the Applicant also included $46K in field supervision costs which the Underwriter split between the other three contractor fees. The Applicant's developer fees are within the TDHCA guideline of 15% of the Applicant's adjusted eligible basis.

Conclusion: The Applicant's total project cost estimate is within 5% of the Underwriter's verifiable estimate, satisfies the TDHCA minimum rehabilitation cost guideline of $6K/unit, and is therefore generally acceptable. Therefore, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation As a result an eligible basis of $6,343,081 is used to determine a credit allocation of $232,791 from this method. This is $19,241 more than initially requested due to the Applicant's use of a lower applicable percentage of 3.45% rather than the 3.67% underwriting rate used for projects being presented to the Board in April 2002. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with six types of financing from five sources: a conventional interim to permanent loan based on tax-exempt bond proceeds, a second permanent loan, HUD Interest Rate Reduction Payments, syndicated LIHTC equity, and deferred developer's fees.

Bonds and Conventional Interim to Permanent Loan: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by the Bexar County Housing Finance Corporation and placed privately with William R. Hough & Co. As of the date of the underwriting analysis, there will be $4,400,000 in unrated tax-exempt bonds, $600,000 in tax-exempt bonds based on the HUD IRP, and $200,000 in taxable IRP-based bonds. Although no documentation was provided from the issuer, the Applicant provided estimated interest rates of 7%, 6%, and 6%, respectively for the three series, and terms of 35, 10, and 10 years. The Underwriter used a blended interest rate of 7%. The final interest rate will be made available when the bonds are priced at par. The IRP bonds will be secured by the IRP payments, are subject to mandatory redemption if they are discontinued, and will be paid with priority after interest on the remainder of the bonds is paid. The commitment letter indicated a term of 24 months for the construction portion and 33 years for the permanent period. The payment for the first 104 payments will be roughly $10K higher than the payments for the remaining 376 payments due to the application of the HUD interest rate reduction payments to the first 104 payments. It is unclear as to why the loan will be structured as interest-only for 24 months since the rehabilitation and re-lease-up period should be considerably shorter. The timing and cost of a relocation plan might explain this structure but such a plan was not provided. Receipt, review, and acceptance of a relocation plan, including the estimated costs and net operating income during the rehabilitation period, is a condition of this report. Additionally, a more complete commitment clearly identifying the repayment assumptions (terms, anticipated rates, and payment amounts) for the loan / bond acquisition might clarify this and is required.

Other Permanent Financing: The General Partner is proposing to provide a $500,000 cash flow loan at 1% over a 40-year amortization term. This loan can be predicted to be repaid out of available cash flow over the repayment period but it is unknown how this loan may be treated for tax credit purposes, since it could be considered as a form of equity (i.e., a longer than typical repayment period at a below-market interest rate from a non-financial institution general partner). The City of San Antonio may also be providing a $500,000 loan to the project. The Applicant recently indicated that such a loan at an interest rate of 3% and a 30-year amortization term was a sure thing. However, the only documentation for this source of funds that could be provided is a letter form the City acknowledging AAMHA's application which the letter said was currently under review. Because of the lack of documentation for these City funds, the Underwriter did not include them as a source in the final analysis.

LIHTC Syndication: The Texas Housing Finance Corporation has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $1,665,520 based on a syndication factor of 78%. The funds would be disbursed in a six-phased pay-in schedule:

1. 60% upon closing of the bonds, admission to the partnership, and receipt of a permanent loan commitment;
2. 20% made as installments during construction;

3. 10% upon completion of construction;
4. 7% upon closing of the permanent loan, attainment of 100% qualified occupancy, and operation at financial breakeven for a minimum of three consecutive months;
5. 2% upon receipt of IRS Forms 8609;
6. 1% upon receipt of a federal tax return, K-1 forms, and an audited financial statement.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $452,624 amount to 70% of the total fees.

Financing Conclusions: Using the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed $232,791 annually for ten years, resulting in syndication proceeds of approximately $1,815,589. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to make up for a reduced loan amount. With the assumption that a PILOT agreement can be successfully negotiated as projected by the Applicant, the bond amount is still expected to decline by $207,325 as a result of a debt service maximum of $450,842 either at final commitment or at conversion to permanent. If this occurs and the City of San Antonio loan does not materialize, the General Partner would have to defer 100% of the developer fee and $183,887 in contractor fees, as well as provide the aforementioned $500K loan for which they have committed in order to fill the gap. The fee deferral would not be projected to be repaid for at least 15 years and the Department's compliance fees and supportive services fees would only be repayable out of available cash flow or would have to be deferred for the first 10 years. If the PILOT Agreement agreement or tax exemption is not achieved the project would lose $1.049M in bonds due to the lack of available debt service. This would so significantly increase deferred fees or require additional sources of financing such that their repayment could not reasonably be projected over 30 years. Thus without satisfactory PILOT or tax exemption documentation prior to the bond closing, a determination notice indicating a tax credit allocation should not be made for this project.

Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred fees will not be available to fund those development cost overruns.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The units are in one- and two-story walk-up structures with mixed stone veneer/wood siding exterior finish and gabled roofs. The exterior elevations are traditional design with patios or balconies and hookups for full-size appliances. All units are of average size for market rate and LIHTC units.

Unit Floorplans: Each unit has an exterior entry off an interior breezeway that is shared with three other units. Entry is into the living room with the designated dining area and kitchen adjacent on one side and the patio or balcony on the other side. A hallway off the living room leads to the bedrooms and bathrooms.

IDENTITIES of INTEREST

None noted.

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

Financial Highlights:

- The Applicant is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- The General Partner, AAMHA Wurzbach Apartments, Inc., is a newly-formed single purpose entity. It submitted an unaudited financial statement as of December 31, 2001 reporting total assets of $4M and consisting of $98.5K in cash and $3.9M in real property. Liabilities totaled $3.5M, resulting in a net worth of $500K.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Randall Mason, Ben Henderson, and Phillip Nelson, the officers of the General Partner/Developer have participated as owner board members on six affordable housing projects totaling 1,657 units since 1993.
- The General Contractor, Concept General Contracting, Inc. dba Concept Builders, has completed 30 LIHTC/affordable housing projects totaling 3,345 units since 1993.

SUMMARY OF SALIENT RISKS AND ISSUES

- Environmentally hazardous materials (asbestos-containing materials and lead-based paint) have been identified in the project buildings which will require additional expense to remove and/or manage.
- The Applicant's estimated operating expenses and operating proforma may be 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%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- 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 $232,791 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of an acceptable TDHCA site inspection report;
2. Receipt, review, and acceptance of evidence of compliance with all USEPA requirements pertaining to lead-based paint.
3. Receipt, review, and acceptance of an inventory report all of the thermal systems insulation and surfacing materials present in the project buildings in accordance with OSHA requirements;
4. Receipt, review, and acceptance of a comprehensive asbestos survey report of the entire facility, or that portion slated for renovation, to be performed prior to initiating destructive rehabilitation activities and in compliance with NESHAP regulations;
5. Receipt, review, and acceptance of the report of a PCB testing program for the property;
6. Receipt, review, and acceptance of a statement from a qualified environmental analyst indicating that any of the above environmental testing or abatement actions are not recommended for the purposes of the TDHCA LIHTC allocation program would satisfy the individual conditions listed above.
7. Receipt, review, and acceptance, prior to closing of the bonds, of documentation from the Bexar County Appraisal District or other relevant taxing authority as to the requirements for property tax exemption or P:LOT agreement, along with substantiation from the Applicant that all of these requirements will be met.
8. Receipt, review and acceptance of a relocation plan including the estimated costs and net operating income during the rehabilitation period
9. Receipt, review, and acceptance of a revised permanent loan commitment reflecting the anticipated terms, interest rates, step repayment structure and a debt service not to exceed $450,847.
10. Should the terms of the proposed debt be altered, the previous condition should be re-evaluated.

ALTERNATIVE

IF A PILOT AGREEMENT OR PROPERTY TAX EXEMPTION CANNOT BE ACHIEVED, AN ALLOCATION OF TAX CREDITS IS NOT RECOMMENDED AS THERE WOULD BE AN INSUFFICIENT AMOUNT OF SOURCES OF FUNDS TO MAKE THIS PROJECT FEASIBLE AS PROPOSED.

Underwriter:	*Carl Hoover*	**Date:**	April 2, 2002
Credit Underwriting Supervisor:	*Jim Anderson*	**Date:**	April 2, 2002
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	April 2, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Woodland Ridge Apartments, San Antonio, LIHTC #01483 (Tax-Exempt)

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
LIHTC (50%)	59	1	1	653	$433	$412	$24,318	$0.63	$20.83	$24.82
LIHTC (50%)	63	2	1	842	520	493.21	31,072	0.59	26.79	29.80
LIHTC (50%)	24	3	2	1,043	600	569.49	13,668	0.55	30.51	34.96
LIHTC (50%)	4	3	2	1,076	600	569.49	2,278	0.53	30.51	34.96
TOTAL:	150			806	$501	$476	$71,336	$0.59	$25.14	$28.80

INCOME Total Net Rentable Sq Ft 120,909

				TDHCA	APPLICANT			
POTENTIAL GROSS RENT				$856,032	$837,624			
Secondary Income		Per Unit Per Month:	$10.00	18,000	18,000	$10.00	Per Unit Per Month	
Other Support Income: HUD Interest Rate Reduction Payment				126,188	126,188			
POTENTIAL GROSS INCOME				$1,000,220	$981,812			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(75,016)	(64,176)	-6.54%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$925,203	$917,636			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.77%	$294	$0.36	$44,107	$31,600	$0.26	$211	3.44%
Management	4.32%	266	0.33	39,951	32,492	0.27	217	3.54%
Payroll & Payroll Tax	13.51%	833	1.03	124,950	131,319	1.09	875	14.31%
Repairs & Maintenance	5.80%	358	0.44	53,661	61,440	0.51	410	6.70%
Utilities	4.36%	269	0.33	40,371	48,000	0.40	320	5.23%
Water, Sewer, & Trash	5.60%	346	0.43	51,848	48,240	0.40	322	5.26%
Property Insurance	2.31%	143	0.18	21,408	18,900	0.16	126	2.06%
Property Tax 3.001365	2.08%	128	0.16	19,238	19,238	0.16	128	2.10%
Reserve for Replacements	4.86%	300	0.37	45,000	30,000	0.25	200	3.27%
Other: Alarm service	0.05%	3	0.00	480	480	0.00	3	0.05%
TOTAL EXPENSES	47.67%	$2,940	$3.65	$441,013	$421,709	$3.49	$2,811	45.96%
NET OPERATING INC	52.33%	$3,228	$4.00	$484,190	$495,927	$4.10	$3,306	54.04%
DEBT SERVICE								
William R. Hough & Co.	50.47%	$3,113	$3.86	$466,971	$466,971	$3.86	$3,113	50.89%
Compliance fees, spt svcs	2.68%	$165	$0.20	24,750	3,500	$0.03	$23	0.38%
City Rental Rehab Loan	2.73%	$169	$0.21	25,296				
Alamo Area Mutual Housing Ass	1.64%	$101	$0.13	15,171	15,171	$0.13	$101	1.65%
NET CASH FLOW	-2.45%	($151)	($0.19)	($22,702)	$10,285	$0.09	$69	1.12%
AGGREGATE DEBT COVERAGE RATIO				0.96	1.02			
ALTERNATIVE DEBT COVERAGE RATIO				1.01				
ALTERNATIVE BONDS ONLY DEBT COVERAGE RATIO				1.10	1.10			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bld		43.34%	$23,090	$28.65	$3,463,500	$3,613,500	$29.89	$24,090	44.38%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		3.33%	1,772	2.20	265,800	265,800	2.20	1,772	3.26%
Direct Construction		21.75%	11,591	14.38	1,738,580	1,738,580	14.38	11,591	21.35%
Contingency	4.99%	1.25%	667	0.83	100,000	100,000	0.83	667	1.23%
General Requirem	5.76%	1.45%	770	0.96	115,519	115,519	0.96	770	1.42%
Contractor's G &	1.92%	0.48%	257	0.32	38,570	38,570	0.32	257	0.47%
Contractor's Pro	5.89%	1.48%	786	0.98	117,973	117,973	0.98	786	1.45%
Indirect Construction		2.38%	1,269	1.57	190,400	190,400	1.57	1,269	2.34%
Ineligible Expenses		9.54%	5,081	6.30	762,158	762,158	6.30	5,081	9.36%
Developer's G & A	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's Profit	13.00%	8.13%	4,333	5.38	650,000	650,000	5.38	4,333	7.98%
Interim Financing		2.69%	1,431	1.78	214,651	214,651	1.78	1,431	2.64%
Reserves		4.19%	2,233	2.77	335,000	335,000	2.77	2,233	4.11%
TOTAL COST		100.00%	$53,281	$66.10	$7,992,151	$8,142,151	$67.34	$54,281	100.00%
Recap-Hard Construction Costs		*29.73%*	***$15,843***	***$19.65***	***$2,376,442***	***$2,376,442***	***$19.65***	***$15,843***	*29.19%*

SOURCES OF FUNDS

	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED
William R. Hough & Co.	65.06%	$34,667	$43.01	$5,200,000	$5,200,000	$4,992,675
LIHTC Syndication Proceeds	20.84%	$11,103	$13.78	1,665,523	1,665,523	1,815,589
City Rental Rehab Loan	6.26%	$3,333	$4.14	500,000	500,000	
Alamo Area Mutual Housing Ass	6.26%	$3,333	$4.14	500,000	500,000	500,000
Deferred Developer Fees	5.66%	$3,017	$3.74	452,624	452,624	650,000
Additional (excess) Funds Req	-4.08%	($2,173)	($2.70)	(325,996)	(175,996)	183,887
TOTAL SOURCES				$7,992,151	$8,142,151	$8,142,151

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Woodland Ridge Apartments, San Antonio, LIHTC #01483 (Tax-Exempt)

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 Bldgs				
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				

PAYMENT COMPUTATION

Primary	$5,200,000	Term	396
Int Rate	7.00%	DCR	1.04

Secondary	$500,000	Term	360
Int Rate	3.00%	Subtotal DCR	0.98

Additional	$500,000	Term	480
Int Rate	1.00%	Aggregate DCR	0.96

ALTERNATIVE FINANCING STRUCTURE (APPLICANT'S NOI)

Primary Debt Service	$450,847
Compliance fees, spt svcs	24,750
Alamo Area Mutual Housing As	15,171
NET CASH FLOW	($6,578)

Primary	$4,992,675	Term	396
Int Rate	7.00%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.04

Additional	$500,000	Term	480
Int Rate	1.00%	Aggregate DCR	1.01

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$856,032	$881,713	$908,164	$935,409	$963,471	$1,116,927	$1,294,825	$1,501,057	$2,017,295
Secondary Income	18,000	18,540	19,096	19,669	20,259	23,486	27,227	31,563	42,418
Other Support Income: HUD	126,188	125,732	125,235	124,695	124,107	0	0	0	0
POTENTIAL GROSS INCOME	1,000,220	1,025,985	1,052,495	1,079,773	1,107,837	1,140,413	1,322,051	1,532,620	2,059,713
Vacancy & Collection Los	(75,016)	(76,949)	(78,937)	(80,983)	(83,088)	(85,531)	(99,154)	(114,946)	(154,478)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$925,203	$949,036	$973,558	$998,790	$1,024,750	$1,054,882	$1,222,898	$1,417,673	$1,905,235
EXPENSES at 4.00%									
General & Administrative	$44,107	$45,871	$47,706	$49,614	$51,599	$62,778	$76,378	$92,926	$137,553
Management	39,951	40,980	42,039	43,128	44,249	45,550	52,805	61,216	82,269
Payroll & Payroll Tax	124,950	129,948	135,146	140,552	146,174	177,843	216,373	263,251	389,675
Repairs & Maintenance	53,661	55,808	58,040	60,361	62,776	76,376	92,924	113,056	167,350
Utilities	40,371	41,985	43,665	45,411	47,228	57,460	69,909	85,055	125,902
Water, Sewer & Trash	51,848	53,922	56,079	58,322	60,655	73,796	89,784	109,236	161,696
Insurance	21,408	22,265	23,155	24,081	25,045	30,471	37,072	45,104	66,765
Property Tax	19,238	20,008	20,808	21,640	22,506	27,382	33,314	40,532	59,997
Reserve for Replacements	45,000	46,800	48,672	50,619	52,644	64,049	77,925	94,808	140,339
Other	480	499	519	540	562	683	831	1,011	1,497
TOTAL EXPENSES	$441,013	$458,085	$475,828	$494,269	$513,435	$616,387	$747,316	$906,194	$1,333,043
NET OPERATING INCOME	$484,190	$490,951	$497,730	$504,521	$511,314	$438,495	$475,582	$511,480	$572,192
DEBT SERVICE									
First Lien Financing	$450,847	$450,847	$450,847	$450,847	$450,847	$324,655	$324,655	$324,655	$324,655
Second Lien	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750
Other Financing	15,171	15,171	15,171	15,171	15,171	15,171	15,171	15,171	15,171
NET CASH FLOW	($6,578)	$183	$6,962	$13,753	$20,546	$73,919	$111,006	$146,904	$207,616
DEBT COVERAGE RATIO	0.99	1.00	1.01	1.03	1.04	1.20	1.30	1.40	1.57

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Woodland Ridge Apartments, San Antonio, LIHTC #01483

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
LIHTC (50%)	59	1	1	653	$433	$412	$24,318	$0.63	$20.83	$24.82
LIHTC (50%)	63	2	1	842	520	493.21	31,072	0.59	26.79	29.80
LIHTC (50%)	24	3	2	1,043	600	569.49	13,668	0.55	30.51	34.96
LIHTC (50%)	4	3	2	1,076	600	569.49	2,278	0.53	30.51	34.96
TOTAL:	150			806	$501	$476	$71,336	$0.59	$25.14	$28.80

				TDHCA	APPLICANT			
INCOME	Total Net Rentable Sq Ft	120,909						
POTENTIAL GROSS RENT				$856,032	$837,624			
Secondary Income		Per Unit Per Month:	$10.00	18,000	18,000	$10.00	Per Unit Per Month	
Other Support Income: HUD Interest Rate Reduction Payment				126,188	126,188			
POTENTIAL GROSS INCOME				$1,000,220	$981,812			
Vacancy & Collection Loss	% of Potential Gross Income:		-7.50%	(75,016)	(64,176)	-6.54%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$925,203	$917,636			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.77%	$294	$0.36	$44,107	$31,600	$0.26	$211	3.44%
Management	4.32%	266	0.33	39,951	32,492	0.27	217	3.54%
Payroll & Payroll Tax	13.51%	833	1.03	124,950	131,319	1.09	875	14.31%
Repairs & Maintenance	5.80%	358	0.44	53,661	61,440	0.51	410	6.70%
Utilities	4.36%	269	0.33	40,371	48,000	0.40	320	5.23%
Water, Sewer, & Trash	5.60%	346	0.43	51,848	48,240	0.40	322	5.26%
Property Insurance	2.31%	143	0.18	21,408	18,900	0.16	126	2.06%
Property Tax 3.001365	8.60%	530	0.66	79,536	19,238	0.16	128	2.10%
Reserve for Replacements	4.86%	300	0.37	45,000	30,000	0.25	200	3.27%
Other: Alarm service	0.05%	3	0.00	480	480	0.00	3	0.05%
TOTAL EXPENSES	54.18%	$3,342	$4.15	$501,311	$421,709	$3.49	$2,811	45.96%
NET OPERATING INC	45.82%	$2,826	$3.51	$423,892	$495,927	$4.10	$3,306	54.04%
DEBT SERVICE								
William R. Hough & Co.	50.47%	$3,113	$3.86	$466,971	$466,971	$3.86	$3,113	50.89%
Compliance fees, spt svcs	2.68%	$165	$0.20	24,750	3,500	$0.03	$23	0.38%
City Rental Rehab Loan	2.73%	$169	$0.21	25,296				
Alamo Area Mutual Housing Assn	1.64%	$101	$0.13	15,171	15,171	$0.13	$101	1.65%
NET CASH FLOW	-8.97%	($553)	($0.69)	($83,000)	$10,285	$0.09	$69	1.12%
AGGREGATE DEBT COVERAGE RATIO				0.84	1.02			
ALTERNATIVE AGGREGATE DEBT COVERAGE RATIO				1.00				
ALTERNATIVE BONDS-ONLY DEBT COVERAGE RATIO				1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bld		43.34%	$23,090	$28.65	$3,463,500	$3,613,500	$29.89	$24,090	44.38%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		3.33%	1,772	2.20	265,800	265,800	2.20	1,772	3.26%
Direct Construction		21.75%	11,591	14.38	1,738,580	1,738,580	14.38	11,591	21.35%
Contingency	4.99%	1.25%	667	0.83	100,000	100,000	0.83	667	1.23%
General Requirem	5.76%	1.45%	770	0.96	115,519	115,519	0.96	770	1.42%
Contractor's G &	1.92%	0.48%	257	0.32	38,570	38,570	0.32	257	0.47%
Contractor's Pro	5.89%	1.48%	786	0.98	117,973	117,973	0.98	786	1.45%
Indirect Construction		2.38%	1,269	1.57	190,400	190,400	1.57	1,269	2.34%
Ineligible Expenses		9.54%	5,081	6.30	762,158	762,158	6.30	5,081	9.36%
Developer's G & A	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's Profit	13.00%	8.13%	4,333	5.38	650,000	650,000	5.38	4,333	7.98%
Interim Financing		2.69%	1,431	1.78	214,651	214,651	1.78	1,431	2.64%
Reserves		4.19%	2,233	2.77	335,000	335,000	2.77	2,233	4.11%
TOTAL COST		100.00%	$53,281	$66.10	$7,992,151	$8,142,151	$67.34	$54,281	100.00%
Recap-Hard Construction Costs		*29.73%*	***$15,843***	***$19.65***	***$2,376,442***	***$2,376,442***	***$19.65***	***$15,843***	*29.19%*

SOURCES OF FUNDS

	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED
William R. Hough & Co.	65.06%	$34,667	$43.01	$5,200,000	$5,200,000	$4,150,642
LIHTC Syndication Proceeds	20.84%	$11,103	$13.78	1,665,523	1,665,523	1,815,589
City Rental Rehab Loan	6.26%	$3,333	$4.14	500,000	500,000	
Alamo Area Mutual Housing Assn	6.26%	$3,333	$4.14	500,000	500,000	500,000
Deferred Developer Fees	5.66%	$3,017	$3.74	452,624	452,624	650,000
Additional (excess) Funds Requ	-4.08%	($2,173)	($2.70)	(325,996)	(175,996)	1,025,920
TOTAL SOURCES				$7,992,151	$8,142,151	$8,142,151

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Woodland Ridge Apartments, San Antonio, LIHTC #01483

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 Bldgs				
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				

PAYMENT COMPUTATION

Primary	$5,200,000	Term	396
Int Rate	7.00%	DCR	0.91

Secondary	$500,000	Term	360
Int Rate	3.00%	Subtotal DCR	0.86

Additional	$500,000	Term	480
Int Rate	1.00%	Aggregate DCR	0.84

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$385,360
Compliance fees, spt svcs	24,750
Alamo Area Mutual Housing Ass	15,171
NET CASH FLOW	($1,390)

Primary	$4,150,642	Term	396
Int Rate	7.00%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.03

Additional	$500,000	Term	480
Int Rate	1.00%	Aggregate DCR	1.00

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$856,032	$881,713	$908,164	$935,409	$963,471	$1,116,927	$1,294,825	$1,501,057	$2,017,295
Secondary Income	18,000	18,540	19,096	19,669	20,259	23,486	27,227	31,563	42,418
Other Support Income: HUD	126,188	125,732	125,235	124,695	124,107	0	0	0	0
POTENTIAL GROSS INCOME	1,000,220	1,025,985	1,052,495	1,079,773	1,107,837	1,140,413	1,322,051	1,532,620	2,059,713
Vacancy & Collection Loss	(75,016)	(76,949)	(78,937)	(80,983)	(83,088)	(85,531)	(99,154)	(114,946)	(154,478)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$925,203	$949,036	$973,558	$998,790	$1,024,750	$1,054,882	$1,222,898	$1,417,673	$1,905,235
EXPENSES at 4.00%									
General & Administrative	$44,107	$45,871	$47,706	$49,614	$51,599	$62,778	$76,378	$92,926	$137,553
Management	39,951	40,980	42,039	43,128	44,249	45,550	52,805	61,216	82,269
Payroll & Payroll Tax	124,950	129,948	135,146	140,552	146,174	177,843	216,373	263,251	389,675
Repairs & Maintenance	53,661	55,808	58,040	60,361	62,776	76,376	92,924	113,056	167,350
Utilities	40,371	41,985	43,665	45,411	47,228	57,460	69,909	85,055	125,902
Water, Sewer & Trash	51,848	53,922	56,079	58,322	60,655	73,796	89,784	109,236	161,696
Insurance	21,408	22,265	23,155	24,081	25,045	30,471	37,072	45,104	66,765
Property Tax	79,536	82,718	86,026	89,467	93,046	113,205	137,731	167,571	248,046
Reserve for Replacements	45,000	46,800	48,672	50,619	52,644	64,049	77,925	94,808	140,339
Other	480	499	519	540	562	683	831	1,011	1,497
TOTAL EXPENSES	$501,311	$520,795	$541,046	$562,096	$583,976	$702,210	$851,732	$1,033,233	$1,521,092
NET OPERATING INCOME	$423,892	$428,241	$432,512	$436,694	$440,774	$352,672	$371,165	$384,441	$384,143
DEBT SERVICE									
First Lien Financing	$385,360	$385,360	$385,360	$385,360	$385,360	$259,168	$259,168	$259,168	$259,168
Second Lien	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750	24,750
Other Financing	15,171	15,171	15,171	15,171	15,171	15,171	15,171	15,171	15,171
NET CASH FLOW	($1,390)	$2,959	$7,230	$11,412	$15,492	$53,582	$72,075	$85,351	$85,053
DEBT COVERAGE RATIO	1.00	1.01	1.02	1.03	1.04	1.18	1.24	1.29	1.28

LIHTC Allocation Calculation - Woodland Ridge Apartments, San Antonio, LIHTC #01483

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	$701,912	$773,500				
Purchase of buildings	$2,911,588	$2,690,000	$2,911,588	$2,690,000		
(2) Rehabilitation/New Construction Cost						
On-site work	$265,800	$265,800			$265,800	$265,800
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	$1,738,580	$1,738,580			$1,738,580	$1,738,580
(4) Contractor Fees & General Requirements						
Contractor overhead	$38,570	$38,570			$38,570	$38,570
Contractor profit	$117,973	$117,973			$117,973	$117,973
General requirements	$115,519	$115,519			$115,519	$115,519
(5) Contingencies	$100,000	$100,000			$100,000	$100,000
(6) Eligible Indirect Fees	$190,400	$190,400	$5,000	$5,000	$185,400	$185,400
(7) Eligible Financing Fees	$214,651	$214,651			$214,651	$214,651
(8) All Ineligible Costs	$762,158	$762,158				
(9) Developer Fees						
Developer overhead						
Developer fee	$650,000	$650,000	$300,000	$300,000	$350,000	$350,000
(10) Development Reserves	$335,000	$335,000				
TOTAL DEVELOPMENT COSTS	$8,142,151	$7,992,151	$3,216,588	$2,995,000	$3,126,493	$3,126,493

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			$3,216,588	$2,995,000	$3,126,493	$3,126,493
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			$3,216,588	$2,995,000	$3,126,493	$3,126,493
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$3,216,588	$2,995,000	$3,126,493	$3,126,493
Applicable Percentage			3.67%	3.67%	3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS			$118,049	$109,917	$114,742	$114,742
Syndication Proceeds		**0.7799**	**$920,688**	**$857,263**	**$894,900**	**$894,900**

Total Elig. Basis	**$6,343,081**	**$6,121,493**
Total Credits	**$232,791**	**$224,659**
Total Proceeds	**$1,815,589**	**$1,752,163**

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: April 2, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01481

DEVELOPMENT NAME

Sierra Vista

APPLICANT

Name: PAB Sierra Vista, Ltd **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 4401 N Mesa **City:** El Paso **State:** TX

Zip: 79902 **Contact:** Robert Kelly **Phone:** (915) 533-1122 **Fax:** (915) 533-1172

PRINCIPALS of the APPLICANT

Name	(%)	Title
PAB Sierra Vista Housing, LLC	0.01	Managing General Partner
SunAmerica, Inc	99.99	Limited Partner
TWC Housing, LLC	N/A	100% owner of GP
WL Hunt	N/A	95% owner of TWC
ML Hunt	N/A	5% owner of TWC

GENERAL PARTNER

Name: PAB Sierra Vista Housing, LLC **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 4401 N Mesa **City:** El Paso **State:** TX

Zip: 79902 **Contact:** Robert Kelly **Phone:** (915) 533-1122 **Fax:** (915) 533-1172

PROPERTY LOCATION

Location: 10501 Montwood ☐ **QCT** ☒ **DDA**

City: El Paso **County:** El Paso **Zip:** 79935

REQUEST

Amount	Interest Rate	Amortization	Term
$300,301	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

SITE DESCRIPTION

Size: 7.45 acres 324,522 square feet **Zoning/ Permitted Uses:** C1/Commercial District*

Flood Zone Designation: Unknown **Status of Off-Sites:** Fully Improved

* C1 zoning allows multifamily developments having a minimum lot area of 1,500 SF per dwelling units, not to exceed nine dwelling units per acre; in case of loss, the Sierra Vista Apartments may be rebuilt to its current density

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 106 **# Rental Buildings** 16 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** 18 yrs **Vacant:** 0 at 12/ 18/ 2001

Number	Bedrooms	Bathroom	Size in SF
54	2	1	896
6	2	1	945
6	2	2	875
40	3	2	1,045

Net Rentable SF: 101,104 **Av Un SF:** 954 **Common Area SF:** 1,548 **Gross Bldng SF** 102,652

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 99% brick veneer exterior wall covering with wood trim, drywall interior wall surfaces, composite roll roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, refrigerator, fiberglass tub/shower, washer connections, laminated counter tops, individual water heaters, central heat and evaporative cooling

ON-SITE AMENITIES

New community building with a party room, kitchen and public restrooms, new pool, existing children's play area with equipment plus new equipment, existing picnic areas, perimeter fencing

Uncovered Parking: 204 spaces **Carports:** N/A spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

INTERIM to PERMANENT FINANCING

Source: SunAmerica **Contact:** Dana Mayo

Principal Amount: $4,200,000 **Interest Rate:** 6.5% estimated as of syndication commitment

Additional Information: Series A tax exempt Bonds to be issued by El Paso HFC; two year interest only interim period

Amortization: 28 yrs **Term:** 30 yrs **Commitment:** ☒ None ☐ Firm ☐ Conditional

Annual Payment: Not provided **Lien Priority:** 1st **Commitment Date** / /

LIHTC SYNDICATION

Source: SunAmerica Affordable Housing Partners **Contact:** Dana Mayo

Address: 1850 E 3rd Street, Suite 216 **City:** Charlotte

State: NC **Zip:** 28204 **Phone:** (704) 339-0079 **Fax:** (704) 339-0053

Net Proceeds: $1,908,790 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 81¢

Commitment ☐ None ☒ Firm ☐ Conditional **Date:** 03/ 28/ 2002

Additional Information: Bridge loan of $1,376,853 with interest at Prime + 1% on draws above $750,000

APPLICANT EQUITY

Amount: $80,515 **Source:** Interest Income from Bond Escrow

Amount: $605,682 **Source:** Income from Operations

VALUATION INFORMATION

APPRAISED VALUE

Land Only:	$649,000	**Date of Valuation:**	03/ 04/ 2002
Existing Building: as is	$3,651,000	**Date of Valuation:**	03/ 04/ 2002
Existing Building: as renovated	Not provided	**Date of Valuation:**	/ /

Appraiser: Zacour and Associates **City:** El Paso **Phone:** (915) 581-1141

ASSESSED VALUE

Land: 7.45 acres	$649,044	**Assessment for the Year of:**	2000
Building:	$803,619	**Valuation by:**	El Paso County Appraisal District
Total Assessed Value:	$1,452,663	**Tax Rate:**	2.943815

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract*

Contract Expiration Date: 05/ 29/ 2002 **Anticipated Closing Date:** 05/ 16/ 2002

Acquisition Cost: $ 4,403,100 **Other Terms/Conditions:** $100 earnest money

Seller: TWC Housing, LLC **Related to Development Team Member:** Yes

* May be treated as a tax deferred exchange

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Sierra Vista is a proposed acquisition and rehabilitation project of 106 units of affordable housing located in El Paso. The project was built in 1982 and is comprised of 16 residential buildings as follows:
Three Building Type A with eight two-bedroom units;
Five Building Type B with two two-bedroom units and two three- bedroom units;
Seven Building Type C with four two- bedroom units and four three- bedroom units; and
One Building Type D with four two- bedroom units and two three- bedroom units.
Based on the site plan, the apartment buildings are distributed evenly throughout the site with the proposed community building and swimming pool located near the rear. The 1,548-square foot community building will include a “party room” with kitchen and public restrooms.

Existing Subsidies: The project has all 106 units enrolled in the HUD Section 8 program via a Housing Assistance Payments (HAP) contract. In a letter dated March 25, 2002, the current owner has indicated that they are requesting HUD’s approval for assignment of the HAP contract to the Applicant. It also states, “PAB Sierra Vista, Ltd. [the Applicant] intends on purchasing Sierra Vista Apartments and also intends on renewing the HAP contract.”

Development Plan: As of December 2001 the buildings were 100% occupied and, according to the market analyst, in an average state as compared to other projects in the market area. An architect signed scope of work, dated as of March 21, 2002, includes: demolition of existing pantries, 20 countertops, kitchen sinks, toilets, bathtub/surrounds and plumbing fixtures; new sidewalks, a playscape and raised rock wall; repair and/or replacement of smoke detectors, bathtubs, toilets, sinks, fixtures, range vent hoods, doors, solar screens, drywall, flooring, carpeting, kitchen pantry, countertops and window treatments; and painting. The write up also includes $97,500 for a new community building and $60,000 for a new pool.

According to the Applicant, the existing tenants located in the first phase of rehabilitation will be moved off-site. Once phase one units are rehabilitated, existing tenants from phase two will be moved into the phase one units. This process will continue until 100% of the units are rehabilitated, at which time, all tenants displaced from phase one will be moved back onto the property. A line item provided in Exhibit 102 of the LIHTC application for tenant relocation expenses was not completed. It is unclear as to where the funding for the relocation will be derived. Receipt, review and acceptance of documentation for the cost of the relocation plan is a condition of this report.

Supportive Services: Although no supportive services were planned initially, as of March 18, 2002, the Applicant has contracted with HBC Property Managers, LP to provide the following supportive services to tenants: summer youth activity program, after school youth program, monthly resident support group meeting, coordination of community resources such as transportation and health screenings, adult quality of life education and other services. There will not be a fee charged to tenants for these services. The contract requires the Applicant to pay a monthly fee of $1,000. This expense was not included in the Applicant's submitted operating expense budget.

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

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 20% at 50% or less of area median gross income (AMGI) set-aside. However, because the project is currently functioning under a HAP contract, tenants will be responsible for paying only 30% of their gross household income in rent. The project's HAP rents are currently set at $635 for the 875 SF units, $599 for the 896 SF units, $617 for the 945 SF units and $744 for the 1,045 SF units. The difference in the contract rents and the actual amount paid by tenants is provided to the project as a subsidy. All of the units will be reserved for low-income tenants.

Special Needs Set-Asides: None of the units are 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 dated March 14, 2002 was prepared by Prior & Associates and highlighted the following findings:

Definition of Market/Submarket: The El Paso Apt. Association places the subject in the east-central submarket, which is Bordered by Highway 54, Interstate 10, and Fort Bliss. Apartment developments in this area are influenced by Ft. Bliss; therefore, the tenant base includes civilian and military households. The subject's market area includes parts of central and eastern sections of the city and includes 70,431 residents in a 12 square mile area. The submarket boundaries are: Fort Bliss and El Paso International Airport to the north, Interstate 10 to the south, Lee Trevino Drive to the east and Highway 54 to the west. (p. IV-1)

Total Local/Submarket Demand for Rental Units: The average annual turnover rate in unfurnished apartments is 78.5% according to IREM. The turnover rate in market area apartments is 28.4%. Most turnover occurs in November and early December. Turnover is also high in May, June and July. The subject's annual turnover rate last year was 20.7%. Turnover is a result of tenants obtaining Sec 8 vouchers and moving to single family rental units. (p. VII-10) The annual household growth is expected to be –80 households. Applying income qualified renter ratios results in a net loss in demand from household decline of 12 units. The total number of existing households in the area is 24,744. Applying turnover and income qualified renter ratios results in demand from turnover of 1,896. The total demand for the subject project is 1,884.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	(12)	-1%
Resident Turnover	1,896	101%
TOTAL ANNUAL DEMAND	**1,884**	**100%**

Ref: p. IX-2

Capture Rate: The estimate uses a 40% rent-to-income ratio to determine minimum and maximum income based on two persons occupancy per bedroom. The subject would have to capture 14.5% of the primary market area tenants. However, the developer is planning on extending the Section 8 HAP contract enabling households below $17,770 to occupy the subject. Tenants will pay 30% of their income for rent and utilities. The subject will have to capture 5.6% of market area renter households with incomes below $25,300. (p. IX-1)

Penetration Rate: The subject will be the only LIHTC project in the market area. The aggregate penetration rate of 3.0% will be reached when all dwellings are leased. (p. IX-3)

Local Housing Authority Waiting List Information: Not provided.

Market Rent Comparables: Most of the rental housing stock is over 20 years old and in poor or average condition. Most show signs of deferred maintenance with modest amounts of renovation occurring. The subject will be in superior condition compared to its competitors after renovation. (p. VIII-2) Average rents were $520 for 2 bedroom/1 bath units and $658 for 3 bedroom units. (p. VII-12)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
2-Bedroom (2BR 1BA)	$352	$351	+$1	$561	-$209
2-Bedroom (2BR 2BA)	$352	$351	+$1	$594	-$242
3-Bedroom (3BR 2BA)	$404	$409	-$5	$691	-$287

(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 project is currently 100% occupied. (p. III-2) Between Dec 1999-Dec 2001, apt occupancy rates fluctuated between 90.3% and 91.9 % in El Paso. MSA Rates decreased gradually from 91.5% in Dec 1995 to 90.3% in Dec 2000. Rates rose to a high of 91.9% in March 2001. Since then, rates decreased every quarter to 90.1% in December 2001. (p. VII-6) Well-maintained complexes have sustained occupancy levels of 93% to 98%. Less well-kept complexes have rates from 80% to 90%. In the 4th quarter of 2001, the apartment vacancy rate was 9.9% in the east submarket and 9.3% in the city. (p. VII-7)

Absorption Projections: The subject is 100% occupied and, according to the sponsor, renovation will conclude with its current tenants in place. The subject will be 100% occupied within a month after planned improvements are completed. (p. X-1) No apartments have recently been constructed in the market area; however, the sponsor has completed LIHTC garden apartment projects in other areas of the city. These projects are comparable in size and target income. They have exhibited good absorption rates of 8-9 units per month. (p. VII-10)

Known Planned Development: No apartment projects are under construction in the PMA. There are no existing LIHTC units in the market area, but the subject's sponsor proposes two LIHTC projects. Western Sunshine Pass is 36-unit project with containing 24 two-, 12 three- and 22 four-bedroom units. The project will accept tenants with Sec 8 housing choice vouchers. (p. VII-3)

Effect on Existing Housing Stock: The subject will not have an adverse impact on the occupancy levels of existing properties. It has maintained full occupancy levels in the past year. (p. VII-11)

Other Relevant Information: The project was developed in 1983 as an income restricted rental project through the Section 8 Program. All units currently receive rental assistance through Section 8 and the contract expires in 2003. Project based rental assistance will remain in effect after the planned renovation and the rents will not change. (p. III-2) The subject has historically maintained 100% occupancy levels, there are 30 households on the waiting list and, according to current management, 10-15 people call and walk-in to inquire availability each week. (p. VII-8)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: El Paso is located in the western portion of Texas, on the border between the US and Mexico, 634 miles west of Dallas along Interstate 10 and 437 miles east of Phoenix, Arizona. An U.S. Army Base is 1.2 miles north of the subject.

Population: The population of El Paso is 560,111. The population has been decreasing 0.1% per year in the PMA since 1990, and increasing 0.7% in the city of El Paso. Claritas, Inc projects the PMA's population will decrease 0.4% per year by 2006 to 69,286. The PMA lost five households per year between 1990-2001. The PMA is projected to lose 80 households per year through 2006.

Adjacent Land Uses: The project is located in a mixed residential/commercial neighborhood in the SE part of the city.

- **North:** Cellar Apartments; 79 unit market-rate garden apartment complex, Ashwood Street and residential neighborhood beyond
- **South:** Montwood Drive; retail/commercial space beyond
- **East:** Vista Village, a market rate complex with 220 units; Cubre Negara St. beyond
- **West:** Shopping center; gas station and grocery beyond

Site Access: The site is accessed from Montwood Drive, a 4-lane arterial with medium traffic connecting El Paso with Horizon City.

Public Transportation: Sun Metro provides the subject with bus service and a bus stop is located within 75 feet of the entrance.

Shopping & Services: Montwood Mall is located within 50 feet of the subject. Yarbrough Plaza shopping center is 1.5 miles south. Childcare services, a public library, a community park, the YMCA, government services, a full service hospital and other medical facilities are all located within four miles of the subject. The subject is in the Yselata School District, which was rated average compared to other districts within the state. Schools serving the subject are located as follows: elementary school (0.5 miles west), middle school (0.7 miles west), and high school (0.7 miles west).

Special Adverse Conditions: A flood plan map/designation for this property was not provided. Receipt, review and acceptance of a FEMA flood plan map is a condition of this report.

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 February 7, 2002 was prepared by Construction and Environmental Consultants, Inc. and contained the following conclusion:

"On the basis of our observations and available information obtained during our assessment, no recognized environmental conditions were identified at the subject site or surrounding properties. Based on information obtained to date, we conclude that the potential for environmental degradation to the subject property is low. Further environmental assessment is not recommended at this time."

OPERATING PROFORMA ANALYSIS

Income: Although the Applicant's effective gross income estimate includes an understated secondary income of only $0.75 per unit per month, it compared favorable with the Underwriter's estimate. The Underwriter was not able to verify a lower secondary income estimate based on the historical operating statements submitted by the Applicant and, therefore, the underwriting analysis includes a secondary income of $10 per unit per month. Both projections include other support income in the form of a rental subsidy from an existing HAP contract. The HAP contract rents are currently $635 for the two-bedroom, two-bath units, $599 and $617 for the two-bedroom, one-bath units, and $744 for the three-bedroom units. These rents are all above the LIHTC 50% of AMGI rent limits and result in a subsidy of around $380K should all tenants qualify to pay the maximum LIHTC rents. While the State's Priority I Private Activity Bond restrictions limit the project to the 50% LIHTC rents, it is believed to do so with the federal definition of the 50% LIHTC rents, which would allow a project based subsidy to exceed the LIHTC rents so long as tenants pay not more than 30% of their income. The Underwriter also reduced vacancy and collection loss from the standard 7.5% to 5% based on the project's operating history.

Expenses: The Applicant's total operating expense is $35K, or 9%, less than the Underwriter's estimate. Many of the TDHCA database-derived line-item expenses were adjusted based on historical operating statements for the property. Despite these adjustments, the following line-item expenses differed by more than 5% as compared to the Underwriter's figures: general and administrative ($15K lower), management fee ($14K higher), payroll and payroll tax ($9K lower), repairs and maintenance ($25K lower), utilities ($12K higher), water, sewer and trash ($21K lower) and property tax ($40K higher). The Applicant failed to include a reserve for replacements and overstated TDHCA compliance fees while understating supportive services fees.

Conclusion: Overall, the Applicant's net operating income estimate is $31K, or 7%, less than the Underwriter's estimate. It should be noted that expense estimates for compliance and supportive services were removed from both the Applicant and Underwriter's net operating income calculation. This allows the reader to see the true effect of the bonds-only debt service requirement as compliance fees can be waived by the Department if necessary and supportive services can be funded out of net cash flow.

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The land cost of $440,310 included in the submitted cost breakdown is low compared to the appraised value and the tax-assessed value of $649K. The indicated total acquisition price of $4,403,100 is also high compared to the appraised value of $4,300,000. In addition, only $3,008,131 remains to be paid-off on the existing loan and the original acquisition/development cost of the project in 1982 was $2,687,157. The seller is a related party to the Applicant.

According to the submitted market study, the existing HAP contract rents are above the rents achievable in the market area. The appraisal used the project's current subsidized potential gross income to estimate the value of the project based on the gross income multiplier. The value of this subsidy was also included in the sales comparison approach to value (+25% adjustment to comparable sales prices). A specific dollar value for the subsidy was not indicated. In most cases, an affordable multifamily project has rents restricted to those at or below market rents; therefore, affordable housing projects are usually valued at or below market prices for similar market rate projects. In this case, the project has been valued at above market prices due to its HAP contract. Therefore, the underwriter estimates the true unsubsidized value of the land and improvements to be $3,225,000 based upon the Appraiser's analysis. Whereas the correct loan amount is greater than the original acquisition cost and no other documentation of holding costs were provided, the outstanding loan has the most weight in determining a fair transfer price in this identity of interest transaction.

The Underwriter has utilized the loan payoff of $3,008,131 as the total acquisition price for the project. Less the tax assessed/appraised value of $649K for the underlying land, this amounts to a qualified acquisition cost of $2,359,087, which is $1.6M less than the Applicant's figure. The current owner of the subject property has indicated that the HAP contract will be assigned to the Applicant and that the Applicant plans to renew the contract. However, the proposed contract rents are unknown. It is the Underwriter's understanding that HAP contract rents are adjusted to reflect fair market rents. Should the contract rents be reduced to reflect market rents, the project would no longer be valued above market rate. In fact, the project value would be more in line with the loan payoff amount quoted above and utilized in the underwriting analysis. In addition, the loan payoff amount produces a recommended credit amount and syndication proceeds which is comparable to the hard costs associated with the actual rehabilitation of the project.

Sitework Cost: As a rehabilitation project of an existing development, $925 per unit in site work costs is reasonable. In addition, this cost was substantiated by a third party work write-up. The Underwriter removed $38,160 in interior demolition costs and will treat this amount as an ineligible cost.

Direct Construction Cost: The Applicant's direct construction costs were substantiated by a third party work write-up and are considered to be reasonable as presented.

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. In addition, the Applicant did not include $19,356 in contingency costs in their eligible basis calculation although it was included in the submitted work write-up. This amount was included in the Underwriter's eligible basis calculation.

Due to the Applicant's inclusion of a developer's fee for acquisition of a project currently owned by a related party, their total developer fees exceed 15% of their adjusted eligible basis. The due diligence work that would be required to justify a fee for the acquisition portion from a related party cannot be substantiated. Therefore, the eligible portion of the Applicant's developer fee must be reduced by $443,628 or the maximum fee for the rehab portion of the project alone.

Conclusion: The Applicant's total development cost estimate is $1.7M higher than the Underwriter's estimate. Because this difference is more than 5% above the verifiable range, the Underwriter's total development cost estimate will be used to calculate the project's eligible basis and need for funding. It should be noted that the development's site work costs combined with direct construction costs at $7,480 per unit just break the $6,000 per unit minimum for hard costs under the 2001 QAP.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from four sources: a mortgage revenue bond-financed interim to permanent loan, syndicated LIHTC equity, and rental and interest income received during the construction phase.

Bonds: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by the El Paso Housing Finance Corporation and placed privately with SunAmerica. The project initially received a reservation for $6,000,000. As of the date of the underwriting analysis, there will be $4,200,000 in tax-exempt Series A bonds. The bonds will be amortized over 28 years at a fixed interest rate with a two-year, interest-only interim period. As of the date of the syndication agreement, SunAmerica estimated the interest rate at 6.5%. A commitment for the bonds/permanent financing was not provided. Receipt, review and acceptance of a firm commitment is a condition of this report.

LIHTC Syndication: SunAmerica has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $1,908,790 based on a syndication factor of 81%. The funds would be disbursed in a five-phased pay-in schedule:

1. 4% upon admission to the partnership;
2. Bridge Loan at closing;
3. 72% to be used to repay Bridge Loan upon receipt of final certificate of occupancy, project completion, and certification that other SunAmerica requirements have been met;
4. $50,000 upon receipt of cost certification, achievement of 93% physical occupancy and DCR of 1.20 for three consecutive months; and
5. 21% upon receipt of forms 8609.

Deferred Developer's Fees: The Applicant's does not plan to defer developer's fees.

Income from Operations: The Applicant forecast rental income of $605,682 from operation during rehabilitation of the project. This amounts to a little over a year's worth of subsidized net operating income at 95% occupancy. Because half of the tenants will be relocated at an unknown cost and it is not definite that all of the current tenants will remain with the project, this income is deemed to be speculative. Therefore, it has not been included as a source of funds in the underwriting analysis.

GIC Interest Income: The Applicant included $80,515 in GIC income; the Underwriter has removed this amount as a source of funds and removed an equivalent amount from interim financing interest cost to compensate.

Financing Conclusions: As stated above, the Underwriter's total development cost estimate was used to calculate the project's eligible basis and need for funding. The Underwriter's total acquisition and rehabilitation eligible basis calculation resulted in a basis that is $3,480,875 less than the Applicant's estimate. This difference is due to several factors:

1. Based on the information presented in the application, the Underwriter could not justify a total acquisition cost that exceeds the current loan payoff amount of $3,008,131. In addition, the

Applicant arbitrarily chose to use a low land value of $440K despite the fact that both the appraised value and the tax-assessed value for the land is $649K. The combined result is an Applicant estimated acquisition basis of $3,962,790 versus the Underwriter's estimate of $2,359,087, a difference of $1,603,703.

2. The Applicant included a developer fee for acquisition of a project that is currently owned by a related party. The application did not include documentation of excess due diligence work related to the transfer of the property that would warrant a developer's fee. This amounted to a difference of $443,628.
3. Although not allowed under program rules, the Applicant adjusted the acquisition portion of basis by 130% due to the project's location in a DDA. This amounts to an excess of $1,188,837 based on the Applicant's acquisition costs.
4. The Applicant's contractor fees are overstated based on their own construction costs by a total of $5K.

The Underwriter's eligible basis calculation indicates that the project qualifies for tax credits in the amount of $196,734 annually for ten years. However, the Underwriter's proforma and the Applicant's proposed financing structure result in a debt coverage ratio that exceeds the Department guideline of 1.10 to 1.25. At the maximum debt coverage of 1.25, the project could support annual debt service of $344,870 indicating a permanent loan in the amount of $4,441,799. Based on this revised loan amount and the Underwriter's total development cost estimate, the gap in need for syndication proceeds is reduced to $1,055,913. This results in an allocation of not more than $130,373 annually for ten years.

Alternatively, should the Board decide to accept the subsidized appraised value of $4,300,000 for acquisition of the project, the development would qualify for tax credits in the amount of $244,147 annually for ten years. A revised loan amount based on an annual debt service of at least $344,870 would also be required under this scenario. However, the increase in the Underwriter's total development cost estimate would result in a need for deferred developer fees of $370,390. This amount would be repayable from project cash flow within four years of stabilized occupancy and potentially sooner if net incomes from operations during the rehabilitation period can be achieved.

REVIEW of ARCHITECTURAL DESIGN

The project consists of existing one- to two-story townhome units arranged in rows of four to eight units. The submitted architectural plans for the individual units indicate that the bedrooms are located on the second floor and there is adequate storage space. The exterior of the buildings are typical for 1980s construction. The exterior of the proposed community building will be similar to the existing residential buildings.

IDENTITIES of INTEREST

The Applicant, developer and general contractor are related entities. These are common identities of interest for LIHTC-funded projects. An entity related to a principle of the Applicant is also the seller of the property. This is an issue that has been dealt with extensively in the construction cost and financing structure analysis sections of this report.

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.
A consolidated financial statement for September 30, 2001 was submitted for Hunt Building Corporation and Subsidiaries. The statement reported total current value basis assets of $488.5M consisting of $67.7M in current assets, $294M in real estate investments, $8.2M in net equipment, $7.9M in amounts held in trust and escrow, $34.8M in restricted marketable securities, $62.7M in investment in unconsolidated partnerships and $13.2M in other non-current assets. Liabilities totaled $306M, resulting in a stockholder equity of approximately $176.6M.

Background & Experience:
The Applicant and general partner are new entities formed for the purpose of developing the project.
Hunt Building Corporation is active in the multifamily housing market in numerous states throughout the United States and has built military housing and affordable housing units.

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%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The project could potentially achieve an excessive profit level (i.e., a DCR above 1.25) if the maximum rents can be achieved in this market.
- 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, BASED UPON THE GAP USING THE OUTSTANDING DEBT AS THE TRANSFER/ACQUISITION PRICE, NOT TO EXCEED $130,373 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of an acceptable site inspection report prepared by TDHCA staff;
2. Receipt, review and acceptance of a FEMA floodplain map with floodplains and the location of the subject project clearly identified;
3. Receipt, review and acceptance of documentation for the cost of the submitted relocation plan.

ALTERNATIVE

LIHTC ALLOCATION NOT TO EXCEED $244,147 ANNUALLY FOR TEN YEARS SUBJECT TO THE CONDITIONS ABOVE AND THE FOLLOWING:

1. Board acceptance of the subsidized appraised value of $4,300,000 for acquisition of the project

Credit Underwriting Supervisor:	(SIGNED) *Lisa Vecchietti*	**Date:**	April 2, 2002
Director of Credit Underwriting:	(SIGNED) *Tom Gouris*	**Date:**	April 2, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Sierra Vista, El Paso, 4% LIHTC (01481) **LOAN PAYOFF**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 50%	6	2	2	875	$408	$351	$2,106	$0.40	$57.00	$43.00
TC 50%	54	2	1	896	408	351	18,954	0.39	57.00	43.00
TC 50%	6	2	1	945	408	351	2,106	0.37	57.00	43.00
TC 50%	40	3	2	1,045	471	409	16,360	0.39	62.00	47.00
TOTAL:	106		AVERAGE:	954	$432	$373	$39,526	$0.39	$58.89	$44.51

INCOME	Total Net Rentable Sq Ft 101,104		TDHCA	APPLICANT		
POTENTIAL GROSS RENT			$474,312	$472,776		
Secondary Income	Per Unit Per Month:	$10.00	12,720	960	$0.75	Per Unit Per Month
Other Support Income: HAP Contract Subsidy			381,840	383,376		
POTENTIAL GROSS INCOME			$868,872	$857,112		
Vacancy & Collection Loss	% of Potential Gross Income:	-5.00%	(43,444)	(35,532)	-4.15%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0		
EFFECTIVE GROSS INCOME			$825,428	$821,580		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.06%	$316	$0.33	$33,546	$18,612	$0.18	$176	2.27%
Management		5.00%	389	0.41	41,271	55,650	0.55	525	6.77%
Payroll & Payroll Tax		9.30%	724	0.76	76,785	67,908	0.67	641	8.27%
Repairs & Maintenance		5.31%	413	0.43	43,820	18,969	0.19	179	2.31%
Utilities		2.31%	180	0.19	19,101	30,308	0.30	286	3.69%
Water, Sewer, & Trash		6.10%	475	0.50	50,332	29,216	0.29	276	3.56%
Property Insurance		1.99%	155	0.16	16,462	17,606	0.17	166	2.14%
Property Tax	2.943815	7.40%	576	0.60	61,091	101,306	1.00	956	12.33%
Reserve for Replacements		3.85%	300	0.31	31,800	0	0.00	0	0.00%
Other Expenses:		0.22%	17	0.02	1,838	1,838	0.02	17	0.22%
TOTAL EXPENSES		45.56%	$3,548	$3.72	$376,045	$341,413	$3.38	$3,221	41.56%
NET OPERATING INC		54.44%	$4,239	$4.44	$449,384	$480,167	$4.75	$4,530	58.44%
DEBT SERVICE									
First Lien Mortgage		39.51%	$3,076	$3.23	$326,096	$0	$0.00	$0	0.00%
LIHTC Syndication Proceeds		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Compliance & Supportive Servi		1.77%	$138	$0.14	14,650	14,085	$0.14	$133	1.71%
NET CASH FLOW		13.16%	$1,025	$1.07	$108,637	$466,082	$4.61	$4,397	56.73%
AGGREGATE DEBT COVERAGE RATIO					1.32	34.09			
ALTERNATIVE BONDS-ONLY DEBT COVERAGE RATIO					1.25				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost	(site or bld	54.72%	$28,379	$29.75	$3,008,131	$4,403,100	$43.55	$41,539	60.88%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.78%	925	0.97	98,050	98,050	0.97	925	1.36%
Direct Construction		10.67%	5,532	5.80	586,432	586,435	5.80	5,532	8.11%
Contingency	0.00%	0.35%	183	0.19	19,356		0.00	0	0.00%
General Requirem	6.00%	0.75%	387	0.41	41,069	43,359	0.43	409	0.60%
Contractor's G &	2.00%	0.25%	129	0.14	13,690	14,453	0.14	136	0.20%
Contractor's Pro	6.00%	0.75%	387	0.41	41,069	43,359	0.43	409	0.60%
Indirect Construction		7.95%	4,123	4.32	436,993	436,993	4.32	4,123	6.04%
Ineligible Expenses		0.94%	490	0.51	51,920	71,276	0.70	672	0.99%
Developer's G & A	2.00%	0.74%	382	0.40	40,541	0	0.00	0	0.00%
Developer's Profit	13.00%	4.79%	2,486	2.61	263,517	744,783	7.37	7,026	10.30%
Interim Financing		14.38%	7,457	7.82	790,393	790,393	7.82	7,457	10.93%
Reserves		1.94%	1,005	1.05	106,552	0	0.00	0	0.00%
TOTAL COST		100.00%	$51,865	$54.38	$5,497,712	$7,232,201	$71.53	$68,228	100.00%
Recap-Hard Construction Costs		*14.55%*	***$7,544***	***$7.91***	***$799,665***	***$785,656***	***$7.77***	***$7,412***	*10.86%*

SOURCES OF FUNDS						RECOMMENDED	
First Lien Mortgage	76.40%	$39,623	$41.54	$4,200,000	$4,200,000	$4,441,799	**Max. Cost Guideline**
LIHTC Syndication Proceeds	44.91%	$23,293	$24.42	2,469,093	2,469,093	1,055,913	$7,481,696
Income from Operations	0.00%	$0	$0.00	0	605,682	0	
Deferred Developer Fees	0.00%	$0	$0.00	0	0	0	
Additional (excess) Funds Req	-21.31%	($11,051)	($11.59)	(1,171,381)	(42,574)	0	
TOTAL SOURCES				$5,497,712	$7,232,201	$5,497,712	

Sierra Vista, El Paso, 4% LIHTC (01481) LOAN PAYOFF

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

CATEGORY				
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 Bldgs				
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				

PAYMENT COMPUTATION

Primary	$4,200,000	Term	336
Int Rate	6.50%	DCR	1.38
Secondary	$2,469,093	Term	
Int Rate	0.00%	Subtotal DCR	1.38
Additional	$605,682	Term	
Int Rate		Aggregate DCR	1.32

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$344,870
Secondary Debt Service	0
Additional Debt Service	14,650
NET CASH FLOW	$89,864

Primary	$4,441,799	Term	336
Int Rate	6.50%	DCR	1.30
Secondary	$2,469,093	Term	0
Int Rate	0.00%	Subtotal DCR	1.30
Additional	$605,682	Term	0
Int Rate	0.00%	Aggregate DCR	1.25

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$474,312	$488,541	$503,198	$518,294	$533,842	$618,870	$717,439	$831,709	$1,117,747
Secondary Income	12,720	13,102	13,495	13,899	14,316	16,597	19,240	22,305	29,976
Other Support Income: HAP	381,840	393,295	405,094	417,247	429,764	498,215	577,567	669,559	899,831
POTENTIAL GROSS INCOME	868,872	894,938	921,786	949,440	977,923	1,133,681	1,314,247	1,523,572	2,047,554
Vacancy & Collection Los	(43,444)	(44,747)	(46,089)	(47,472)	(48,896)	(56,684)	(65,712)	(76,179)	(102,378)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$825,428	$850,191	$875,697	$901,968	$929,027	$1,076,997	$1,248,535	$1,447,394	$1,945,176
EXPENSES at 4.00%									
General & Administrative	$33,546	$34,888	$36,283	$37,734	$39,244	$47,746	$58,091	$70,676	$104,618
Management	41,271	42,510	43,785	45,098	46,451	53,850	62,427	72,370	97,259
Payroll & Payroll Tax	76,785	79,856	83,051	86,373	89,828	109,289	132,967	161,774	239,466
Repairs & Maintenance	43,820	45,572	47,395	49,291	51,263	62,369	75,881	92,321	136,658
Utilities	19,101	19,865	20,659	21,485	22,345	27,186	33,076	40,242	59,568
Water, Sewer & Trash	50,332	52,346	54,440	56,617	58,882	71,639	87,159	106,043	156,969
Insurance	16,462	17,120	17,805	18,517	19,258	23,430	28,506	34,682	51,338
Property Tax	61,091	63,534	66,076	68,719	71,467	86,951	105,789	128,709	190,520
Reserve for Replacements	31,800	33,072	34,395	35,771	37,202	45,261	55,067	66,998	99,173
Other	1,838	1,912	1,988	2,068	2,150	2,616	3,183	3,872	5,732
TOTAL EXPENSES	$376,045	$390,674	$405,876	$421,673	$438,089	$530,337	$642,146	$777,687	$1,141,301
NET OPERATING INCOME	$449,384	$459,517	$469,821	$480,295	$490,938	$546,660	$606,388	$669,707	$803,876
DEBT SERVICE									
First Lien Financing	$344,870	$344,870	$344,870	$344,870	$344,870	$344,870	$344,870	$344,870	$344,870
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	14,650	14,650	14,650	14,650	14,650	14,650	14,650	14,650	14,650
NET CASH FLOW	$89,864	$99,997	$110,301	$120,775	$131,418	$187,140	$246,869	$310,187	$444,356
DEBT COVERAGE RATIO	1.25	1.28	1.31	1.34	1.37	1.52	1.69	1.86	2.24

LIHTC Allocation Calculation - Sierra Vista, El Paso, 4% LIHTC (01481) LOAN PAYOFF

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	$440,310	$649,044				
Purchase of buildings	$3,962,790	$2,359,087	$3,962,790	$2,359,087		
(2) Rehabilitation/New Construction Cost						
On-site work	$98,050	$98,050			$98,050	$98,050
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	$586,435	$586,432			$586,435	$586,432
(4) Contractor Fees & General Requirements						
Contractor overhead	$14,453	$13,690			$13,690	$13,690
Contractor profit	$43,359	$41,069			$41,069	$41,069
General requirements	$43,359	$41,069			$41,069	$41,069
(5) Contingencies		$19,356				
(6) Eligible Indirect Fees	$436,993	$436,993			$436,993	$436,993
(7) Eligible Financing Fees	$790,393	$790,393			$790,393	$790,393
(8) All Ineligible Costs	$71,276	$51,920				
(9) Developer Fees					$301,155	$301,154
Developer overhead		$40,541				
Developer fee	$744,783	$263,517				
(10) Development Reserves		$106,552				
TOTAL DEVELOPMENT COSTS	$7,232,201	$5,497,712	$3,962,790	$2,359,087	$2,308,854	$2,308,850

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		$3,962,790	$2,359,087	$2,308,854	$2,308,850
High Cost Area Adjustment				130%	130%
TOTAL ADJUSTED BASIS		$3,962,790	$2,359,087	$3,001,510	$3,001,505
Applicable Fraction		100%	100%	100%	100%
TOTAL QUALIFIED BASIS		$3,962,790	$2,359,087	$3,001,510	$3,001,505
Applicable Percentage		3.67%	3.67%	3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS		$145,434	$86,578	$110,155	$110,155
Syndication Proceeds	**0.8099**	**$1,177,901**	**$701,216**	**$892,170**	**$892,168**
				$255,590	**$196,734**
				$2,070,070	**$1,593,384**
			Actual Gap of Need		**$1,055,913**
			Gap-Driven Allocation		**$130,373**

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Sierra Vista, El Paso, 4% LIHTC (01481) **APPRAISED VALUE**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 50%	6	2	2	875	$408	$351	$2,106	$0.40	$57.00	$43.00
TC 50%	54	2	1	896	408	351	18,954	0.39	57.00	43.00
TC 50%	6	2	1	945	408	351	2,106	0.37	57.00	43.00
TC 50%	40	3	2	1,045	471	409	16,360	0.39	62.00	47.00
TOTAL:	106			954	$432	$373	$39,526	$0.39	$58.89	$44.51

INCOME	Total Net Rentable Sq Ft 101,104			TDHCA	APPLICANT			
POTENTIAL GROSS RENT				$474,312	$472,776			
Secondary Income	Per Unit Per Month:		$10.00	12,720	960	$0.75	Per Unit Per Month	
Other Support Income: HAP Contract Subsidy				381,840	383,376			
POTENTIAL GROSS INCOME				$868,872	$857,112			
Vacancy & Collection Loss	% of Potential Gross Income:		-5.00%	(43,444)	(35,532)	-4.15%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$825,428	$821,580			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.06%	$316	$0.33	$33,546	$18,612	$0.18	$176	2.27%
Management	5.00%	389	0.41	41,271	55,650	0.55	525	6.77%
Payroll & Payroll Tax	9.30%	724	0.76	76,785	67,908	0.67	641	8.27%
Repairs & Maintenance	5.31%	413	0.43	43,820	18,969	0.19	179	2.31%
Utilities	2.31%	180	0.19	19,101	30,308	0.30	286	3.69%
Water, Sewer, & Trash	6.10%	475	0.50	50,332	29,216	0.29	276	3.56%
Property Insurance	1.99%	155	0.16	16,462	17,606	0.17	166	2.14%
Property Tax 2.943815	7.40%	576	0.60	61,091	101,306	1.00	956	12.33%
Reserve for Replacements	3.85%	300	0.31	31,800	0	0.00	0	0.00%
Other Expenses:	0.22%	17	0.02	1,838	1,838	0.02	17	0.22%
TOTAL EXPENSES	45.56%	$3,548	$3.72	$376,045	$341,413	$3.38	$3,221	41.56%
NET OPERATING INC	54.44%	$4,239	$4.44	$449,384	$480,167	$4.75	$4,530	58.44%
DEBT SERVICE								
First Lien Mortgage	39.51%	$3,076	$3.23	$326,096	$326,096	$3.23	$3,076	39.69%
LIHTC Syndication Proceeds	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Compliance & Supportive Servi	1.77%	$138	$0.14	14,650	14,085	$0.14	$133	1.71%
NET CASH FLOW	13.16%	$1,025	$1.07	$108,637	$139,986	$1.38	$1,321	17.04%
AGGREGATE DEBT COVERAGE RATIO				1.32	1.41			
ALTERNATIVE BONDS-ONLY DEBT COVERAGE RATIO				1.25				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bld		63.33%	$40,566	$42.53	$4,300,000	$4,403,100	$43.55	$41,539	60.88%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.44%	925	0.97	98,050	98,050	0.97	925	1.36%
Direct Construction		8.64%	5,532	5.80	586,432	586,435	5.80	5,532	8.11%
Contingency	0.00%	0.29%	183	0.19	19,356		0.00	0	0.00%
General Requirem	6.00%	0.60%	387	0.41	41,069	43,359	0.43	409	0.60%
Contractor's G &	2.00%	0.20%	129	0.14	13,690	14,453	0.14	136	0.20%
Contractor's Pro	6.00%	0.60%	387	0.41	41,069	43,359	0.43	409	0.60%
Indirect Construction		6.44%	4,123	4.32	436,993	436,993	4.32	4,123	6.04%
Ineligible Expenses		0.76%	490	0.51	51,920	71,276	0.70	672	0.99%
Developer's G & A	2.00%	0.60%	382	0.40	40,541	0	0.00	0	0.00%
Developer's Profit	13.00%	3.88%	2,486	2.61	263,517	744,783	7.37	7,026	10.30%
Interim Financing		11.64%	7,457	7.82	790,393	790,393	7.82	7,457	10.93%
Reserves		1.57%	1,005	1.05	106,552	0	0.00	0	0.00%
TOTAL COST		100.00%	$64,053	$67.15	$6,789,582	$7,232,201	$71.53	$68,228	100.00%
Recap-Hard Construction Costs		*11.78%*	***$7,544***	***$7.91***	***$799,665***	***$785,656***	***$7.77***	***$7,412***	*10.86%*

SOURCES OF FUNDS

						RECOMMENDED
First Lien Mortgage	61.86%	$39,623	$41.54	$4,200,000	$4,200,000	$4,441,799
LIHTC Syndication Proceeds	36.37%	$23,293	$24.42	2,469,093	2,469,093	1,977,392
Income from Operations	0.00%	$0	$0.00	0	605,682	
Deferred Developer Fees	0.00%	$0	$0.00	0	0	370,390
Additional (excess) Funds Req	1.77%	$1,137	$1.19	120,489	(42,574)	0
TOTAL SOURCES				$6,789,582	$7,232,201	$6,789,582

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Sierra Vista, El Paso, 4% LIHTC (01481) APPRAISED VALUE

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

CATEGORY				
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 Bldgs				
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				

PAYMENT COMPUTATION

Primary	$4,200,000	Term	336
Int Rate	6.50%	DCR	1.38

Secondary		Term	
Int Rate	0.00%	Subtotal DCR	1.38

Additional		Term	
Int Rate		Aggregate DCR	1.32

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$344,870
Secondary Debt Service	0
Additional Debt Service	14,650
NET CASH FLOW	$89,864

Primary	$4,441,799	Term	336
Int Rate	6.50%	DCR	1.30

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.30

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.25

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$474,312	$488,541	$503,198	$518,294	$533,842	$618,870	$717,439	$831,709	$1,117,747
Secondary Income	12,720	13,102	13,495	13,899	14,316	16,597	19,240	22,305	29,976
Other Support Income: HAP	381,840	393,295	405,094	417,247	429,764	498,215	577,567	669,559	899,831
POTENTIAL GROSS INCOME	868,872	894,938	921,786	949,440	977,923	1,133,681	1,314,247	1,523,572	2,047,554
Vacancy & Collection Los	(43,444)	(44,747)	(46,089)	(47,472)	(48,896)	(56,684)	(65,712)	(76,179)	(102,378)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$825,428	$850,191	$875,697	$901,968	$929,027	$1,076,997	$1,248,535	$1,447,394	$1,945,176
EXPENSES at 4.00%									
General & Administrative	$33,546	$34,888	$36,283	$37,734	$39,244	$47,746	$58,091	$70,676	$104,618
Management	41,271	42,510	43,785	45,098	46,451	53,850	62,427	72,370	97,259
Payroll & Payroll Tax	76,785	79,856	83,051	86,373	89,828	109,289	132,967	161,774	239,466
Repairs & Maintenance	43,820	45,572	47,395	49,291	51,263	62,369	75,881	92,321	136,658
Utilities	19,101	19,865	20,659	21,485	22,345	27,186	33,076	40,242	59,568
Water, Sewer & Trash	50,332	52,346	54,440	56,617	58,882	71,639	87,159	106,043	156,969
Insurance	16,462	17,120	17,805	18,517	19,258	23,430	28,506	34,682	51,338
Property Tax	61,091	63,534	66,076	68,719	71,467	86,951	105,789	128,709	190,520
Reserve for Replacements	31,800	33,072	34,395	35,771	37,202	45,261	55,067	66,998	99,173
Other	1,838	1,912	1,988	2,068	2,150	2,616	3,183	3,872	5,732
TOTAL EXPENSES	$376,045	$390,674	$405,876	$421,673	$438,089	$530,337	$642,146	$777,687	$1,141,301
NET OPERATING INCOME	$449,384	$459,517	$469,821	$480,295	$490,938	$546,660	$606,388	$669,707	$803,876
DEBT SERVICE									
First Lien Financing	$344,870	$344,870	$344,870	$344,870	$344,870	$344,870	$344,870	$344,870	$344,870
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	14,650	14,650	14,650	14,650	14,650	14,650	14,650	14,650	14,650
NET CASH FLOW	$89,864	$99,997	$110,301	$120,775	$131,418	$187,140	$246,869	$310,187	$444,356
DEBT COVERAGE RATIO	1.25	1.28	1.31	1.34	1.37	1.52	1.69	1.86	2.24

LIHTC Allocation Calculation - Sierra Vista, El Paso, 4% LIHTC (01481) APPRAISED VALUE

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	$440,310	$649,000				
Purchase of buildings	$3,962,790	$3,651,000	$3,962,790	$3,651,000		
(2) Rehabilitation/New Construction Cost						
On-site work	$98,050	$98,050			$98,050	$98,050
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation ha	$586,435	$586,432			$586,435	$586,432
(4) Contractor Fees & General Requirements						
Contractor overhead	$14,453	$13,690			$13,690	$13,690
Contractor profit	$43,359	$41,069			$41,069	$41,069
General requirements	$43,359	$41,069			$41,069	$41,069
(5) Contingencies		$19,356				
(6) Eligible Indirect Fees	$436,993	$436,993			$436,993	$436,993
(7) Eligible Financing Fees	$790,393	$790,393			$790,393	$790,393
(8) All Ineligible Costs	$71,276	$51,920				
(9) Developer Fees					$301,155	$301,154
Developer overhead		$40,541				
Developer fee	$744,783	$263,517				
(10) Development Reserves		$106,552				
TOTAL DEVELOPMENT COSTS	$7,232,201	$6,789,582	$3,962,790	$3,651,000	$2,308,854	$2,308,850

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			$3,962,790	$3,651,000	$2,308,854	$2,308,850
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			$3,962,790	$3,651,000	$3,001,510	$3,001,505
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$3,962,790	$3,651,000	$3,001,510	$3,001,505
Applicable Percentage			3.67%	3.67%	3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS			$145,434	$133,992	$110,155	$110,155
Syndication Proceeds		**0.8099**	**$1,177,901**	**$1,085,224**	**$892,170**	**$892,168**
					$255,590	**$244,147**
					$2,070,070	**$1,977,392**

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: April 2, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01471

DEVELOPMENT NAME

Gateway Georgetown

APPLICANT

Name: Georgetown Multi-Housing, Ltd. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 5313 Painted Shield Drive **City:** Austin **State:** TX

Zip: 78735 **Contact:** Michael Bobinchuck **Phone:** (512) 358-8200 **Fax:** (512) 857-0575

PRINCIPALS of the APPLICANT

Name	(%)	Title
Agape Georgetown Housing, Inc.	0.02	Managing General Partner
Related Capital Company	99.98	Limited Partner
Daniel P Organ	N/A	Board President of GP
Bengal Development Corporation	N/A	Developer
Michael Bobinchuck	N/A	Owner of Developer

GENERAL PARTNER

Name: Agape Georgetown Housing, Inc. **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 210 W Laurel, Suite 100 **City:** San Antonio **State:** TX

Zip: 78212 **Contact:** Laura Taylor Wingfield **Phone:** (210) 212-7300 **Fax:** (210) 212-7303

PROPERTY LOCATION

Location: NE corner of N Austin Avenue and CR 151 ☐ **QCT** ☐ **DDA**

City: Georgetown **County:** Williamson **Zip:** 78626

REQUEST

Amount	Interest Rate	Amortization	Term
$392,635	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

SITE DESCRIPTION

Size: 24.74 acres 1,077,674 square feet **Zoning/ Permitted Uses:** To be rezoned*

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

* The Applicant has submitted an application to the City of Georgetown for rezoning of the proposed site. The Planning and Zoning Commission had a public hearing on March 6, 2002 in which there were no issues.

**According to the submitted site plan, no structures will be built on the portions of the proposed site located within the 100-year floodplain.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

DESCRIPTION of IMPROVEMENTS

Total Units: 160 **# Rental Buildings** 7 **# Common Area Bldngs** 2 **# of Floors** 3 **Age:** N/A yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
18	1	1	645
24	1	1	664
6	1	1	700
64	2	2	942
40	3	2	1,087
8	4	2	1,335

Net Rentable SF: 146,194 **Av Un SF:** 914 **Common Area SF:** 6,077 **Gross Bldng SF** 152,271

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 20% stucco, 80% Hardiplank siding exterior wall covering, drywall interior wall surfaces, with 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

Community room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, central mailroom, swimming pool, equipped children's play area, sports courts, perimeter fencing with limited access gate

Uncovered Parking: 278 spaces **Carports:** 56 spaces **Garages:** N/A spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: First Union National Bank **Contact:**

Principal Amount: $ **Interest Rate:**

Additional Information: Letter of Credit

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

LONG TERM/PERMANENT FINANCING

Source: Charter MAC **Contact:** Justin Ginsberg

Principal Amount: $9,400,000 **Interest Rate:** 7.2% permanent

Additional Information: Also offers construction financing at 7.5% for term of 14 months, letter revised on February 19, 2002 reflects the current bond/loan amount

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

Annual Payment: $717,420 **Lien Priority:** 1st **Commitment Date** 12/ 16/ 2001

LIHTC SYNDICATION

Source: Related Capital Acceptance Company **Contact:** Jim Spound

Address: 625 Madison Avenue **City:** New York

State: NY **Zip:** 10022 **Phone:** (212) 421-5333 **Fax:** (212) 751-3550

Net Proceeds: $3,062,552 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 78¢

Commitment ☐ None ☒ Firm ☐ Conditional **Date:** 12/ 26/ 2001

Additional Information: Based on the credit allocation of $392.635 for 2001 of which $392,556 will be allocated to the Investor. The credits are based on a Qualified Basis of $11,220,304 and an Applicable Percentage of 0.0351%.

APPLICANT EQUITY

Amount: $669,476 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: 24.74 acres $2,103 (assessed) **Assessment for the Year of:** 2001

Land: 24.74 acres $371,100 (market) **Valuation by:** Williamson County Appraisal District

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 05/ 14/ 2002 **Anticipated Closing Date:** 5/ 14/ 2002

Acquisition Cost: $ 715,000 **Other Terms/Conditions:** $15K earnest money; $3,575 option fee

Seller: George A and Helen T Goethe, Fayette F and Delia E Griffen **Related to Development Team Member:** No

The contract allows for the Buyer to extend the feasibility and date of closing for twelve (12) thirty (30) day periods up to one (1) year. For each extension, Buyer shall deposit 1% ($7,150.00) of the Purchase Price into escrow with Chicago Title. One half ($3,750.00) will be non-refundable, the other half ($3,750.00) will be applied to the Purchase Price.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Gateway Georgetown is a proposed new construction project consisting of 160 units of affordable housing located in Williamson County. The project is comprised of seven residential buildings as follows:

- One Building Type I with 16 one-bedroom units and eight four-bedroom units;
- One Building Type II with 16 one-bedroom units and eight three-bedroom units;
- Four Building Type III with 4 one-bedroom units, 12 two-bedroom units and 8 three-bedroom units; and
- One Building Type IV with 16 two-bedroom units.

Based on the site plan, approximately 65% of the site lies within the 100-year floodplain, but will remain undeveloped, while the residential buildings will be distributed evenly across the remaining portion. The community building and swimming pool are located near the entrance to the site. In addition to management/leasing offices, the proposed 4,952-square foot community building will include a large lobby/community room, public restrooms, a residential kitchen, and four additional rooms with uses including a game room and a computer facility. There will be an additional 1,125 square foot laundry room and maintenance building located on the northwest side of the site.

Supportive Services: The Applicant plans to contract with American Agape Foundation to provide the following supportive services: GED classes, financial education and counseling, career support and referrals, after-school programs and monthly/holiday socials. An agreement will be in effect from the time the project reaches 70% and will continue for five years thereafter. The compensation will be a one-time fee of $1,000 plus a monthly equivalent to the greater of either $13,440 annually, or 1% of the gross potential monthly income of the project. The Applicant's operating expense estimate does not include a line item expense for the proposed supportive services.

Schedule: The Applicant anticipates construction to begin in May of 2002 and to be completed in May of 2003 with placement in service and substantial lease-up in February of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI. This allows for prospective tenants to be qualified at the 60% of AMGI or less income level.

Special Needs Set-Asides: Eight units (5%) will be set-aside for households with handicapped/ developmentally disabled individuals.

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

MARKET HIGHLIGHTS

A market feasibility study dated December 13, 2002 prepared by Capital Market Research highlighted the following findings:

Definition of Market/Submarket: The economic base of Austin and the Austin Metropolitan Statistical Area (MSA) primarily influences the City of Georgetown. For this study the main census tracts that contain the city of Georgetown are used. This area is made up of 1990 Census tracts 201.01, 201.02, 201.03, 201.04, 206.01, 208.98, 214.01, 214.02, 214.03, 215.01 and 216.0. (p. 5, 18)

Regional Market Information: Annual increases in Austin MSA employment for 2001 through 2004 are forecasted to average 3.1%. The market analyst has estimated multifamily unit demand to be 93.3% of the total rental unit demand and will average 5,978 units per year from 2001 through 2004. (p. 22) As of June 2001, building activity has outpaced regional apartment demand, and based on the Capitol Market Research mid-year survey of 100,000 apartment units, the market occupancy rate slipped sharply to a current rate of 93.3% with rental rates averaging $0.99 per square foot. Since 1990, 36,024 apartment units in 117 complexes were completed, including 19 so far in 2001. As of December 2001, 35 additional projects are currently under construction with 11 partially completed and leasing. In the second half of 2001 unit completions exceeded demand causing the market to softened. This trend should continue with rental rates stabilizing and occupancy remaining below 93%. Due to the current downturn in employment and decrease in occupancy rates, the number of units being built is expected to decrease during the next few years. With the exception of 2001, the market analyst anticipates absorption will keep pace with unit delivery as the Austin area continues to grow. The anticipated result is that occupancy will remain in the low 90% range over the next two years and average rental rates will move slightly downward to reflect a softer market with the rents possibly declining to $0.96 per square foot by the end of 2002. This year, 2001, it is likely that more units will be completed than will be absorbed, causing an overall decline in occupancy by year end. However, this overbuilt situation should not last more than 9 to 12 months. (p. 21-25)

Total Local/Submarket Demand for Rental Units: The Rivery, a mixed-use development will include big box retailers that should employ several hundred persons with wages that fall within the eligible income bands targeted by the proposed multifamily project (p. 28). The percentage of households making up to 60% median income was used to calculate the number of households in the targeted income range. A turnover rate for the market area was created using an average of the turnover at seven properties in the market area. The average rate was 40.1% annually for the seven projects and this rate was applied to the total number of households in the market area. By using these forecasts and assuming a continuation of the household size for renters from the 2000 Census, an estimated new multifamily housing demand averages 490 units per year. (p. 32)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	58	13%
Resident Turnover	382	87%
TOTAL ANNUAL DEMAND	**440**	**100%**

Ref: p. 33 (year 2002 data)

Capture Rate: There is currently a total of 440 income eligible renters, thus the property would have to attract 36% of the potential renters to reach full occupancy.
Concentration: There are currently 1,578 units in the Georgetown Market Area. The subject is proposing 160 units priced to be affordable to households making up to 60% of the median income. In addition, Georgetown Place is in the process of leasing 176 units of which 105 units are tax credit units. Currently Georgetown Place is 32% occupied with an absorption rate of seven units per month. When combining the 176 units for Georgetown Place with the 160 units for the subject, the capture rate is 73%, based on the annual demand of 440 units, much higher than the 25% threshold required for urban areas.
Local Housing Authority Waiting List Information: Not discussed in market study.
Market Rent Comparables: Average rents in the market area now $0.87 per square foot for all projects with 50 units or more. The most recent survey (November 2001) of the 12 projects in the market area revealed a 26.1% increase in rent since April 1994. Rents in Austin saw an increase of 32.0% during the same time frame. Average rents for comparable apartments (income restricted and lower cost) in the Georgetown area are currently at $0.75 (p. 39). All but one of the existing projects in the market area is currently achieving rental rates equal to or above those proposed for the subject site (p. 55).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (645 SF)	$561	$610	-$49	$561	-$0
1-Bedroom (664 SF)	$578	$610	-$32	$578	-$0
1-Bedroom (700 SF)	$609	$610	-$1	$609	-$0
2-Bedroom (942 SF)	$737	$737	$0	$744	-$7
3-Bedroom (1,087 SF)	$783	$856	-$73	$783	-$0
4-Bedroom (1,335 SF)	$959	$959	$0	$961	-$2

(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 occupancy rate for existing projects in the Georgetown market area was last reported at 88.9% for all stabilized properties (November 2001), which is below the "full" level of 95%. (p. 46)
Absorption Projections: It is not unusual for a smaller city such as Georgetown to have a slower absorption rate than a larger city such as Austin. The occupancy remains at a level that is competitive with the Austin market and the outlook for the apartment market and absorption of future units is still positive. (p. 36) Based on market conditions anticipated in the area and the proposed development program, the subject should be able to achieve an absorption rate of 10-12 units per month. (p. 55)
Known Planned Development: Georgetown Place is a 176-unit "income restricted" development that is almost complete and 32% occupied (verified March 2002). Georgetown Village is a proposed addition to the Georgetown Planned Unit Development (PUD) and would consist of 10-12 acres for multifamily with 18-20 units per acre. Utilities will be extended to the property but no definite plans have been made to develop the site. Haven Heights is a planned apartment project with 40 units that appear to be targeted to Southwestern University students. The Rivery, a mixed-use site currently under construction, is planned to include two multifamily sites. Waters Edge II is currently under construction and consists of 150 units. Waters Edge III is a concept plan for approximately 70 units on four acres. No specific timetable for construction of Waters Edge III has been determined. Three vacant sites available for multifamily construction are also currently on

the market. (p. 46-47)

Effect on Existing Housing Stock: Georgetown Oaks and Northwest Apartments include a total of 216 tax credit units and are located within two miles of the proposed site. The Georgetown Housing Authority has a total of 158 units and there are 60 new construction Section 8 units and 85 existing Section 8 units within five miles of the subject site. (p.50) Effects of the proposed development on existing housing stock was not discussed within the study.
Conclusion: The market study provided sufficient information to make a final recommendation though it is contrary tot the Market Analyst's conclusions. The project is in a market that does not support the need for more housing. The market analyst estimates 58 eligible new tenants will enter the market a year with turnover demand averaging approximately 382 in 2002. With new product almost complete or in the pipeline, the amount of demand does not support the need for additional housing. Moreover, the Department's concentration policy would need to be waived by the Board in order to fund this project.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The proposed site is located on 24.74 acres with frontage on Business 35 just east of IH 35 with additional frontage on County Road 151 in north central Georgetown. The City of Austin is within a one-half hour drive from the site.
Population: The estimated 1996 population of Georgetown was 22,393 and the population increased to 28,339 by Census 2000.
Adjacent Land Uses: Land uses in the overall area include the commercial corridor along IH 35 and Business 35 as well as single and multifamily residential, recreational uses and vacant land. Adjacent land uses include:

- **North:** A church
- **South:** Georgetown high school, mini warehouses and automotive repair shops
- **East:** Unimproved agricultural land
- **West:** Unimproved agricultural land

Site Access: The site is easily accessible from all major routes and has frontage on Business 35.
Public Transportation: The availability of public transportation is unknown.
Shopping & Services: The site is 0.59 miles from Georgetown high school and 1.33 miles west of Patricia Webb Cooper Elementary School and to a new middle school currently under construction. It is also near two grocery stores located within 5 miles. Three parks and a nature trail are within four miles. Georgetown Hospital is located 4.72 miles from the site.
Special Adverse Site Characteristics: Prior to project construction, the plan is to annex the proposed site and zone it appropriately with the City of Georgetown. The Applicant has submitted an application to the City of Georgetown for rezoning of the proposed site. The city sent a letter to TDHCA stating that the zoning received a recommendation from the Planning and Zoning Commission on March 5, 2002. Under the current schedule and progress, the project should be annexed and zoned after the April 23, 2002 City Council meeting.
A large portion of the proposed site is located within the 100-year floodplain; however, the submitted site plan indicates that no buildings will be located on the portions within the 100-year floodplain. Receipt, review and acceptance of a signed certification that no proposed improvements will be located within the 100-year floodplain is a condition of this report.
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 November 26, 2001 and prepared by Integrated Testing and Engineering Company of Austin, Inc. concluded the following:
"There are no obvious indications that the project site or any adjoining properties are of sufficient concern to warrant additional investigations at this time." (p. 20)

OPERATING PROFORMA ANALYSIS

Income: At the time of application, the 2002 rent limits had not been released and thus the Applicant used 2001 rent limits in setting rents. The Applicant's intention is to charge maximum program rents, however the Underwriter does not believe that the maximum rents can be charge for the one and three bedroom units. The Underwriter used the 2002 maximum rents for the two and four bedroom units and market rates for the one and three bedroom unit sizes. In this analysis, the Underwriter anticipates the gross potential rent to be $1,365,175. The Applicant's potential gross rent from the application is $85K or 6% less than the Underwriter's due to the 2001 rents used in the application. Should the maximum 2002 tax credit rents be achieved, an additional $55,145 in annual potential gross income could result.

The Applicant used a significantly higher secondary income than the TDHCA standard by including 56 carports at $20/month, $8.75/month in washer/dryer fees and $9.00/month in cable television fees. A contract between the Applicant and Time Warner Cable, where Time Warner will be granted the exclusive provider of cable for the apartment units and in turn will pay a fee to the Applicant, has not yet been executed The Applicant will then charge the tenants a fee. When combining the Applicant's lower rents with their higher secondary income, the result is an effective gross income that is $52,803, or 4%, less than the Underwriter's estimate.

Expenses: The Applicant's estimate of total operating expense is 221% lower than the Underwriter's TDHCA database-derived estimate. This deviation is more than the Departments 5% tolerance, thus the Underwriter believes the expenses provided by the Applicant are too low. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($25,134 lower), payroll ($77,388 higher), utilities ($27,941) lower, water, sewer, and trash ($35,938 lower) and property tax ($92,986) lower than the Underwriter's. The reason for the disparity in the real estate taxes is because the Applicant could not provide sufficient evidence that they are exempt from paying real estate taxes. The Underwriter's tax amount was based on a value of $25,000 per unit at a rate of 2.32153 percent. This rate is taken into consideration that the site will be annexed into the City of Georgetown, thus will be required to pay city taxes.

The Applicant has indicated that they are a certified CHDO and are eligible for an automatic property tax exemption. However, they have not provided documentation from the local tax authority that indicates the authority will recognize this exemption, or has not provided a payment-in-lieu of taxes. The Applicant stated they will be making a payment-in-lieu of taxes but have not shown this in writing. Absent such documentation, the Underwriter considers the assumption of 100% property tax exemption to be speculative. The Applicant stated they will pay water, sewer and trash for the project, and as a result, rents and expenses were calculated accordingly.

Conclusion: The Applicant's estimated operating expense amount is 22% lower than the Underwriter's. Much of the difference can be attributed to the Underwriter projecting real estate taxes in the amount of $92,861, while the Applicant is assuming, because it is affiliated with a Community Housing Development Organization, there will be no taxes due. Even if real estate taxes are excluded, the Applicant's expenses are still 6% lower than the Underwriter's, thus the Underwriter's projections would be used. As a result of the difference in expenses, the Applicant's net operating income (NOI) amount is 9% higher than what the Underwriter is projecting. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.07 is less than the program minimum standard of 1.10. It should be noted that expense estimates for compliance and supportive services were removed from both the Applicant and Underwriter's net operating income calculation. This allows the reader to see the true effect of the bonds-only debt service requirement as compliance fees can be waived by the Department if necessary and supportive services can be funded out of net cash flow. Even doing so, however, the Underwriter's NOI is insufficient to support the proposed debt service amount at or above an acceptable 1.10 debt coverage ratio. Therefore, the maximum debt service for this project is anticipated to be limited to $662,282 and a reduction in debt is likely.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $715,000 ($0.66/SF or $28,900/acre) is 93% higher than the tax assessed value of $371,100, however this is an arm's length transaction and therefore can be deemed reasonable. The Applicant verbally stated that acquisition costs were going to be $833,725 for the land and various closing costs. This number is different than the $837,300 used in the Applicant's proforma.

Off-Site Costs: The Applicant claimed off-site costs of $189,120 for storm drains and devices and off-site utilities but did not provide a third party engineering cost certification to justify these costs. Receipt, review, and acceptance of a third party engineering off-site cost certification is a condition of this report.

Sitework Cost: The Applicant claimed sitework costs of $8,249 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 geotechnical report was provided showing the need for select fill due to the expansive soils at the site. However, 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 direct construction cost estimate is $1,061,447, or 17% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. Despite this difference, the Applicant's overall construction amount is within the 5% range that the Underwriter requires, which suggests that some of the Applicant's site work costs may be viewed as direct construction costs.

Ineligible Costs: The Applicant incorrectly included $10,000 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.

Fees: The Applicant overstated contractor overhead, profit and general requirements by $266,662 based on the Department's 6%, 2%, 6% maximum limits. As a result, the Applicant's proposed developer fee is also overstated by $191,892, based upon the 15% THDCA guideline. These amounts therefore were removed from the Applicant's eligible basis calculation.

Conclusion: The Applicant's total development costs are within 5% of the Underwriter's estimate. Therefore, the Applicant's eligible basis, adjusted for the ineligible costs and overstated fees should be used to determine the tax credit allocation and their total cost used to determine the projects total funding needs.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from four sources: a conventional interim to permanent loan securing tax exempt private activity bonds, a standby letter of credit, syndicated LIHTC equity, and deferred developer's fees.

Bonds: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by Capital Area Housing Financing Corporation and placed with Charter/MAC Municipal Mortgage. As of the date of the underwriting analysis, the aggregate face amount of the tax-exempt bonds is anticipated to be $9,400,000, but shall not exceed 85% of the appraised value. The bonds will be amortized over 40 years at a fixed interest rate. The Underwriter used a lender determined interest rate of 7.2%. A one percent origination fee will be charged for the facility. The bond will be interest only until the conversion date not more than 24 months after the issuance. The commitment letter anticipates a construction period of not more than 14 months and requires a letter of credit by an approved financial institution for the full amount of the bonds during the construction period.

Letter of Credit: The Applicant anticipates obtaining a letter of credit from First Union during the construction period, however a commitment evidencing this arrangement was not provided. Receipt review and acceptance of letter of credit commitment for the full amount of the bonds is a condition of this report. The commitment to purchase the bonds lays out the anticipated terms of the LOC including an origination fee of 1.0%, quarterly interest of 1.0% per annum on the full amount of the letter of credit.

LIHTC Syndication: Related Capital Company has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $3,062,552 based on a syndication factor of 78%. This commitment requires typical development guarantees be provided by Mr. Bobinchuck. The funds would be disbursed in a five-phased pay-in schedule:

1. 20% upon admission to partnership;
2. 15% at completion of 50% of construction;
3. 25% at completion of 75% of construction;
4. 20% upon completion of construction; and

5. 20% upon satisfaction of the rental achievement conditions.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $669,476 amount to 47% of the total proposed fees.

Financing Conclusions: Based on the Applicant's adjusted calculation of eligible basis, the LIHTC allocation should not exceed $399,099 annually for ten years, resulting in syndication proceeds of approximately $3,111,955. This is more than the Applicant requested despite the reduction in eligible basis because the Applicant used a much lower applicable percentage of 3.45% rather than the Underwriting rate of 3.67%. As indicated above, the Underwriter's analysis reflects that the debt service will be capped at $662,282, which would result in a reduction in the bond amount to $8,677,554. The resizing of the bond amount could occur prior to closing but is more likely going to occur as a redemption at conversion. Based on the Underwriter's analysis and absent the property tax exemption, the deferred developer may then need to be increased to 1,342,519, or 95% of the eligible developer fee. Should the Applicant's final construction cost exceed the cost estimate used to determine credits in this analysis or a larger initial mandatory redemption be required, there will be no additional deferred developer's fee available to fund any additional gap. As projected by the Underwriter, the deferred fees do not appear to be repayable within 10 year, it can be projected that they are repayable out of estimated cash flow at zero percent interest in approximately 11 years.

REVIEW of ARCHITECTURAL DESIGN

The individual unit Floorplans appear to be well designed except for the inconvenience of accessing the one-bedroom units' only restroom through the bedroom. All units include adequate storage and utility rooms with connections for a full-size washer and dryer. The residential buildings are attractive with siding/stucco exteriors and varied rooflines.

The clubhouse will include many tenant accessible common areas. There is an additional laundry/maintenance room located in the northwest corner of the site. However, the Underwriter believes the laundry room would best be served if it were located closer to the three buildings in the rear of the project.

IDENTITIES of INTEREST

The consultant, developer and general contractor (as originally proposed in the application) are related entities. In addition, the Applicant and supportive service provider are related entities. These are common identities of interest for LIHTC developments.

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.
- American Agape Foundation, Inc. submitted an audited financial statement on its Grant and Scholarship Operations as of December 31, 2000 reporting total assets of $609,904.05 and consisting of $210,618.56 in cash, $341,206.01 in receivables and $58,259.48 securities. There were no liabilities, thus the entity had a net worth totaling $609,904.05. American Agape Foundation, Inc. also submitted an audited statement of activities for the year ending December 31, 2000 reporting total revenue of $721,556.88 and total expenses of $450,907.64 for a net gain of $207,649.24.
- Bengal Development Corporation submitted an unaudited financial statement as of March 29, 2002. There is $15,747 in cash, $278,592 in receivables and $105,718 in other assets. There are no liabilities, resulting in a net worth of $400,057.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Background information on American Agape Foundation, Bengal Development Corporation or Michael Bobinchuck was not provided.

SUMMARY OF SALIENT RISKS AND ISSUES

- The development would need to capture a majority of the projected market area demand.

- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The Applicant's estimated operating expenses and net operating income are more than 5% outside of the Underwriter's verifiable ranges.
- 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 by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

☑ NOT RECOMMENDED DUE TO THE INABILITY OF THE MARKET TO SUPPORT THE DEVELOPMENT OF THE PROJECT AND THE EXCESSIVE (OVER 25%) CONCENTRATION CAPTURE RATE.

ALTERNATIVE

ANY ALLOCATION OF CREDITS FOR THIS PROJECT SHOULD BE LIMITED TO NOT MORE THAN $399,009 AND BE CONDITIONED UPON THE FOLLOWING:

CONDITIONS

1. TDHCA Board waiver of the Department's Concentration Policy in regards to this project;
2. Receipt, review, and acceptance of an acceptable site inspection report by a TDHCA staff member;
3. Receipt, review, and acceptance of a third party detailed site work cost breakdown for all sitework costs, including costs per unit of materials and numbers of units required 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;
4. Receipt, review, and acceptance of a third party engineering off-site cost certification;
5. Receipt, review and acceptance of a signed certification that no proposed improvements will be located within the 100-year floodplain;
6. Receipt, review and acceptance of documentation confirming that the site will be annexed into the City of Georgetown and zoned for the multi-family use proposed by the Applicant;
7. Receipt, review and acceptance of letter of credit commitment for the full amount of the bonds is a condition of this report;
8. Receipt, review, and acceptance of a revised permanent loan commitment reflecting a debt service not to exceed $662,282;
9. Receipt, review and acceptance of previous participation information from the general partner of the applicant and the developer.
10. Receipt, review and acceptance of a PILOT letter or property tax exemption from the taxing authority. Should the Applicant be able to satisfactorily document a reduction in the property taxes, a review and increase on the bond amount would be warranted.

Credit Underwriting:	______________________ *Mark Fugina*	**Date:**	April 1, 2002
Director of Credit Underwriting:	______________________ *Tom Gouris*	**Date:**	April 1, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Gateway Georgetown, Georgetown, LIHTC 01471

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC<50%	18	1	1	645	$666	$561	$10,101	$0.87	$56.50	$44.00
TC<50%	24	1	1	664	666	578	13,864	0.87	56.50	44.00
TC<50%	6	1	1	700	666	609	3,654	0.87	56.50	44.00
TC 50%	64	2	2	942	800	737	47,168	0.78	62.75	47.25
T< 50%	40	3	2	1,087	924	783	31,306	0.72	68.50	50.25
TC 50%	8	4	2	1,335	1,031	959	7,672	0.72	$72.25	$53.25
TOTAL:	160			914	$802	$711	$113,765	$0.78	$62.79	$47.33

INCOME	Total Net Rentable Sq Ft:	146,194		TDHCA	APPLICANT			
POTENTIAL GROSS RENT				$1,365,175	$1,279,776			
Secondary Income		Per Unit Per Month:	$10.00	19,200	17,280	$9.00	Per Unit Per Month	
Washer/Dryer & Carport Rental Income				0	30,240	$15.75	Per Unit Per Month	
POTENTIAL GROSS INCOME				$1,384,375	$1,327,296			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(103,828)	(99,552)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,280,547	$1,227,744			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.32%	$346	$0.38	$55,334	$30,200	$0.21	$189	2.46%
Management	5.00%	400	0.44	64,027	61,716	0.42	386	5.03%
Payroll & Payroll Tax	8.28%	663	0.73	106,080	183,468	1.25	1,147	14.94%
Repairs & Maintenance	4.98%	399	0.44	63,815	54,000	0.37	338	4.40%
Utilities	2.40%	192	0.21	30,741	2,800	0.02	18	0.23%
Water, Sewer, & Trash	6.12%	490	0.54	78,338	42,400	0.29	265	3.45%
Property Insurance	1.83%	146	0.16	23,391	19,200	0.13	120	1.56%
Property Tax 2.32153	7.25%	580	0.64	92,861	0	0.00	0	0.00%
Reserve for Replacements	2.50%	200	0.22	32,000	32,000	0.22	200	2.61%
Security	0.41%	33	0.04	5,200	5,200	0.04	33	0.42%
TOTAL EXPENSES	43.09%	$3,449	$3.77	$551,788	$430,984	$2.95	$2,694	35.10%
NET OPERATING INC	56.91%	$4,555	$4.98	$728,759	$796,760	$5.45	$4,980	64.90%
DEBT SERVICE								
First Lien Mortgage	56.02%	$4,484	$4.91	$717,420	$717,420	$4.91	$4,484	58.43%
Additional Financing	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Compliance & Supportive Service	1.36%	$109	$0.12	17,400	17,400	$0.12	$109	1.42%
NET CASH FLOW	-0.47%	($38)	($0.04)	($6,061)	$61,940	$0.42	$387	5.05%
AGGREGATE DEBT COVERAGE RATIO				0.99	1.08			
ALTERNATIVE DEBT COVERAGE RATIO				1.07				
ALTERNATIVE DEBT COVERAGE RATIO				1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg		#REF!	#REF!	#REF!	$833,725	$837,300	$5.70	$5,211	6.35%
Off-Sites		1.39%	1,182	1.29	189,120	189,120	1.29	1,182	1.44%
Sitework		7.62%	6,500	7.11	1,040,000	1,319,800	9.03	8,249	10.05%
Direct Construction		46.93%	40,052	43.83	6,408,347	5,346,900	36.57	33,418	40.72%
Contingency	3.69%	2.01%	1,719	1.88	275,000	275,000	1.88	1,719	2.09%
General Requirem	6.00%	3.27%	2,793	3.06	446,901	450,000	3.08	2,813	3.43%
Contractor's G &	2.00%	1.09%	931	1.02	148,967	187,500	1.28	1,172	1.43%
Contractor's Pro	6.00%	3.27%	2,793	3.06	446,901	562,500	3.85	3,516	4.28%
Indirect Construction		4.34%	3,700	4.05	592,000	592,000	4.05	3,700	4.51%
Ineligible Expenses		3.70%	3,156	3.45	504,888	504,888	3.45	3,156	3.84%
Developer's G & A	4.37%	3.31%	2,824	3.09	451,770	550,000	3.76	3,438	4.19%
Developer's Profit	10.63%	8.06%	6,875	7.52	1,100,000	1,100,000	7.52	6,875	8.38%
Interim Financing		7.23%	6,169	6.75	987,020	987,020	6.75	6,169	7.52%
Reserves		1.68%	1,438	1.57	230,000	230,000	1.57	1,438	1.75%
TOTAL COST		100.00%	$85,341	$93.40	$13,654,639	$13,132,028	$89.83	$82,075	100.00%
Recap-Hard Construction Costs		*64.20%*	***$54,788***	***$59.96***	***$8,766,116***	***$8,141,700***	***$55.69***	***$50,886***	*62.00%*

SOURCES OF FUNDS						RECOMMENDED
First Lien Mortgage	68.84%	$58,750	$64.30	$9,400,000	$9,400,000	$8,677,554
LIHTC Syndication Proceeds	22.43%	$19,141	$20.95	3,062,552	3,062,552	3,111,955
Additional Financing	0.00%	$0	$0.00	0	0	0
Deferred Developer Fees	4.90%	$4,184	$4.58	669,476	669,476	1,342,519
Additional (excess) Funds Requi	3.83%	$3,266	$3.57	522,611	0	0
TOTAL SOURCES				$13,654,639	$13,132,028	$13,132,028

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Gateway Georgetown, Georgetown, LIHTC 01471

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.64	$5,940,882
Adjustments				
Exterior Wall Fini	0.80%		$0.33	$47,527
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.78)	(114,616)
Floor Cover			1.82	266,073
Covered Breezeway	$24.09	45,000	7.41	1,084,028
Plumbing	$585	336	1.34	196,560
Built-In Appliance	$1,550	160	1.70	248,000
Exterior Stairs	$1,350	52	0.48	70,200
Floor Insulation			0.00	0
Heating/Cooling			1.41	206,134
Carports	$7.53	11,200	0.58	84,336
Comm &/or Aux Bldg	$52.65	6,077	2.19	319,954
Sprinkler System			1.55	226,601
SUBTOTAL			58.66	8,575,678
Current Cost Multiplie	1.04		2.35	343,027
Local Multiplier	0.88		(7.04)	(1,029,081)
TOTAL DIRECT CONSTRUCTION COSTS			$53.97	$7,889,624
Plans, specs, survy, b	3.90%		($2.10)	($307,695)
Interim Construction I	3.38%		(1.82)	(266,275)
Contractor's OH & Prof	11.50%		(6.21)	(907,307)
NET DIRECT CONSTRUCTION COSTS			$43.83	$6,408,347

PAYMENT COMPUTATION

Primary	$9,400,000	Term	480
Int Rate	7.20%	DCR	1.02

Secondary	$3,062,552	Term	
Int Rate	0.00%	Subtotal DCR	1.02

Additional	$0	Term	
Int Rate		Aggregate DCR	0.99

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$662,282
Secondary Debt Service	0
Additional Debt Service	17,400
NET CASH FLOW	$49,077

Primary	$8,677,554	Term	480
Int Rate	7.20%	DCR	1.10

Secondary	$3,062,552	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.07

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,365,175	$1,406,131	$1,448,315	$1,491,764	$1,536,517	$1,781,244	$2,064,950	$2,393,843	$3,217,125
Secondary Income	19,200	19,776	20,369	20,980	21,610	25,052	29,042	33,667	45,246
Washer/Dryer & Carport Re	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,384,375	1,425,907	1,468,684	1,512,744	1,558,127	1,806,296	2,093,992	2,427,511	3,262,371
Vacancy & Collection Loss	(103,828)	(106,943)	(110,151)	(113,456)	(116,860)	(135,472)	(157,049)	(182,063)	(244,678)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,280,547	$1,318,964	$1,358,533	$1,399,289	$1,441,267	$1,670,824	$1,936,943	$2,245,447	$3,017,694
EXPENSES at 4.00%									
General & Administrative	$55,334	$57,548	$59,849	$62,243	$64,733	$78,758	$95,821	$116,581	$172,568
Management	64,027	65,948	67,927	69,964	72,063	83,541	96,847	112,272	150,885
Payroll & Payroll Tax	106,080	110,323	114,736	119,326	124,099	150,985	183,696	223,495	330,827
Repairs & Maintenance	63,815	66,368	69,022	71,783	74,654	90,829	110,507	134,448	199,017
Utilities	30,741	31,970	33,249	34,579	35,962	43,754	53,233	64,766	95,870
Water, Sewer & Trash	78,338	81,472	84,731	88,120	91,645	111,500	135,657	165,047	244,310
Insurance	23,391	24,327	25,300	26,312	27,364	33,293	40,506	49,281	72,949
Property Tax	92,861	96,576	100,439	104,456	108,634	132,170	160,806	195,645	289,602
Reserve for Replacements	32,000	33,280	34,611	35,996	37,435	45,546	55,414	67,419	99,797
Other	5,200	5,408	5,624	5,849	6,083	7,401	9,005	10,956	16,217
TOTAL EXPENSES	$551,788	$573,219	$595,488	$618,629	$642,674	$777,777	$941,491	$1,139,910	$1,672,040
NET OPERATING INCOME	$728,759	$745,745	$763,044	$780,660	$798,593	$893,047	$995,452	$1,105,537	$1,345,654
DEBT SERVICE									
First Lien Financing	$662,282	$662,282	$662,282	$662,282	$662,282	$662,282	$662,282	$662,282	$662,282
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	17,400	17,400	17,400	17,400	17,400	17,400	17,400	17,400	17,400
NET CASH FLOW	$49,077	$66,062	$83,362	$100,978	$118,911	$213,365	$315,770	$425,855	$665,971
DEBT COVERAGE RATIO	1.07	1.10	1.12	1.15	1.17	1.31	1.46	1.63	1.98

LIHTC Allocation Calculation - Gateway Georgetown, Georgetown, LIHTC 014

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$837,300	$833,725		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,319,800	$1,040,000	$1,319,800	$1,040,000
Off-site improvements	$189,120	$189,120		
(3) Construction Hard Costs				
New structures/rehabilitation ha	$5,346,900	$6,408,347	$5,346,900	$6,408,347
(4) Contractor Fees & General Requiremen	$187,500			
Contractor overhead		$148,967	$133,334	$148,967
Contractor profit	$562,500	$446,901	$400,002	$446,901
General requirements	$450,000	$446,901	$400,002	$446,901
(5) Contingencies	$275,000	$275,000	$275,000	$275,000
(6) Eligible Indirect Fees	$592,000	$592,000	$592,000	$592,000
(7) Eligible Financing Fees	$987,020	$987,020	$987,020	$987,020
(8) All Ineligible Costs	$504,888	$504,888		
(9) Developer Fees			$1,418,109	
Developer overhead	$550,000	$451,770		$451,770
Developer fee	$1,100,000	$1,100,000		$1,100,000
(10) Development Reserves	$230,000	$230,000		
TOTAL DEVELOPMENT COSTS	$13,132,028	$13,654,639	$10,872,167	$11,896,906

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		$10,872,167	$11,896,906
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$10,872,167	$11,896,906
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$10,872,167	$11,896,906
Applicable Percentage		3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS		$399,009	$436,616
Syndication Proceeds	**0.7799**	**$3,111,955**	**$3,405,268**

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: April 2, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01468

DEVELOPMENT NAME

Overton Park Apartments

APPLICANT

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

Address: 1201 East 13th Street **City:** Fort Worth **State:** TX

Zip: 76102 **Contact:** Barbara Holston **Phone:** (817) 336-2419 **Fax:** (817) 332-4830

PRINCIPALS of the APPLICANT

Name	(%)	Title
Chisholm V Corporation	.01	Managing General Partner
Red Capital Markets, Inc.	99.99	Initial Limited Partner
Fort Worth Housing Authority		Sole owner of G.P.

GENERAL PARTNER

Name: Chisholm V Corporation **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 1201 East 13th Street **City:** Fort Worth **State:** TX

Zip: 76102 **Contact:** Barbara Holston **Phone:** (817) 336-2419 **Fax:** (817) 332-4830

CO-GENERAL PARTNER

Name: Fort Worth Housing Authority **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 1201 East 13th Street **City:** Fort Worth **State:** TX

Zip: 76102 **Contact:** Barbara Holston **Phone:** (817) 336-2419 **Fax:** (817) 332-4830

PROPERTY LOCATION

Location: 5501 Overton Ridge Boulevard ☐ **QCT** ☐ **DDA**

City: Fort Worth **County:** Tarrant **Zip:** 76132

REQUEST

Amount	Interest Rate	Amortization	Term
$523,783	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

SITE DESCRIPTION

Size: 15.04 acres 655,142 square feet **Zoning/ Permitted Uses:** C, Medium Density Multifamily District

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

DESCRIPTION of IMPROVEMENTS

Total Units: 216 **# Rental Buildings** 22 **# Common Area Bldngs** 1 **# of Floors** 2 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
32	1	1	685
64	1	1	737
48	2	2	971
32	2	2	1,020
40	3	2	1,225

Net Rentable SF: 197,336 **Av Un SF:** **914** **Common Area SF:** 4,000* **Gross Bldng SF** 201,336

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

* 500 SF is a heated and air-conditioned laundry area

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 50% brick veneer/50% 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, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES

3,500 SF community building with activity room, management offices, fitness, kitchen, restrooms, business center, swimming pool, perimeter fencing, picnic area

Uncovered Parking: 397 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Red Capital Group **Contact:** David Martin

Principal Amount: $7,066728 **Interest Rate:** 6.87% (estimated)

Additional Information: The interest rate will be locked at the bond pay rate plus 70 basis points

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

INTERIM CONSTRUCTION or GAP FINANCING

Source: Red Capital Group **Contact:** David Martin

Principal Amount: $500,000 **Interest Rate:** 4.44% (estimated)

Additional Information: The interest rate will be 250 basis points over the thirty-day LIBOR, adjusted monthly

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

INTERIM CONSTRUCTION or GAP FINANCING

Source: Fort Worth Housing Authority **Contact:** Barbara Holston

Principal Amount: $4,910,624 **Interest Rate:** Applicable Federal long-term rate

Additional Information: The interest rate will be 250 basis points over the thirty-day LIBOR, adjusted monthly

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

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

LONG TERM/PERMANENT FINANCING

Source: Red Capital Group **Contact:** David Martin

Principal Amount: $7,066,728 **Interest Rate:** 6.17% (estimated)

Additional Information: Interest rate to be locked upon sale of bonds

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

Annual Payment: $517,729 **Lien Priority:** 1st **Commitment Date** 12/ 21/ 2001

LONG TERM/PERMANENT FINANCING

Source: Fort Worth Housing Authority **Contact:** Barbara Holston

Principal Amount: $4,910,624 **Interest Rate:** 0.5%

Additional Information: Interest-only payments until maturity date

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

Annual Payment: $24,553 (residual) **Lien Priority:** 2nd **Commitment Date** 12/ 28/ 2001

LIHTC SYNDICATION

Source: Red Capital Group **Contact:** David Martin

Address: 150 East Gay Street, Suite 2200 **City:** Columbus

State: OH **Zip:** 43215 **Phone:** (614) 857-1400 **Fax:** (614) 837-1430

Net Proceeds: $4,085,507 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 78¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 12/ 21/ 2001

Additional Information: Commitment letter reflects proceeds of $4,085,507 based on credits of $5,237,830

APPLICANT EQUITY

Amount: $957,267 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: 15.04 ac. $1,441,312 **Assessment for the Year of:** 2001

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

Total Assessed Value: $1,441,312 **Tax Rate:** 2.845785

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Ground lease agreement (the site was acquired by the Fort Worth Housing Authority on 1/29/2002)

Contract Expiration Date: 5/ 10/ 2002 **Closing Date:** 1/ 29/ 2002

Acquisition Cost: $ 1,637,832.50 **Other Terms/Conditions:** $45,000 earnest money

Seller: Cityview Partners, L.P. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Overton Park is a proposed new construction project of 216 units of affordable housing located in southwest Fort Worth. The project is comprised of 22 residential buildings as follows:

- Two Building Type I with eight one-bedroom units and two two-bedroom units, and two three-bedroom units;
- Eight Building Type II with four one-bedroom units, three two-bedroom units and two three-bedroom units;
- Two Building Type III with six two-bedroom units and two three-bedroom units;
- Two Building Type IV with eight one-bedroom units and two two-bedroom units;
- Four Building Type V with four one-bedroom units, six two-bedroom units and two three-bedroom units.

(NOTE: The site plan was in flux at the time of the report due to fire department-driven changes and the Underwriter was not in receipt of the most recent plan. Furthermore, the most current list of building numbers and types was internally inconsistent with the rent schedule. The underwriting analysis was performed using the most recent available information regarding unit and building mix, but it is a condition of this report that the Applicant provide a revised site plan and building and unit list which are consistent and in agreement with the submitted rent schedule.)

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building and mailboxes located near the entrance to the site. The 4,000-square foot community building is planned to have the management office, community room, business center, exercise room, kitchen, restrooms, and laundry facilities.

Supportive Services: The Applicant has contracted with Fort Worth Housing Authority to provide the following supportive services to tenants: self-sufficiency activities, access to job training, job placement, adult educational opportunities, child care, and transportation assistance. These services will be provided at no cost to tenants. The contract requires the Applicant to pay $100 per year for these support services. For special service tasks requested by the partnership and not set forth in the agreement, the services coordinator will receive an hourly rate of $40 or such other rate of compensation as deemed mutually acceptable.

Schedule: The Applicant anticipates construction to begin in May of 2002, to be completed in May of 2003, to be placed in service in December of 2002, 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 as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI. This program allows for prospective tenants to be qualified at the 60% of AMGI or less income level.

Fifty-four of the units in the project are to be dedicated as public housing units under the Ripley-Arnold housing desegregation plan, and will receive a HUD Section 9 project-based subsidy of $189/unit. Tenants for these units will be supplied by the Fort Worth Housing Authority from the public housing waiting list.

Special Needs Set-Asides: The subject will have 11 units set aside for persons with disabilities. This represents 5% of the complex's units.

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

MARKET HIGHLIGHTS

A market feasibility study dated December 10, 2001 as prepared by Integra Realty Resources and highlighted the following findings:

Definition of Market/Submarket: "Based upon physical and psychological constraints, the subject appears to have a natural market area constrained by: Interstate 20 to the north; Interstate 35 to the east; Fort Worth city limits to the south; and US Highway 377 and Benbrook Lake to the west" (p. 18)

Total Regional Market Demand for Rental Units: "Population growth [of the Fort Worth-Arlington PMSA] is projected to continue, fueled by employment growth created by the diversified economy. The many positive environmental, social, governmental, and economic characteristics of the PMSA indicate that continued population and employment growth will occur. This will create constant demand for commercial and residential real estate of all types." (p. 17)

Total Local/Submarket Demand for Rental Units: "Based on historical trends, the Southwest Fort Worth submarket has exhibited the ability to absorb approximately 300 units per year." (p. 48) The market analyst only included households earning up to 50% of the median income resulting in an income band of only 9%. While these units will be rent-restricted to the 50% level, the program would allow the income restriction to go up to the 60% level. In addition the analyst did not include households in the lowest levels of income in demand but should have done so since a large number of the units will serve that segment as PHA-supported units. Therefore a much broader and more appropriate income range was estimated by the Underwriter to be 27.5%. This results in a significantly different demand calculation detailed in the chart below.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	**Market Analyst**		**Underwriter**	
	Units of Demand	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	20*	10%	80**	2%
Resident Turnover	0	0%	3,405**	98%
Other Sources: "Step-Up" Demand	129*	70%	0	0%
Historical Absorption Rate (1960-2000)	38*	20%	0	0%
TOTAL ANNUAL DEMAND	**187**	**100%**	**3,485**	**100%**

Ref: p. 47 & 48
NOTES:
*The analyst's gross household growth demand (225), step-up demand (1,422) and historical absorption (419) figures were income-qualified by the Underwriter using the analyst's stated income band of 9.1%
** Calculated by the Underwriter using a larger income band of 27.5% for growth and turnover. Turnover calculation also used 2000 IREM central region turnover rate (62%)

Capture Rate: None provided by the analyst, calculated by the Underwriter to be over 100% based on market analyst's net demand figures. Based on the Underwriter's figures, however, the capture rate including this project and two other projects in the LIHTC pipeline (Sycamore Pointe and Arbor Bend Villas) would be an acceptable 14%.
Local Housing Authority Waiting List Information: "In Tarrant County, 33 percent of poor households are not receiving government assistance for their housing needs" (p. 42)
Market Rent Comparables: The market analyst surveyed five comparable apartment projects totaling 1,702 units in the market area. "All of the comparables are located within the PMA. Thus no adjustment for location is required." (p. 59)

RENT ANALYSIS (net tenant-paid rents)						
Unit Type (%AMI)	**Sq. Ft.**	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (50%)	685	$512	$512	$0	$644	-$132
1-Bedroom (PH)	685	$264	$512	-$248	$644	-$380
1-Bedroom (50%)	737	$512	$512	$0	$678	-$166
1-Bedroom (PH)	737	$264	$512	-$248	$678	-$414
2-Bedroom (50%)	971	$614	$614	$0	$845	-$231
2-Bedroom (PH)	971	$264	$614	-$350	$845	-$581
2-Bedroom (50%)	1,020	$614	$614	$0	$887	-$273
2-Bedroom (PH)	1,020	$264	$614	-$350	$887	-$623
3-Bedroom (50%)	1,225	$710	$710	$0	$1,180	-$470
3-Bedroom (PH)	1,149	$264	$710	-$446	$1,180	-$916

(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)
Ref: p. 63
Submarket Vacancy Rates: "During 2001, the Southwest Fort Worth submarket has reported occupancy levels higher than or equal to that of the overall Fort Worth average." The reported occupancy trends per quarter range from 93.2% to 95.8%, therefore showing vacancy rates between 4% to 7%. (p. 40)

Absorption Projections: "The Southwest Fort Worth submarket experienced net absorption of 190 units, accounting for 7.3% of the Fort Worth area annual absorption." (p. 41)
Known Planned Development: "Two complexes, including the subject, consisting of a combined 590 units, are to come on-line within the Southwest Fort Worth submarket by 2003. The project other than the subject, Verandas at City View, is currently under construction on a site located approximately one mile south of the subject and is to consist of 320 units." (p. 48) While the Veranda at City View is not known to be a TDHCA funded project, two other projects, Sycamore Point and Arbor Bend Villas have been identified by the Underwriter as existing in the same market area. Sycamore Pointe is a 126-unit 9% tax credit project scheduled to come on line in the fall of 2002 and Arbor Bend Villas is a 4% transaction with 152 units also currently contemplated for approval. These units were included in the Underwriter's capture calculation but not the market analyst's.
Effect on Existing Housing Stock: "We conclude there is a current shortage of affordable housing and more than sufficient demand to support the development of the subject, without significantly impacting occupancy levels among other multifamily properties in the subject's market area." (p. 51)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation. The analyst failed to conclude that sufficient income-qualified demand exists or will exist for the project and the two additional LIHTC projects within the designated primary market area during the anticipated construction period. The market analyst did provide sufficient demographic data for the Underwriter to generate an adequate estimated demand figure using TDHCA methodology. It should be noted, however, that the market analyst for the competing project, Arbor Bend Villas, was also not able to substantiate the demand for both projects from a concentration capture rate but was comfortable with both projects having sufficient demand in general. In a letter dated March 28, 2002, B. Diane Butler writes that "…it is our opinion that sufficient demand exists to warrant development of Arbor Bend Villas, despite the concurrent development and operation of Overton Park Apartments. Excess demand should exist after development of both properties and the operations of each should not be detrimentally impacted by the other property."

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject is located just south of Interstate 20 in southwestern Fort Worth. The site is an irregularly-shaped parcel located on the south side of Overton Ridge Boulevard.
Population: The estimated 2001 population of the primary market area (PMA) was 109,994 and is expected to increase by 1.3% to approximately 117,530 by 2006. Within the primary market area there were estimated to be 48,124 households in 2001.
Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly mixed, with vacant land, apartment complexes, and retail stores. Adjacent land uses include:

- **North:** a number of retail stores
- **South:** undeveloped pasture land
- **East:** multifamily residential
- **West:** multifamily residential

Site Access: Access to the property is from the east or west along Overton Ridge Boulevard. The project is to have one main entry from the north off of Overton Ridge Boulevard. Access to Interstate Highway 20 is less than one mile northeast, which provides connections to all other major roads serving the greater Fort Worth area.
Public Transportation: Public transportation to the area is provided by the city bus system.
Shopping & Services: The site is within one mile of various grocery store-anchored community shopping centers. Hulen Mall is located less than one mile from the site at the intersection of Interstate 20 and Hulen Street. 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 December 12, 2001 was prepared by HBC Engineering, Inc. and contained the following findings and recommendations:

Findings: "A creek (identified on the site plan as a drainage channel) was observed crossing the northern portion of the site during the site inspection. The creek contained water during the site inspection, and the creek banks exceeded six feet in places. Based on site observations, it appears that the on-site creek may be a potential jurisdictional water of the U.S. in accordance with Section 404 of the Clean Water Act. If proposed development will not occur within or in close proximity of the creek, then notification to the U.S. Army Corps of Engineers will not be necessary. However, if development is to occur within the jurisdictional limits of the water of the U.S, then the U.S. Army Corps of Engineers will need to be notified and a Section 404 Permit likely submitted." (p. 16) It is a condition of this report that the Applicant provide a definitive opinion from a qualified environmental analyst as to the requirement to submit a Section 404 development permit. Furthermore, the report did not specifically state that no portion of the site was in the 100-year floodplain, and the Underwriter is concerned about the presence of an apparently active stream bisecting the property. It is a condition of this report that the Applicant provide evidence that no portion of the site lies within the 100-year floodplain. If any portion of the site does lie within the 100-year floodplain, the Applicant must provide a flood remediation plan.

Recommendation: "Based upon the results of this assessment, no further environmental investigation is recommended at this time." (p. 17)

OPERATING PROFORMA ANALYSIS

Income: At the time of application, the 2002 rent limits had not been released and thus the Applicant used 2001 rent limits in setting rents. Based on the Applicant's intention to charge maximum program rents, the Underwriter used the 2002 maximum rents in this analysis for the 162 non-public housing units, which results in an increase of $23,784 in potential gross rent. The Applicant used an estimated rent of $264/unit for the 54 public housing units, which is derived from the $189/unit HUD project-based subsidy plus $75, which represents the average tenant-paid portion on public housing units in Fort Worth. The actual rent limits on these units will be the 50% LIHTC rent limits; there is the potential for approximately $218K in additional income if the Applicant were able to achieve these rents. The Applicant used a higher secondary income estimate of $17/unit based on historical experience, and a lower vacancy and collection loss factor of 5% based on the 54 public housing units being artificially filled from the public housing waiting list. The net effect of these differences is that the Applicant's effective gross income estimate exceeds the Underwriter's by $28K (2%).

Expenses: The Applicant's total expense estimate of $2,923 per unit is within 7% of a TDHCA database-derived estimate of $2,755 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 ($31K higher), repairs and maintenance ($16K higher), and insurance ($45K higher). The Applicant included no property tax expense which the Underwriter regards as reasonable considering control of the project by the housing authority.

Conclusion: The Applicant's estimated total estimated operating expense is inconsistent with the Underwriter's expectations, therefore the Underwriter's net operating income estimate 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 in excess of 1.10 required by LIHTC program guidelines.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $1,637,833 ($2.50/SF or $109K/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction. The site was purchased by the Fort Worth Housing Authority in October of 2001 and will be leased to the Applicant at a cost of $1 per year; the acquisition cost is included in the Housing Authority's $4.9M loan to the project.

Sitework Cost: The Applicant claimed sitework costs of $12,502; the TDHCA acceptable range of sitework costs is $4.5K to $6.5K per unit. The Applicant attributed this additional expense to costs associated with the drainage easement which bisects the site and the impact of utility deregulation, which the Applicant expects to result in developers being responsible for providing electric utility infrastructure which was formerly provided by the utilities. The Applicant provided no detailed third party sitework cost breakdown, however; 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 more than 5% different 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 may be understated, although economies may be expected through the use of a related general contractor.

Ineligible Costs: The Applicant incorrectly included $212,000 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.

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 Underwriter distributed $284K in field supervision fees among the contractor fees which resulted in $29K being effectively moved to ineligible costs.

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. As a result an eligible basis of $14,879,596 is used to determine a credit allocations of $546,081 from this method. This is $22,298 more than initially requested due to the Applicant's use of a lower applicable percentage of 3.58% rather than the 3.67% underwriting rate used for projects being presented to the Board in April 2002. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

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

Bonds and Conventional Interim to Permanent Loan: The bonds are $7,066,728 in tax-exempt private activity mortgage revenue bonds to be issued by the Trinity River Public Facilities Corporation and placed privately with Red Capital Group. There is a commitment for interim to permanent financing through Red Capital Group. The construction financing will be in the form of two notes in the amounts of $7,066,728 and $500,000, with variable interest rates estimated at 6.87% and 4.44%, respectively. The larger note's interest rate will be locked at 70 basis points above the bond pay rate, and the smaller note's rate will be defined as 250 basis points over the 30-day LIBOR, adjusted monthly. The construction loan term will be 24 months. The permanent loan will bear interest at a fixed rate estimated at 6.17%, to be locked at the time of bond sale. The commitment letter indicated a term 18 years and an amortization schedule of 30 years.

Municipal Loan: There is also a commitment letter for an interim to permanent loan in the amount of $4,910,624 from the Fort Worth Housing Authority. The construction period is defined as three years, and the interest rate is specified as the applicable federal long-term rate. The permanent loan will have a term of 40 years with a fixed interest rate of 0.5%. The payment schedule is specified as follows: "Monthly payments of interest only, which shall accrue until the maturity date, at which time all principal and interest shall be due and payable." The Underwriter interprets this to mean that no debt service is required on this loan until the maturity date. As mentioned above, the housing authority has already acquired the site for $1,637,832 and the Applicant has stated that the site cost is included in the $4.9M loan amount.

LIHTC Syndication: Red Capital Group has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $4,085,507 based on a syndication factor of 78%. The funds would be disbursed in a three-phased pay-in schedule:

1. 50% upon admission to the partnership;
2. 30% upon receipt of the final certificate of occupancy;

3. 20% upon project stabilization.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $957,267 amount to 61% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed $546,081 annually for ten years, resulting in syndication proceeds of approximately $4,259,433. Based on the underwriting analysis, the Applicant's deferred developer fee will be reduced to $783,340. This represents 50% of the available fee and should be repayable from project cash flow in approximately six years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee should be available to fund those development cost overruns.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The exterior elevations are functional, with varied rooflines. All units are of average size for market rate and LIHTC units, and some have covered patios and small outdoor storage closets.
Each unit has a semi-private exterior entry that is shared with another unit. The units are in two-story structures with mixed brick/wood siding exterior finish and hipped roofs.

Unit Floorplans:

1. Entry to the 1-BR/1-BA two-story unit is directly into the living and dining area and the galley kitchen is beyond the dining area. The bathroom and bedroom are on the second level.
2. Entry to the 1-BR/1-BA one-story unit is directly into the living and dining area, and the galley kitchen is beyond the dining area. The bathroom is accessible from the living area and has a linen closet. The bedroom is off a short hall beyond the living area.
3. The 2-BR/2-BA two-story unit is well arranged, with entry into the living area, and the kitchen is beyond the living area. The two bedrooms and two baths are on the second level.
4. The second 2-BR/2-BA two-story unit is also well arranged, with entry into the living area dining area, with the kitchen beyond the living area. One of the two bedrooms and bath is beyond the kitchen area. The second bedroom and bath are located on the second level.
5. Entry into the 3-BR/2-BA unit is directly into the living and dining area and the galley kitchen is off the dining space. The master bedroom is located off the living space and has a walk-in closet. The other two bedrooms and bathroom are located on the second level.

IDENTITIES of INTEREST

The Developer, Carleton Development, Ltd. is also the General Contractor. This appears to be an acceptable relationship.

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 Sponsor, Owner, and Affiliate of the General Partner, the Fort Worth Housing Authority, submitted an audited financial statement as of December 31, 2000 reporting total assets of $47.4M and consisting of $4.6M in cash, $2.2M in receivables, $81K in prepaid expenses and other assets and inventories, $2.4M in other current assets, and $38M in non-current assets. Liabilities totaled $10M, resulting in a net worth of $37.2M.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The Fort Worth Housing Authority listed participation as owner and operator of ten affordable and conventional housing projects totaling 1,888 units since 1941.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses are more than 5% outside of the Underwriter's verifiable range.

- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant environmental/locational risks may exist regarding location of the floodplain of the creek crossing the site.
- The project could potentially achieve an excessive profit level (i.e., a DCR above 1.25) if the maximum tax credit rents can be achieved in this project.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $546,081 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a definitive opinion from a qualified environmental analyst as to the requirement to submit a Section 404 development permit.
2. Receipt, review, and acceptance of evidence that no portion of the site lies within the 100-year floodplain. If any portion of the site does lie within the 100-year floodplain, the Applicant must provide a flood remediation plan.
3. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
4. Receipt, review, and acceptance of a revised and consistent site plan and unit and building list;
5. Receipt, review, and acceptance of a third party detailed site work cost breakdown for all sitework costs, including costs per unit of materials and numbers of units required 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;

Underwriter:	*Carl Hoover*	**Date:**	April 2, 2002
Credit Underwriting Supervisor:	*Jim Anderson*	**Date:**	April 2, 2002
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	April 2, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Overton Park, Fort Worth, LIHTC #01468

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
LIHTC (50%)	22	1	1	685	574	$512	11,264	0.75	$62.00	$20.00
PHA	10	1	1	685	574	$264	2,640	0.39	$62.00	$20.00
LIHTC (50%)	57	1	1	737	574	$512	29,184	0.69	$62.00	$20.00
PHA	7	1	1	737	574	$264	1,848	0.36	$62.00	$20.00
LIHTC (50%)	26	2	2	971	690	$614	15,964	0.63	$76.00	$22.00
PHA	22	2	2	971	690	$264	5,808	0.27	$76.00	$22.00
LIHTC (50%)	27	2	2	1,020	690	$614	16,578	0.60	$76.00	$22.00
PHA	5	2	2	1,020	690	$264	1,320	0.26	$76.00	$22.00
LIHTC (50%)	30	3	2	1,225	796	$710	21,300	0.58	$86.00	$25.00
PHA	10	3	2	1,225	796	$264	2,640	0.22	86.00	$25.00
TOTAL:	216			914	$658	$503	$108,546	$0.55	$71.63	$21.67

INCOME Total Net Rentable Sq Ft: 197,336

				TDHCA	APPLICANT			
POTENTIAL GROSS RENT				$1,302,552	$1,278,768			86
Secondary Income		Per Unit Per Month:	$10.00	25,920	44,064	$17.00	Per Unit Per Month	
Other Support Income:				0	0			
POTENTIAL GROSS INCOME				$1,328,472	$1,322,832			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(99,635)	(66,144)	-5.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$1,228,837	$1,256,688			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.73%	$326	$0.36	$70,454	$45,592	$0.23	$211	3.63%
Management		5.00%	284	0.31	61,442	62,882	0.32	291	5.00%
Payroll & Payroll Tax		14.80%	842	0.92	181,872	212,457	1.08	984	16.91%
Repairs & Maintenance		7.01%	399	0.44	86,144	102,272	0.52	473	8.14%
Utilities		3.85%	219	0.24	47,344	44,775	0.23	207	3.56%
Water, Sewer, & Trash		4.57%	260	0.28	56,160	58,825	0.30	272	4.68%
Property Insurance		2.57%	146	0.16	31,574	44,547	0.23	206	3.54%
Property Tax	2.845785	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		3.52%	200	0.22	43,200	43,200	0.22	200	3.44%
Other: Spt svcs, compliance fe		1.37%	78	0.09	16,822	16,822	0.09	78	1.34%
TOTAL EXPENSES		48.42%	$2,755	$3.02	$595,012	$631,372	$3.20	$2,923	50.24%
NET OPERATING INC		51.58%	$2,934	$3.21	$633,825	$625,316	$3.17	$2,895	49.76%
DEBT SERVICE									
Red Capital Group		42.13%	$2,397	$2.62	$517,729	$517,729	$2.62	$2,397	41.20%
LIHTC Syndication Proceeds		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Fort Worth Housing Authority		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		9.45%	$537	$0.59	$116,096	$107,587	$0.55	$498	8.56%
AGGREGATE DEBT COVERAGE RATIO					1.22	1.21			
BOND-ONLY DEBT COVERAGE RATIO					1.22	1.21			
ALTERNATIVE DEBT COVERAGE RATIO					1.22				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		9.47%	$7,583	$8.30	$1,637,833	$1,637,833	$8.30	$7,583	9.62%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.12%	6,500	7.11	1,404,000	2,700,468	13.68	12,502	15.87%
Direct Construction		49.98%	40,030	43.82	8,646,411	7,186,751	36.42	33,272	42.23%
Contingency	2.24%	1.30%	1,042	1.14	225,000	225,000	1.14	1,042	1.32%
General Requireme	5.95%	3.45%	2,767	3.03	597,655	597,655	3.03	2,767	3.51%
Contractor's G &	2.00%	1.16%	931	1.02	201,008	202,100	1.02	936	1.19%
Contractor's Prof	6.00%	3.49%	2,792	3.06	603,025	613,823	3.11	2,842	3.61%
Indirect Construction		3.57%	2,861	3.13	618,000	618,000	3.13	2,861	3.63%
Ineligible Expenses		2.52%	2,017	2.21	435,756	435,756	2.21	2,017	2.56%
Developer's G & A	11.68%	9.10%	7,291	7.98	1,574,806	1,574,806	7.98	7,291	9.25%
Developer's Profit	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Interim Financing		6.88%	5,511	6.03	1,190,361	1,190,361	6.03	5,511	6.99%
Reserves		0.95%	762	0.83	164,552	37,573	0.19	174	0.22%
TOTAL COST		100.00%	$80,085	$87.66	$17,298,406	$17,020,125	$86.25	$78,797	100.00%
Recap-Hard Construction Costs		*67.50%*	***$54,061***	***$59.17***	***$11,677,099***	***$11,525,797***	***$58.41***	***$53,360***	*67.72%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED
Red Capital Group	40.85%	$32,716	$35.81	$7,066,728	$7,066,728	$7,066,728
LIHTC Syndication Proceeds	23.62%	$18,914	$20.70	4,085,507	4,085,507	4,259,433
Fort Worth Housing Authority	28.39%	$22,734	$24.88	4,910,624	4,910,624	4,910,624
Deferred Developer Fees	5.53%	$4,432	$4.85	957,267	957,267	783,340
Additional (excess) Funds Requir	1.61%	$1,288	$1.41	278,280	(1)	0
TOTAL SOURCES				$17,298,406	$17,020,125	$17,020,125

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Overton Park, Fort Worth, LIHTC #01468

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Townhouse Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$ 46.30	$9,137,564
Adjustments				
Exterior Wall Finish	4.00%		$1.85	$365,503
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(2.23)	(440,059)
Floor Cover			2.43	479,526
Porches/Balconies	$13.17	43,680	2.92	575,266
Plumbing	$675	(72)	(0.25)	(48,600)
Built-In Appliances	$2,000	216	2.19	432,000
Stairs	$1,275	4	0.03	5,100
Floor Insulation			0.00	0
Heating/Cooling			1.83	361,125
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$55.28	4,000	1.12	221,130
Other:			0.00	0
SUBTOTAL			56.19	11,088,554
Current Cost Multiplier	1.04		2.25	443,542
Local Multiplier	0.92		(4.50)	(887,084)
TOTAL DIRECT CONSTRUCTION COSTS			$53.94	$10,645,012
Plans, specs, survy, bld	3.90%		($2.10)	($415,155)
Interim Construction Int	3.38%		(1.82)	(359,269)
Contractor's OH & Profit	11.50%		(6.20)	(1,224,176)
NET DIRECT CONSTRUCTION COSTS			$43.82	$8,646,411

PAYMENT COMPUTATION

Primary	$7,066,728	Term	360
Int Rate	6.17%	DCR	1.22

Secondary		Term	
Int Rate		Subtotal DCR	1.22

Additional	$4,910,624	Term	480
Int Rate	0.50%	Aggregate DCR	1.22

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$517,729
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$116,096

Primary	$7,066,728	Term	360
Int Rate	6.17%	DCR	1.22

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.22

Additional	$4,910,624	Term	480
Int Rate	0.50%	Aggregate DCR	1.22

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,302,552	$1,341,629	$1,381,877	$1,423,334	$1,466,034	$1,699,535	$1,970,227	$2,284,033	$3,069,549
Secondary Income	25,920	26,698	27,499	28,323	29,173	33,820	39,206	45,451	61,082
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,328,472	1,368,326	1,409,376	1,451,657	1,495,207	1,733,355	2,009,433	2,329,484	3,130,631
Vacancy & Collection Loss	(99,635)	(102,624)	(105,703)	(108,874)	(112,141)	(130,002)	(150,707)	(174,711)	(234,797)
Employee or Other Non-Rent	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,228,837	$1,265,702	$1,303,673	$1,342,783	$1,383,066	$1,603,353	$1,858,726	$2,154,772	$2,895,834
EXPENSES at 4.00%									
General & Administrative	$70,454	$73,272	$76,203	$79,251	$82,421	$100,278	$122,003	$148,436	$219,721
Management	61,442	63,285	65,184	67,139	69,153	80,168	92,936	107,739	144,792
Payroll & Payroll Tax	181,872	189,147	196,713	204,581	212,765	258,861	314,943	383,177	567,195
Repairs & Maintenance	86,144	89,590	93,174	96,901	100,777	122,610	149,174	181,493	268,654
Utilities	47,344	49,238	51,208	53,256	55,386	67,386	81,985	99,747	147,650
Water, Sewer & Trash	56,160	58,406	60,743	63,172	65,699	79,933	97,251	118,321	175,143
Insurance	31,574	32,837	34,150	35,516	36,937	44,939	54,676	66,521	98,468
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	43,200	44,928	46,725	48,594	50,538	61,487	74,808	91,016	134,726
Other	16,822	17,495	18,195	18,922	19,679	23,943	29,130	35,441	52,462
TOTAL EXPENSES	$595,012	$618,198	$642,293	$667,333	$693,355	$839,605	$1,016,907	$1,231,891	$1,808,811
NET OPERATING INCOME	$633,825	$647,504	$661,380	$675,450	$689,711	$763,749	$841,818	$922,882	$1,087,023
DEBT SERVICE									
First Lien Financing	$517,729	$517,729	$517,729	$517,729	$517,729	$517,729	$517,729	$517,729	$517,729
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$116,096	$129,775	$143,651	$157,721	$171,983	$246,020	$324,090	$405,153	$569,294
DEBT COVERAGE RATIO	1.22	1.25	1.28	1.30	1.33	1.48	1.63	1.78	2.10

LIHTC Allocation Calculation - Overton Park, Fort Worth, LIHTC #01468

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,637,833	$1,637,833		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$2,700,468	$1,404,000	$2,700,468	$1,404,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$7,186,751	$8,646,411	$7,186,751	$8,646,411
(4) Contractor Fees & General Requirements				
Contractor overhead	$202,100	$201,008	$197,744	$201,008
Contractor profit	$613,823	$603,025	$593,233	$603,025
General requirements	$597,655	$597,655	$593,233	$597,655
(5) Contingencies	$225,000	$225,000	$225,000	$225,000
(6) Eligible Indirect Fees	$618,000	$618,000	$618,000	$618,000
(7) Eligible Financing Fees	$1,190,361	$1,190,361	$1,190,361	$1,190,361
(8) All Ineligible Costs	$435,756	$435,756		
(9) Developer Fees				
Developer overhead	$1,574,806	$1,574,806	$1,574,806	$1,574,806
Developer fee				
(10) Development Reserves	$37,573	$164,552		
TOTAL DEVELOPMENT COSTS	$17,020,125	$17,298,406	$14,879,596	$15,060,266

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			$14,879,596	$15,060,266
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			$14,879,596	$15,060,266
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			$14,879,596	$15,060,266
Applicable Percentage			3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS			$546,081	$552,712
	Syndication Proceeds	**0.7800**	**$4,259,433**	**$4,311,151**

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY CREDIT UNDERWRITING ANALYSIS

DATE: April 1, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01467

DEVELOPMENT NAME

Wintergreen Senior Apartments

APPLICANT

Name: Wintergreen Senior Apartments, L.P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 5601 Bridge Street, Suite 504 **City:** Fort Worth **State:** TX

Zip: 76112 **Contact:** Robert Bullock **Phone:** (817) 446-4792 **Fax:** (817) 446-0923

PRINCIPALS of the APPLICANT

Name	(%)	Title
Covenant Place of North Richland Hills, Inc.	.01	Managing General Partner
Lend Lease	99.99	Initial Limited Partner
Covenant Group of Texas, Inc.	n/a	100% Owner of MGP
Covenant Group Holdings, Inc.	n/a	100% Owner of Covenant Group of Texas, Inc.
Gary Staats	n/a	31.96% Owner of Covenant Group Holdings Inc
CCLP Real Estate Investments	n/a	31.96% Owner of Covenant Group Holdings Inc
Robert Bullock	n/a	31.96% Owner of Covenant Group Holdings Inc

GENERAL PARTNER

Name: Covenant Place of North Richland Hills, Inc. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 5601 Bridge Street, Suite 504 **City:** Fort Worth **State:** TX

Zip: 76112 **Contact:** David Evans **Phone:** (817) 446-4792 **Fax:** (817) 446-0923

PROPERTY LOCATION

Location: 400 East Wintergreen Road ☐ **QCT** ☐ **DDA**

City: De Soto **County:** Dallas **Zip:** 75115

REQUEST

Amount	Interest Rate	Amortization	Term
$395,849	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

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

SITE DESCRIPTION

Size: 9.865 acres 429,719 square feet **Zoning/ Permitted Uses:** PD-84

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

DESCRIPTION of IMPROVEMENTS

Total Units: 180 **# Rental Buildings** 4 **# Common Area Bldngs** * **# of Floors** 3 **Age:** na yrs **Vacant:** na at / /

* Common Area part of Building #1

Number	Bedrooms	Bathroom	Size in SF
21	eff	1	510
87	1	1	709
72	2	2	946

Net Rentable SF: 140,505* **Av Un SF:** 781 **Common Area SF:** 6,082* **Gross Bldng SF** 188,588*

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

* In addition there is a significant amount of interior corridor space associated with this project.

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 80% brick veneer/20% 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

ON-SITE AMENITIES

6,082 SF community area with in building #1 with activity room, management offices, laundry facilities, kitchen, restrooms, computer/business center, central mailroom, swimming pool, perimeter fencing with limited access gate

Uncovered Parking: 96 spaces **Carports:** 120 spaces **Garages:** na spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Malone Mortgage **Contact:** Jeffrey Rogers

Principal Amount: $9,012,800 **Interest Rate:** 5.8% + 50 basis points MIP

Additional Information: Subject to HUD's commitment to provide mortgage insurance

Amortization: N/A yrs **Term:** 15 mos **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: Malone Mortgage **Contact:** Jeffrey Rogers

Principal Amount: $9,012,800 **Interest Rate:** 5.8% + 50 basis points MIP

Additional Information: Subject to HUD's commitment to provide mortgage insurance

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

Annual Payment: $625,132 **Lien Priority:** 1st **Commitment Date** 12/ 21/ 2001

LIHTC SYNDICATION

Source: Lend Lease **Contact:** Marie Keutmann

Address: 101 Arch Street **City:** Boston

State: MA **Zip:** 02110 **Phone:** (617) 772-9557 **Fax:** ( )

Net Proceeds: $3,162,000 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 80¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 12/ 27/ 2001

Additional Information: Commitment letter reflects proceeds of $3,162,000 based on credits of $3,952,500

APPLICANT EQUITY

Amount: $515,682 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: $59,200 **Assessment for the Year of:** 2001

Valuation by: Dallas County Appraisal District

Total Assessed Value: $59,200 **Tax Rate:** 2.831915

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 5/ 31/ 2002 **Anticipated Closing Date:** 5/ 31/ 2002

Acquisition Cost: $ 819,735 **Other Terms/Conditions:** $5,000 earnest money

Seller: MSC - 1, Ltd. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Wintergreen Senior Apartments is a proposed new construction project of 180 units of affordable housing located in north central DeSoto, in southern Dallas County. The project is one large structure connected with interior corridors and resembling an "h". The Applicant considers the project to be comprised of four residential buildings as follows:

- (1) Building Type 1 with six studio units, 13 one-bedroom units, and 12 two-bedroom units;
- (1) Building Type 2 with three studio units, 34 one-bedroom units, and 18 two-bedroom units;
- (1) Building Type 3 with six studio units, 20 one-bedroom units, and 18 two-bedroom units;
- (1) Building Type 4 with six studio units, 20 one-bedroom units, and 24 two-bedroom units;

Based on the site plan the apartment buildings are arranged in three groups with the parking lots around the perimeter, with the 6,082-square foot community area a part of building number one. The swimming pool located near the entrance to the site behind building number one. Laundry areas are located primarily on the second floor in each one of the buildings and each building has one elevator with each serving an average of 30 second and third floor units. The building plans also indicate that 40 rental storage closets will be available on the first floor. Other than one laundry room, no other common area is located on the third floor. The community area is planned to have two management offices, a community room, learning center, kitchen, and restrooms. In addition there appears to be a significant amount of heated and air-conditioned corridor space. The Underwriter has estimated this to be approximately 20,000 square feet based on the reduced building plans provided, however changes in this amount could significantly affect the estimate of project costs. Therefore receipt review and acceptance of the architect's full size plans reflecting the actual amount of corridor space is a condition of this report.

Supportive Services: The Applicant has contracted with CGI Management, Inc. to provide the following supportive services to tenants: scheduled transportation, exercise programs, food assistance. 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 pay $100 per year for these support services. For special service tasks requested by the Partnership the Coordinator shall receive an hourly rate of $40.00 for performing such additional services. No other expense item was included in the Applicant's operating budget for these services.

Schedule: The Applicant anticipates construction to begin in June of 2002, to be completed in July of 2003, to be placed in service in July of 2003, and to be substantially leased-up in December 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. 180 of the units (100% of the total) will be reserved for low-income/elderly tenants. As a priority I Private Activity Bond project all 180 of the units (100%) will be rent restricted at the 50% of AMGI rent.

Special Needs Set-Asides: 11 units (6%) will be fully handicapped-accessible.

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

MARKET HIGHLIGHTS

A market feasibility study dated December 7, 2002 was prepared and updated on March 27, 2002 by CB Richard Ellis and highlighted the following findings:

Definition of Market/Submarket: "The larger neighborhood is located in the cities of DeSoto, Cedar Hill, Lancaster, and southern Dallas, Texas. The city of DeSoto is located in southern Dallas County, about 13-15 miles south of the Dallas Central Business District." (p. 13) For the subject, The PMA is anticipated to be in the approximate range of 15 miles given its size and urban location.

Total Local/Submarket Demand for Rental Units: "Within a 15 mile radius of the subject, the 2001 total estimated area's renter, income-qualified households (over 65 years of age) are 7,108 existing households in the elderly population as potential residents at the subject. The potential number of households is even larger as the subject will reportedly accept residents of 62 years of age and older" (p. 6) In the letter update to the study, the Market Analyst derived an estimate for the number of income eligible renter households whose head was between the ages of 62 and 65 and added this amount, 859 households, to the total number of income eligible households in the area.

"Based on data published by the Institute of Real Estate Management (IREM) garden apartments typically have an annual turnover of 58.6% in the Dallas Area. Based on this as well as general indications from the subject's competing properties, turnover is estimated at a more conservative 40% due to projected lower number of annual move outs in a retirement center versus a conventional apartment complex. The previous renter qualified households (over 62 years of age) at 7,967 x 40% turnover would equate to approximately 3,187 existing households in the elderly population as potential continuous residents at the Subject." p 5 of the update letter.

The Market Analyst also calculated a demand from growth in the update letter of 257 units.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth	252	7%
Resident Turnover	3,187	93%
TOTAL ANNUAL DEMAND	**3,444**	**100%**

Ref: p. 6 of update letter

Capture Rate: "We have used the TDHCA Capture Rate definition: The Department defines the capture rate as the sum of the proposed units for a given project (i.e. subject 180 units) plus any previously approved but not yet stabilized (for 12 months) new units in the submarket divided by the total income-eligible targeted renter demand identified by the market analysis for a specific project's primary market. Therefore, in the following TDHCA definition of the Capture Rate calculation, the following will be utilized: Subject proposed 180 units + Primrose at Park Hill 250 units + Primrose Oaks 250 units equal 680 units divided by the previously estimated turnover demand of 3,187 existing households plus the estimated growth of 257 households totaling 3,444 households. The projected capture rate is calculated at 19.7% (680 units/ 3,444 households)." p. 6 of the update letter to the Market Study

Local Housing Authority Waiting List Information: "As of October-2001, over 5,731 families were on such waiting lists for low income public housing and of the total 5,731 families for public housing; approximately 636 are reported as elderly households." (p. 6)

Market Rent Comparables: The market analyst surveyed five comparable apartment projects totaling units in the market area. "6,545" (p. 33 & 34)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
Eff-Bedroom (50%)	$536	$506	+$9	$550	-$14
1-Bedroom (50%)	$566	$538	+$7	$716	-$150
2-Bedroom (50%)	$676	$648	+$7	$918	-$242

(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: "Subject's Immediate Submarket, 95.3%" (p. 35)

Absorption Projections: "We believe that the M/PF's submarket's forecast absorption of 220 units for the year ending 2002 for the adjacent subject areas combined with the subject's immediate submarket is some what conservative given the submarket's and adjacent areas history of absorption" (p. 32)

Known Planned Development: Primrose at Park Hill formerly know as The Parks at Westmoreland is the only elderly project initially identified by the market analyst as being under development in the area. This project is as estimated to be 60% leased up as of December 2001. There is a second TDHCA funded senior's project in lease up known as the Oak at Hampton which is located approximately 7 miles north of this site. This second project was addressed in the update letter provided by the market analyst.

Conclusion: The Market Analyst provided sufficient information on which to base a funding recommendation for a this project.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: DeSoto is located in southern Dallas County. The site is an irregularly-shaped parcel located in the south area of Dallas, approximately 13 miles from the central business district. The site is situated on the north side of East Wintergreen Road. The property was successfully rezoned to PD-84 on February 19, 2002. This zoning allows an Elderly Apartment Complex to be built on the site according to a letter from the City of DeSoto Planning and Zoning Manager dated February 22, 2002.

Population: The estimated 2001 population of the 15-mile radius from the subject property was 1,064,156 and is expected to increase by 5.6% to approximately 1,123,907 by 2006. Within the primary market area there were estimated to be 368,991 households in 2001.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly mixed, with vacant land, light industrial park, older single family and apartment complexes. Adjacent land uses include:

- **North:** Light industrial park
- **South:** Vacant land
- **East:** Day care, and older single family dwellings
- **West:** Apartments built in early 1980's

Site Access: Access to the property is from the east or west along Wintergreen Road. The project is to have one main entry, one from the north from Wintergreen Road. Access to Interstate Highway 35 is 1.5 miles east, which provides connections to all other major roads serving the Dallas area.

Public Transportation: Public transportation to the area is provided by DART. The nearest stop is over 1.5 miles away according to the map provided by the Applicant.

Shopping & Services: Grimes Park, a DeSoto City Park, is located northeast, across Wintergreen Road from the subject site. Retail centers are typically located at the main highway interchanges.
Special Adverse Site Characteristics: This current zoning classification permits development of single family. It was reported that a rezoning to a Planned Development (PD) is being planned with the city and the subject's developer.
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 25, 2001 was prepared by Professional Service Industries, Inc. and contained the following findings and recommendations:
Findings: This assessment has revealed no evidence of recognized environmental conditions in connection with the subject property.
Recommendations: No further assessment of recognized environmental conditions appears warranted.

OPERATING PROFORMA ANALYSIS

Income: Initially the Applicant's rent projections were 5% higher than the maximum net rents allowed under LIHTC guidelines due to their use of lower City of Dallas utility allowances rather than Dallas County utility allowances. The difference in tenant paid utilities amounted to a $61K difference in potential rent. The site is more than a mile from the City of Dallas boundary and while the City of Dallas section 8 voucher holders may be able to use their vouchers at the property the primary public housing authority for this location is believed to be Dallas County, thus the higher Dallas County allowances should be used. Details in the project revealed the likelihood that centralized boilers rather than individual water heaters would provide hot water for the project. The Underwriter received confirmation of this fact and thereby was able to reduce the tenant paid utilities and thereby increase the net rent by the water heating utility amount. This returned $45Kk in potential gross income to the project and reduced the difference between the Applicant's and underwriter's estimates to 1%. The Applicant further overstated effective gross income slightly by utilizing a 7% vacancy and collection loss estimate rather than the 7.5% standard.
Expenses: The Applicant's total expense estimate of $3,337 per unit is within three percent of the TDHCA database-derived estimate of $3,252 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 ($15K lower), payroll ($40K higher), utilities ($10K lower), water, sewer, and trash ($30K lower),insurance ($13K higher), and property tax ($32K higher).
Conclusion: The Applicant's net operating income is within 5% of the Underwriter's estimate. Therefore, the Applicants NOI of $637,792 will be used to evaluate debt service capacity. It should be noted that the Applicant's NOI of $637,792 is significantly less than that which was used to size the debt in the lenders letter and less than the $681,414 shown in the Applicant's 30 year operating proforma. As such both the Applicant's and the underwriter's DCR are well below the 1.10 TDHCA guideline, suggesting that the debt amount will have to reduced.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The acquisition price, at $5K per unit, is assumed be reasonable since the acquisition is an arm's-length transaction.
Sitework Cost: The Applicant's claimed sitework costs of $4,588 per unit are considered reasonable compared to historical sitework costs for multifamily projects.
Direct Construction Cost: The Applicant's costs are $657K or 10% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate. This would suggest that the Applicant's direct construction costs are understated. Moreover the exact amount of corridor space has not been confirmed and could be higher then the 20,000 square feet estimated by the Underwriter and this would further exacerbate the direct cost differential. While this is a very significant deviation this developer has successfully completed several senior projects in the Dallas area and the southwest and it can reasonably be assumed that they have a strong knowledge of the cost of the product.
Fees: The Applicant's contractor's for general requirements, general and administrative expenses, and profit

as presented are all slightly over the maximums allowed by TDHCA guidelines however the Applicant included no contingency amount which is generally allowed to be an additional 5% of construction costs. Therefore the Underwriter reallocated $41K of the Applicants contractor fees to contingency. This was done because of the large differences in direct costs and the Underwriter's causes a concern that there may not be sufficient cushion left in the project to absorb any potential cost overruns.

Conclusion: Despite the significantly lower direct costs 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 total projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the LIHTC allocation.

The Applicant miscalculated the applicable percentage by using 3.68 instead of 3.67 resulting in a slightly higher tax credit request than should be recommended.

FINANCING STRUCTURE ANALYSIS

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

Conventional Interim to Permanent Loan : There is a commitment for interim to permanent financing through Malone Mortgage in the amount of $9,012,800. The commitment letter did not indicate a term for the construction period but subsequent correspondence reflects an anticipated 15 month period. The permanent loan will have a term of 40 years. The note rate is anticipated to be 5.8% plus a ongoing mortgage insurance fee. Mortgage Insurance is anticipated to be provided by FHA. It is anticipated that the bonds will be publicly offered in the amount of the loan and secured by the loan.

LIHTC Syndication: Lend Lease has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $3,162,000 based on a syndication factor of 80%. The funds would be disbursed in a seven-phased pay-in schedule:

1. 30% upon admission date, close of construction loan, receipt of permanent loan commitment;
2. 10% upon admission + 90 days;
3. 15% upon admission + 180 days;
4. 15% upon admission + 270 days;
5. 10% upon completion of construction;
6. 10% upon final closing of the permanent loan, tax credit determination;
7. 10% upon 115% debt service coverage for 3 consecutive months, receipt of form 8609

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $515,682 amount to 37% of the total fees.

Financing Conclusions: The Applicant's NOI of $637,792 is used to estimate the total bond debt to not exceed $8,687,151 a reduction of $335K. If this reduction in bond debt materializes either now or during the mandatory redemption period prior to conversion to permanent loan the amount of developers fees deferred must increase to fill this gap. Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed $394,773 annually for ten years, resulting in syndication proceeds of approximately $3,157,872. This is a reduction of $1,076 in credits and $4,128 in syndication proceeds due to the use of a slightly higher applicable percentage discussed above. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $854,460. This level of deferred developer fee appears to be repayable in 10 years however 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 not be available to fund those development cost overruns.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The exterior elevations are attractive, with varied rooflines. All units are of average size for market rate and LIHTC units according to the market analysts information.

Each unit has a semi-private interior entry that is shared with multiple units off of an interior hallway. The units are in three-story multiple unit structures with mixed brick/wood siding exterior finish and hipped roofs.

Unit Floorplans:

1. Entry to the Efficiency/1-BA unit is directly into the galley kitchen with the living/bedroom beyond. The bathroom is accessible from the living/bedroom area and has a closet.

2. The 1-BR/1-BA unit is well arranged, with entry into the galley kitchen with the living area beyond. The master bedroom has access to the bathroom which has a closet.
3. Entry into the 2-BR/2-BA unit is through a foyer into the combined living and dining areas, and the galley kitchen is off the foyer. The master bedroom is located off the living space and has a walk-in closet. The second bedroom and bathroom are located off the living space as well and has a walk-in closet.

IDENTITIES of INTEREST

The Developer, Covenant Group of Texas, Inc. owns the General Partner, General Contractor and Property Manager. These are typical relationships for LIHTC 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 Holding Company, Covenant Group Holding, Inc., submitted an audited financial statement as of December 31, 2000 reporting total assets of $36.9M and consisting of $846.2K in cash, $2.7M in receivables, $411.8K in prepaid insurance, $32M in property and equipment. Liabilities totaled $35.4M, resulting in a net worth of $1.5M.
- One of the owners of Covenant Group Holdings, Inc., CCLP Real Estate Investments (owning 31.96%) did not provide financial statements nor did it provide information on its individual owners or shareholders. Receipt review and acceptance of financial statements for CCLP Real Estate Investments and information on the key owners of this holding company is a condition of this report

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The holding company, Covenant Group Holdings, Inc. has completed 15 LIHTC/affordable and conventional housing projects since 1998.
- Information on the key owners of the holding company was not provided and is a condition of this report.

SUMMARY OF SALIENT RISKS AND ISSUES

- 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 $394,773 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt review and acceptance of the architects full size plans reflecting the actual amount of corridor space
2. Receipt, review, and acceptance of a final commitment from the lender reflecting approval of FHA's guarantee for this project.
3. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
4. Receipt, review, and acceptance of a revised rent schedule indicating the Applicant's concurrence with charging the reduced rents proposed herein based upon the Dallas County utility allowance or acceptable documentation to the Department that will allow the lower city of Dallas utility allowances to be used;

5. Receipt review and acceptance of financial statements for CCLP Real Estate Investments and information on the key owners of this holding company;
6. Receipt, review, and acceptance of a revised permanent loan commitment reflecting a debt service not to exceed $580,256; and
7. Should the terms of the proposed debt be altered, from the assumptions and conclusions in this report the recommendations herein should be re-evaluated.
8. Receipt review and acceptance of Authorization to Release Credit Information from Celeste Rogers and Patrick Rogers.

Underwriter:	*Carl Hoover*	**Date:**	April 1, 2002
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	April 1, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Wintergreen Senior Apartments, De Soto, 4% LIHTC #01467

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
LIHTC (50%)	21	eff	1	510	$582	$527	$11,067	$1.03	$55.00	$19.00
LIHTC (50%)	87	1	1	709	623	559	48,633	0.79	64.00	24.00
LIHTC (50%)	72	2	2	946	748	669	48,168	0.71	79.00	29.00
TOTAL:	180			781	$668	$599	$107,868	$0.77	$68.95	$25.42

INCOME	Total Net Rentable Sq Ft: 140,505			TDHCA	APPLICANT			
POTENTIAL GROSS RENT				$1,294,416	$1,310,040			
Secondary Income		Per Unit Per Month:	$10.00	21,600	21,600	$10.00	Per Unit Per Month	
Other Support Income: (describe)				0				
POTENTIAL GROSS INCOME				$1,316,016	$1,331,640			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(98,701)	(93,216)	-7.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$1,217,315	$1,238,424			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.62%	$312	$0.40	$56,205	$40,916	$0.29	$227	3.30%
Management	5.00%	338	0.43	60,866	51,945	0.37	289	4.19%
Payroll & Payroll Tax	9.80%	663	0.85	119,340	158,881	1.13	883	12.83%
Repairs & Maintenance	5.45%	368	0.47	66,328	61,769	0.44	343	4.99%
Utilities	5.25%	355	0.45	63,898	53,879	0.38	299	4.35%
Water, Sewer, & Trash	4.51%	305	0.39	54,900	25,029	0.18	139	2.02%
Property Insurance	2.11%	143	0.18	25,681	38,351	0.27	213	3.10%
Property Tax 2.831915	8.39%	568	0.73	102,159	133,900	0.95	744	10.81%
Reserve for Replacements	2.96%	200	0.26	36,000	35,962	0.26	200	2.90%
Other Expenses:	0.00%	0	0.00	0		0.00	0	0.00%
TOTAL EXPENSES	48.09%	$3,252	$4.17	$585,376	$600,632	$4.27	$3,337	48.50%
NET OPERATING INC	51.91%	$3,511	$4.50	$631,939	$637,792	$4.54	$3,543	51.50%
DEBT SERVICE								
Malone Mortgage	49.51%	$3,348	$4.29	$602,632	$625,132	$4.45	$3,473	50.48%
Additional Funds	0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Funds	0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW	2.41%	$163	$0.21	$29,307	$12,660	$0.09	$70	1.02%
AGGREGATE DEBT COVERAGE RATIO				1.05	1.02			
ALTERNATIVE DEBT COVERAGE RATIO					1.10			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg		6.74%	$4,995	$6.40	$899,048	$899,048	$6.40	$4,995	7.08%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.19%	4,588	5.88	825,772	825,772	5.88	4,588	6.51%
Direct Construction		49.93%	37,024	47.43	6,664,250	6,006,488	42.75	33,369	47.33%
Contingency	0.56%	0.31%	233	0.30	41,906	41,906	0.30	233	0.33%
General Requirem	5.47%	3.07%	2,277	2.92	409,936	409,936	2.92	2,277	3.23%
Contractor's G &	1.82%	1.02%	757	0.97	136,285	136,285	0.97	757	1.07%
Contractor's Pro	5.47%	3.07%	2,277	2.92	409,936	409,936	2.92	2,277	3.23%
Indirect Construction		3.30%	2,444	3.13	439,990	439,990	3.13	2,444	3.47%
Ineligible Expenses		5.22%	3,874	4.96	697,283	697,283	4.96	3,874	5.49%
Developer's G & A	1.01%	0.76%	564	0.72	101,565	0	0.00	0	0.00%
Developer's Profit	13.00%	9.75%	7,231	9.26	1,301,492	1,403,057	9.99	7,795	11.06%
Interim Financing		8.12%	6,019	7.71	1,083,400	1,083,400	7.71	6,019	8.54%
Reserves		2.53%	1,874	2.40	337,381	337,381	2.40	1,874	2.66%
TOTAL COST		100.00%	$74,157	$95.00	$13,348,244	$12,690,482	$90.32	$70,503	100.00%
Recap-Hard Construction Costs		*63.59%*	***$47,156***	***$60.41***	***$8,488,085***	***$7,830,323***	***$55.73***	***$43,502***	*61.70%*

SOURCES OF FUNDS

						RECOMMENDED
Malone Mortgage	67.52%	$50,071	$64.15	$9,012,800	$9,012,800	$8,678,151
LIHTC Syndication Proceeds	23.69%	$17,567	$22.50	3,162,000	3,162,000	3,157,872
Additional Funds	0.00%	$0	$0.00	0		0
Deferred Developer Fees	3.86%	$2,865	$3.67	515,682	515,682	854,460
Additional (excess) Funds Requi	4.93%	$3,654	$4.68	657,762	0	0
TOTAL SOURCES				$13,348,244	$12,690,482	$12,690,482

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.66	$5,712,231
Adjustments				
Exterior Wall Finis	6.60%		$2.68	$377,007
Elderly	5.00%		2.03	285,612
Roofing			0.00	0
Subfloor			(0.65)	(91,797)
Floor Cover			1.82	255,719
Porches/Balconies	$23.99	8,658	1.48	207,677
Plumbing	$585	36	0.15	21,060
Built-In Appliances	$1,550	180	1.99	279,000
Halls/Common Areas	$40.66	20,000	5.79	813,100
Floor Insulation			0.00	0
Heating/Cooling			1.41	198,112
Garages/Carports	$7.53	24,000	1.29	180,720
Comm &/or Aux Bldgs	$52.65	6,082	2.28	320,217
Other: Elevator	$42,000	4	1.20	168,000
SUBTOTAL			62.11	8,726,658
Current Cost Multiplier	1.04		2.48	349,066
Local Multiplier	0.92		(4.97)	(698,133)
TOTAL DIRECT CONSTRUCTION COSTS			$59.62	$8,377,592
Plans, specs, survy, bl	3.90%		($2.33)	($326,726)
Interim Construction In	3.38%		(2.01)	(282,744)
Contractor's OH & Profi	11.50%		(6.86)	(963,423)
NET DIRECT CONSTRUCTION COSTS			$48.43	$6,804,699

PAYMENT COMPUTATION

Primary	$9,012,800	Term	480
Int Rate	6.10%	DCR	1.05
Secondary		Term	
Int Rate		Subtotal DCR	1.05
Additional		Term	
Int Rate		Aggregate DCR	1.05

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$580,256
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$51,683

Primary	$8,678,151	Term	480
Int Rate	6.10%	DCR	1.10
Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (TDHCA INCOME & EXPENSES)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,294,416	$1,333,248	$1,373,246	$1,414,443	$1,456,877	$1,688,919	$1,957,920	$2,269,766	$3,050,376
Secondary Income	21,600	22,248	22,915	23,603	24,311	28,183	32,672	37,876	50,902
Other Support Income: (de	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,316,016	1,355,496	1,396,161	1,438,046	1,481,188	1,717,102	1,990,592	2,307,642	3,101,278
Vacancy & Collection Los	(98,701)	(101,662)	(104,712)	(107,853)	(111,089)	(128,783)	(149,294)	(173,073)	(232,596)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,217,315	$1,253,834	$1,291,449	$1,330,193	$1,370,099	$1,588,320	$1,841,298	$2,134,569	$2,868,682
EXPENSES at 4.00%									
General & Administrative	$56,205	$58,453	$60,791	$63,222	$65,751	$79,997	$97,328	$118,414	$175,282
Management	60,866	62,692	64,572	66,510	68,505	79,416	92,065	106,728	143,434
Payroll & Payroll Tax	119,340	124,114	129,078	134,241	139,611	169,858	206,658	251,431	372,180
Repairs & Maintenance	66,328	68,981	71,741	74,610	77,595	94,406	114,859	139,744	206,855
Utilities	63,898	66,454	69,112	71,876	74,751	90,946	110,650	134,623	199,275
Water, Sewer & Trash	54,900	57,096	59,380	61,755	64,225	78,140	95,069	115,666	171,214
Insurance	25,681	26,708	27,776	28,887	30,043	36,552	44,471	54,106	80,089
Property Tax	102,159	106,245	110,495	114,915	119,511	145,404	176,906	215,233	318,598
Reserve for Replacements	36,000	37,440	38,938	40,495	42,115	51,239	62,340	75,847	112,271
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$585,376	$608,182	$631,883	$656,512	$682,108	$825,957	$1,000,347	$1,211,792	$1,779,198
NET OPERATING INCOME	$631,939	$645,652	$659,567	$673,681	$687,991	$762,362	$840,951	$922,777	$1,089,484
DEBT SERVICE									
First Lien Financing	$580,256	$580,256	$580,256	$580,256	$580,256	$580,256	$580,256	$580,256	$580,256
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$51,683	$65,396	$79,310	$93,424	$107,735	$182,106	$260,695	$342,520	$509,227
DEBT COVERAGE RATIO	1.09	1.11	1.14	1.16	1.19	1.31	1.45	1.59	1.88

LIHTC Allocation Calculation - Wintergreen Senior Apartments, De Soto, 4

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$899,048	$899,048		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$825,772	$825,772	$825,772	$825,772
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$6,006,488	$6,664,250	$6,006,488	$6,664,250
(4) Contractor Fees & General Requirements				
Contractor overhead	$136,285	$136,285	$136,285	$136,285
Contractor profit	$409,936	$409,936	$409,936	$409,936
General requirements	$409,936	$409,936	$409,936	$409,936
(5) Contingencies	$41,906	$41,906	$41,906	$41,906
(6) Eligible Indirect Fees	$439,990	$439,990	$439,990	$439,990
(7) Eligible Financing Fees	$1,083,400	$1,083,400	$1,083,400	$1,083,400
(8) All Ineligible Costs	$697,283	$697,283		
(9) Developer Fees			$1,403,057	
Developer overhead		$101,565		$101,565
Developer fee	$1,403,057	$1,301,492		$1,301,492
(10) Development Reserves	$337,381	$337,381		
TOTAL DEVELOPMENT COSTS	$12,690,482	$13,348,244	$10,756,769	$11,414,532

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		$10,756,769	$11,414,532
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$10,756,769	$11,414,532
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$10,756,769	$11,414,532
Applicable Percentage		3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS		$394,773	$418,913
Syndication Proceeds	**0.7999**	**$3,157,872**	**$3,350,972**

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: April 1, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01466

DEVELOPMENT NAME

Copperwood Ranch Apartments

APPLICANT

Name: Houston Copperwood Apartments, LP **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 4900 Woodway, Suite 880 **City:** Houston **State:** Texas

Zip: 77056 **Contact:** Michael Robinson **Phone:** (713) 850-7168 **Fax:** (713) 621-9166

PRINCIPALS of the APPLICANT

Name	(%)	Title
Copperwood Esperanza, LLC	0.01	Managing General Partner
SunAmerica Affordable Housing Partners, Inc.	99.99	Limited Partner
Paul Ramirez	N/A	GP Board President
Michael G Robinson	N/A	Developer

GENERAL PARTNER

Name: Copperwood Esperanza, LLC **Type:** ☐ For Profit ☒ Non-Profit ☐ Municipal ☐ Other

Address: 139 N Everton **City:** Houston **State:** TX

Zip: 77003 **Contact:** Paul Ramirez **Phone:** (713) 926-2794 **Fax:** (713) 481-2360

PROPERTY LOCATION

Location: 6833 Lakeview Haven Drive ☐ **QCT** ☐ **DDA**

City: Houston **County:** Harris **Zip:** 77084

REQUEST

Amount	Interest Rate	Amortization	Term
$649,872	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

SITE DESCRIPTION

Size: 12 acres 522,720 square feet **Zoning/ Permitted Uses:** N/A (Houston)

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: 280 **# Rental Buildings** 17 **# Common Area Bldngs** 3 **# of Floors** 3 **Age:** N/A yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
48	1	1	645
168	2	2	901
64	3	2	1,100

Net Rentable SF: 252,728 **Av Un SF:** 903 **Common Area SF:** 5,060* **Gross Bldng SF** 257,788

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

* 3,707 SF community building plus two laundry buildings; Architectural drawings for laundry buildings not provided

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 35% stone 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, microwave oven, tile tub/shower walls, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES

Community/activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, swimming pool, equipped children's play area, sports courts, perimeter fencing with limited access gate

Uncovered Parking: 317 spaces **Carports:** 60 spaces **Garages:** 100 spaces

OTHER SOURCES of FUNDS

INTERIM to PERMANENT FINANCING

Source: SunAmerica **Contact:** Dana Mayo

Principal Amount: $14,200,000 **Interest Rate:** 6.0% as of commitment

Additional Information: $14,200,000 mortgage revenue bonds issued by Harris County HFC; no stated interim period

Amortization: 30 yrs **Term:** 33 yrs **Commitment:** ☐ None ☒ Firm ☐ Conditional

Annual Payment: Not provided **Lien Priority:** 1st **Commitment Date** 12/ 17/ 2001

LIHTC SYNDICATION

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

Address: 1 SunAmerica Center, Century City **City:** Los Angeles

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

Net Proceeds: $5,042,000 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 80¢

Commitment ☐ None ☒ LOI ☐ Conditional **Date:** 12/ 17/ 2001

Additional Information:

APPLICANT EQUITY

Amount: $1,515,430 **Source:** Deferred developer fee

VALUATION INFORMATION

APPRAISED VALUE

Land Only: $1,650,000 **Date of Valuation:** 11/ 14/ 2001

Appraiser: O'Connor & Associates **City:** Houston **Phone:** (713) 686-9955

ASSESSED VALUE

Land: (4 tracts) $688,810 **Assessment for the Year of:** 2001

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

Total Assessed Value: $688,810 **Tax Rate:** 3.62987

EVIDENCE of SITE or PROPERTY CONTROL

Initial Site Control: Purchase and Sale Agreement (12.18 acres)

Initial Acquisition Cost: $ 1,400,000 **Other Terms/Conditions:** $2.64 per square foot

Current Site Control: Warranty Deed (2.9933 acres, 1.3190 acres, 6.8495 acres)

Contract Expiration Date: N/A **Closing Date:** 01/ 11/ 2000

Other Terms/ Conditions: Warranty Deed describes parcels that include 2.9933 acres not a part of current site plan and 1.3190 acres proposed for extension of Smithstone Road; these parcels and remaining 6.8495 acres were exchanged for 6.8495 acres of original 12.18 acre tract and $500,000

Seller: GSDC Two, Ltd. **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

Copperwood Ranch Apartments was submitted and underwritten in the 2000 9% LIHTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:

1. Receipt, review, and acceptance of building floorplan for the daycare building and two laundry buildings;
2. Receipt, review and acceptance of a daycare services agreement with a provider for the daycare building including the lease agreement terms;
3. Receipt, review, and acceptance of a revised site plan consistent with the rent schedule and rearranging carports/garages for accessibility of all the units;
4. Receipt, review, and acceptance of tax assessment valuation for Tracts 3, 4, and 7;
5. Receipt, review, and acceptance of a new syndication commitment letter with the reduced allocation amount;
6. Receipt, review, and acceptance of revised financial statements from the Applicant and General Partner reflecting the ownership of the land and the loan used to acquire it;
7. Receipt, review, and acceptance of a revised permanent loan commitment reflecting a debt service amount not more than $997,424 per year; and
8. LIHTC allocation not to exceed $791,116 annually for ten years.

The project did not receive an award.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Copperwood Ranch is a proposed new construction project of 280 units of affordable housing located in Houston. The project is comprised of 17 residential buildings as follows:

- Two Building Style A with 24 one-bedroom units;
- Seven Building Style B with 24 two-bedroom units; and
- Eight Building Style C with eight three-bedroom units.

Based on the site plan the apartment buildings are distributed evenly across the site, with the community building and swimming pool located near the entrance. The 3,707-square foot community building will include a learning center, exercise room, community room with kitchen, computer room and public restrooms as well as leasing/management offices.

Supportive Services: The Applicant has contracted with Texas Interfaith Management Corporation to provide personal growth education and budget counseling. These services will be provided at no cost to tenants. The contract requires the Applicant to pay a one-time startup fee of $1,000 plus a monthly fee equivalent to $6.99 per unit.

Schedule: The Applicant anticipates construction to begin in June of 2002 and to be completed in October of 2003. Placement in service and substantial lease-up are projected in October of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Although this allows for prospective tenants to be qualified at the 60% of AMGI or less income level, as a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI.

Special Needs Set-Asides: Fourteen units (5%) will be set-aside for households with handicapped/ developmentally disabled individuals.

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

MARKET HIGHLIGHTS

A market feasibility study dated January 11, 2002 was prepared by O'Connor & Associates and highlighted the following findings:

Definition of Market/Submarket: The subject property is located within the "Bear-Creek – Northwest" submarket. The subject's primary market is bound by West Road and Highway 290 on the north, Barker Cypress Road on the west, Brittmore Road on the east, and Clay Road on the south. This geographic area essentially is contained within a three-mile radius of the subject. (p. 26) The subject's secondary market is just a few square miles larger than the subject's primary market. Thus, the subject's secondary market is heavily influenced by the same factors as the primary market. Specifically, the discussion of average rents, occupancies, and absorption for the primary market are applicable to the secondary market. (p. 35)

Total Local/Submarket Demand for Rental Units: The total percentage of households eligible on an income basis in the subject's primary market is 45.24%. The total percentage of households eligible on an income basis in the subject's secondary market is 45.36%. For purposes of this analysis, a 50% turnover rate has been utilized. Given the highly competitive rents at the proposed subject property, a turnover percentage for the area on the upper end (or above the typical range) is appropriate. (p. 37-38)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Primary Submarket		Secondary Submarket	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	112	4%	170	4%
Resident Turnover	2,503	87%	3,678	87%
Unspecified Other Sources	262	9%	385	9%
TOTAL ANNUAL DEMAND	**2,877**	**100%**	**4,233**	**100%**

Ref: p. 39

Capture Rate: Based on our research, only one affordable housing project (the subject property) is currently proposed, under construction or has been approved for construction in the subject's primary market. Thus, based on our analysis, there are 280 units that are under construction, approved, or proposed in the subject's submarket (including the subject). As indicated earlier, there are approximately 2,877 potential households based on income eligibility, housing preference, and taking into consideration the typical turnover rate in the subject's primary market. This equates to a capture rate of 9.73% in the subject's primary market area and 6.62% in the subject's secondary market area. (p. 39)

Local Housing Authority Waiting List Information: The waiting list for Section 8 vouchers was closed in 1994, when the list had grown to more than 26,000 households. According to a September 2000 article in the Houston Chronicle, the waiting list for Section 8 vouchers is approximately six years. (p. 33)

Market Rent Comparables: The average rental rate for apartments in the subject's submarket is reported at $0.77 per square foot per month. (p. 10) According to the third quarter 2001 O'Connor & Associates apartment data program, there were 48 projects in the submarket, which contained a total of 9,862 units. (p. 26) Comparable rentals included in this market study indicated average rents from $0.82 per square foot per month to $0.95 per square foot per month, with a median average rent per square foot of $0.89 PSF per month. (p. 29)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (50%)	$494	$506	-$12	$650	-$156
2-Bedroom (50%)	$599	$609	-$10	$790	-$191
3-Bedroom (50%)	$691	$704	-$13	$1,010	-$319

(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 average occupancy in the subject's submarket was reported at 95.78%. (p. 10)

Absorption Projections: Based on our research, most projects that are constructed in the Houston area typically lease up within 12 months. Pre-leasing should commence prior to the completion of the construction. (p. 10)

Known Planned Development: We are not aware of any proposed apartment development (excluding the subject) or apartments under construction in the subject's primary market. According to the 2001 Application list (with points awarded), the Riviera Place Apartments are proposed for the subject's secondary market. Additionally, the Windfern II Townhomes, located just east of the subject's secondary market area, are currently under construction. The Windfern II project will contain 144 units, of which 86 will be rent restricted. The Riviera Place Apartments will contain a total of 176 units. (p. 27)

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

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 on the northwest corner of Lakeview Haven Drive and proposed Smithstone Drive, in northwest Harris County.

Population: The primary market area for the proposed subject property had an estimated 30,778 households in 2000 and is projected to have 34,206 by 2005. In 2000, the Houston CMSA had a population of 4,263,219 people with a projected increase to a total of 5,076,781 by 2010.

Adjacent Land Uses: Land use adjacent to the site includes vacant land in all directions.

Site Access: The subject site is located just south of FM 529 and just west of State Highway 6.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: A neighborhood shopping center is located at the southwest intersection of State Highway 6 and FM 529. The Harris County Sheriff's Department and local volunteer fire departments provide police and fire protection. The neighborhood is served by the Cypress-Fairbanks Independent School District and Katy Independent School Districts with schools of all levels located throughout the area. Recreational facilities in the subject's area include Langham Creek, Hearthstone Country Club, Lobo Stadium and Bear Creek. Medical facilities are located nearby, with the Cy-Fair Hospital situated at FM 1960 and Fallbrook.

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 Update report for 16.2 acres, dated December 13, 2001 and prepared by Live Oak Environmental Consultants, concluded the following:

"Based upon physical and visual observations coupled with review of the available public and regulatory data regarding the subject and surrounding properties, Live Oak Environmental Consultants has concluded that the risk of current environmental impairments associated with the property is low at this time. Live Oak Environmental Consultants does not recommend any additional environmental investigation at this time."

OPERATING PROFORMA ANALYSIS

Income: The Applicant's effective gross income estimate is $81K higher than the Underwriter's estimate. A portion of this difference can be attributed to the Applicant's use of $15.93 per unit per month in secondary income versus the underwriting guideline of $10 per unit per month. In addition, the Applicant's estimate includes additional income of $21.01 per unit per month for carport and garage rental that is considered too speculative to be included in the Underwriter's estimate. The Applicant also assumed a vacancy and collection loss of 6%, which is lower than the underwriting guideline of 7.5%, and overstated utility allowances. However, because the Applicant's effective gross income estimate is within 5% of the Underwriter's estimate, it is considered to be acceptable.
Expenses: The Applicant's total operating expense is $79K, or 9%, lower than the Underwriter's TDHCA database-derived estimate. The following line-item expenses differed by more than 5% as compared to the Underwriter's figures: general and administrative ($39K lower), payroll ($17K lower), utilities ($28K lower), property insurance ($37K higher), and reserve for replacement ($14K higher). In addition, the Applicant plans to participate in a PLT program and has submitted a sample tax agreement. According to the terms of the sample agreement, an entity may qualify for a set payment in lieu of taxes. The Applicant has proposed a tax payment of only $106,000 annually for the proposed project. Because an executed tax agreement was not provided for the subject development, the underwriting analysis assumes that the project will be responsible for the entirety of the estimated annual real estate taxes of $152,455.
Conclusion: Overall, the Applicant's net operating income estimate is $160K, or 15%, higher than the Underwriter's estimate. It should be noted that expense estimates for compliance and supportive services were removed from both the Applicant and Underwriter's net operating income calculation. This allows the reader to see the true effect of the bonds-only debt service requirement as compliance fees can be waived by the Department if necessary and supportive services can be funded out of net cash flow. Even doing so, however, the Underwriter's NOI is insufficient to support the proposed debt service amount at or above an acceptable 1.10 debt coverage ratio. Therefore, a reduction in the debt service to not more than $960,001 annually and a likely reduction in the debt amount is warranted.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant has owned a 5.3305-acre portion of the proposed site since September 22, 1998 and the remaining 6.8495 acres since January 11, 2000. The 5.3305-acre parcel was purchased as part of a 12.00-acre site for $1,400,000, or $2.64 per square foot. In order to accommodate the proposed construction of a large discount chain store to the north of the subject site, the Applicant exchanged the northern 6.8495 acres of the original site for $500,000 and a tract of equal size plus two additional tracts located to the west. The purchase and sale agreement describing this exchange includes a 6.8495-acre tract, a 1.3190-acre tract and a 2.9933-acre tract. Although no part of the planned development will be located on the 2.9933-acre tract, the 1.3190-acre tract may be part of a proposed extension of Smithstone Drive along the southern border of the subject site.

The Applicant has included $2,123,550 in acquisition costs in the submitted project cost schedule (Exhibit 102). An appraisal with the prospective date of June 30, 2003 indicates an "As Is" Market Value as of the inspection date of November 14, 2001 of only $1,650,000. In addition, the information provided above would indicate an acquisition price of only $900,000.

Upon request, the Applicant submitted documentation indicating holding costs in the form of bridge loan interest, legal fees, construction financing fees and loan brokerage fees. These holding costs of $410,212 were added to the budgeted land loan of $1,390,000 less the land swap proceeds of $500,000 for the total acquisition and holding costs of $1.3M used in this underwriting analysis. Should a subsequent phase on the remaining 1.3190 acres and/or 2.993 acres sites request funding from the Department, the acquisition basis for these sites should be zero.

Sitework Cost: The Applicant's claimed sitework costs of $6,429 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $165K, or 2%, lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable.

Ineligible Costs: The Applicant incorrectly included $50,000 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 Applicant's line item fees were developed at the maximum levels.

Fees: Field supervision costs of $140K and indirect construction cost contingency of $125K were added to the Applicant's contingency estimate of $383,696 for a total of $648,696. As a result, this cost exceeds the 5% of sitework and direct construction cost guideline and, therefore, $83,876 is excluded from the project's eligible basis.

Conclusion: Despite the overstatement of acquisition costs, the Applicant's total development cost estimate is within 5% of the Underwriter's estimate. Therefore, the Applicant's adjusted estimate was used to determine the project's eligible basis of $18,381,004 and it was further adjusted for an overstated acquisition cost to determine the total need for funding. Allowing the Applicant's original overstated land cost would result in a significantly larger deferred developer fee.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing:

Bonds: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by Harris County Housing Finance Authority and placed privately with SunAmerica, Inc. As of the date of the underwriting analysis, there will be $14,200,000 in tax-exempt bonds. The bonds will have a fixed interest rate estimated by the lender at 6.0%, a term of 33 years and an amortization schedule based on 30 years.

LIHTC Syndication: SunAmerica Affordable Housing Partners, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $5,042,000 based on a syndication factor of 80%. The submitted letter of interest did not include a disbursement schedule for the proceeds.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,515,430 amount to 64% of the total proposed fees.

Financing Conclusions: As stated above, the Applicant's total development cost estimate, adjusted for overstated acquisition costs, was used to determine the project's eligible basis and need for funding. The adjustment for an overstated acquisition cost results in total development costs of $19,962,092, or $823,338 less than indicated by the Applicant. Based on the current underwriting applicable percentage rate of 3.67%, the project qualifies for $674,583 in tax credits. SunAmerica's syndication factor of 80% will provide $5,396,123 in proceeds, or $354,123 more than anticipated by the Applicant.

While the Applicant's year one proforma indicates a debt coverage ratio (DCR) of 1.16, which is within the Department's DCR guideline of 1.10 to 1.25, the Underwriter's proforma results in a DCR of 1.01. Therefore, the Underwriter believes the project's debt service should be reduced to not more than $960,001 annually and as a result, the bond amount is projected to be reduced to not more than $13,343,338.

Finally, the reduced total development cost coupled with an increase in anticipated syndication proceeds and offset by a decrease in the bond amount provides for a reduction in estimated deferred developer fees to $1,222,631, or 51% of eligible developer fees. This amount appears to be repayable from project cashflow within ten years of stabilized operation. Should a greater amount of bonds be required to be redeemed or the project's costs be greater than predicted, additional developer fees could be deferred to fill the resulting gap.

REVIEW of ARCHITECTURAL DESIGN

The individual units appear to be well designed with adequate storage and washer/dryer hookups in a utility closet. All of the units also include a balcony/porch with an exterior storage closet. One flaw noted is that the only restroom in the one-bedroom units must be accessed through the bedroom. The elevations for the residential buildings show combination brick/siding exteriors and little added architectural detailing.

Upon request, a floorplan and elevation for the clubhouse was submitted. The building will house many tenant-accessible common areas as well as leasing/management offices.

IDENTITIES of INTEREST

The Applicant, developer, general contractor, property manager and cost estimator are related entities. These are common identities of interest for a LIHTC-funded development.

The Applicant is also related to the seller of the property. The Applicant has provided information used to mitigate concerns with regard to an overstated sales price for the proposed land transfer (see Construction Cost Estimate Evaluation).

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.
- Michael G Robinson, owner of Robinson Capital & Investment, Inc., submitted a personal financial statement dated as of September 15, 2001.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Michael G Robinson provided a resume indicating participation in nine housing developments totaling 1,370 units since 1995.

SUMMARY OF SALIENT RISKS AND ISSUES

- Items identified in previous reports have not been satisfactorily addressed.
- The Applicant's estimated operating expenses and operating proforma 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 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 $674,583 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of an acceptable site inspection report completed by TDHCA staff;
2. Receipt, review, and acceptance of evidence of reduction in total debt service to no more than $960,001 annually.

Credit Underwriting Supervisor:	(SIGNED) *Lisa Vecchietti*	**Date:**	April 1, 2002
Director of Credit Underwriting:	(SIGNED) *Tom Gouris*	**Date:**	April 1, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Copperwood Ranch, Houston, LIHTC 01466

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 50%	48	1	1	645	$558	$506	$24,298	$0.78	$51.80	$17.68
TC 50%	168	2	2	901	670	609	102,324	0.68	60.93	17.68
TC 50%	64	3	2	1,100	775	704	45,048	0.64	71.13	17.68
TOTAL:	280			903	$675	$613	$171,669	$0.68	$61.70	$17.68

INCOME Total Net Rentable Sq Ft: 252,728			TDHCA	APPLICANT		
POTENTIAL GROSS RENT			$2,060,028	$2,022,816		
Secondary Income	Per Unit Per Month:	$10.00	33,600	53,520	$15.93	Per Unit Per Month
Other Support Income: 60 carports & 100 garages			0	70,800	$21.07	Per Unit Per Month
POTENTIAL GROSS INCOME			$2,093,628	$2,147,136		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(157,022)	(128,832)	-6.00%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0		
EFFECTIVE GROSS INCOME			$1,936,606	$2,018,304		

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.10%	$284	$0.31	$79,488	$40,300	$0.16	$144	2.00%
Management	5.00%	346	0.38	96,830	100,915	0.40	360	5.00%
Payroll & Payroll Tax	11.22%	776	0.86	217,280	200,000	0.79	714	9.91%
Repairs & Maintenance	6.12%	423	0.47	118,547	112,600	0.45	402	5.58%
Utilities	2.73%	189	0.21	52,861	25,273	0.10	90	1.25%
Water, Sewer, & Trash	3.07%	212	0.24	59,405	62,546	0.25	223	3.10%
Property Insurance	2.09%	144	0.16	40,436	77,000	0.30	275	3.82%
Property Tax 3.62987	7.87%	544	0.60	152,455	106,000	0.42	379	5.25%
Reserve for Replacements	2.89%	200	0.22	56,000	70,000	0.28	250	3.47%
Asset Mgt	0.39%	27	0.03	7,500	7,500	0.03	27	0.37%
TOTAL EXPENSES	45.48%	$3,146	$3.49	$880,802	$802,134	$3.17	$2,865	39.74%
NET OPERATING INC	54.52%	$3,771	$4.18	$1,055,804	$1,216,170	$4.81	$4,343	60.26%
DEBT SERVICE								
First Lien Mortgage	52.75%	$3,649	$4.04	$1,021,634	$1,021,634	$4.04	$3,649	50.62%
LIHTC Syndication Proceeds	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Compliance & Supportive Service	1.43%	$99	$0.11	27,720	27,720	$0.11	$99	1.37%
NET CASH FLOW	0.33%	$23	$0.03	$6,450	$166,816	$0.66	$596	8.27%
AGGREGATE DEBT COVERAGE RATIO				1.01	1.16			
ALTERNATIVE BONDS-ONLY DEBT COVERAGE RATIO				1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg		6.41%	$4,644	$5.14	$1,300,212	$2,123,550	$8.40	$7,584	10.22%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.87%	6,429	7.12	1,800,000	1,800,000	7.12	6,429	8.66%
Direct Construction		47.61%	34,506	38.23	9,661,719	9,496,410	37.58	33,916	45.69%
Contingency	5.00%	2.82%	2,047	2.27	573,086	648,696	2.57	2,317	3.12%
General Requirem	5.91%	3.34%	2,421	2.68	677,785	677,785	2.68	2,421	3.26%
Contractor's G &	1.97%	1.11%	807	0.89	225,928	225,928	0.89	807	1.09%
Contractor's Pro	5.91%	3.34%	2,421	2.68	677,785	677,785	2.68	2,421	3.26%
Indirect Construction		3.29%	2,386	2.64	668,000	668,000	2.64	2,386	3.21%
Ineligible Expenses		0.72%	525	0.58	147,000	147,000	0.58	525	0.71%
Developer's G & A	1.85%	1.48%	1,071	1.19	300,000	300,000	1.19	1,071	1.44%
Developer's Profit	12.84%	10.23%	7,417	8.22	2,076,881	2,076,881	8.22	7,417	9.99%
Interim Financing		9.33%	6,762	7.49	1,893,395	1,893,395	7.49	6,762	9.11%
Reserves		1.45%	1,049	1.16	293,791	50,000	0.20	179	0.24%
TOTAL COST		100.00%	$72,484	$80.31	$20,295,582	$20,785,430	$82.24	$74,234	100.00%
Recap-Hard Construction Costs		*67.09%*	***$48,630***	***$53.88***	***$13,616,303***	***$13,526,604***	***$53.52***	***$48,309***	*65.08%*

SOURCES OF FUNDS						RECOMMENDED
First Lien Mortgage	69.97%	$50,714	$56.19	$14,200,000	$14,200,000	$13,343,338
LIHTC Syndication Proceeds	24.84%	$18,007	$19.95	5,042,000	5,042,000	5,396,123
Source #3	0.00%	$0	$0.00	0	0	0
Deferred Developer Fees	7.47%	$5,412	$6.00	1,515,430	1,515,430	1,222,631
Additional (excess) Funds Requi	-2.28%	($1,649)	($1.83)	(461,848)	28,000	0
TOTAL SOURCES				$20,295,582	$20,785,430	$19,962,092

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Copperwood Ranch, Houston, LIHTC 01466

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$40.85	$10,324,063
Adjustments				
Exterior Wall Fini	3.45%		$1.41	$356,180
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(1.96)	(495,347)
Floor Cover			1.82	459,965
Porches/Balconies	$28.10		0.00	0
Plumbing	$585	696	1.61	407,160
Built-In Appliance	$1,550	280	1.72	434,000
Exterior Stairs	$1,350	88	0.47	118,800
Floor Insulation			0.00	0
Heating/Cooling			1.41	356,346
Garages	$13.23	20,000	1.05	264,600
Comm &/or Aux Bldg	$55.28	3,707	0.81	204,932
Carports	$7.53	12,000	0.36	90,360
SUBTOTAL			49.54	12,521,060
Current Cost Multiplie	1.03		1.49	375,632
Local Multiplier	0.92		(3.96)	(1,001,685)
TOTAL DIRECT CONSTRUCTION COSTS			$47.07	$11,895,007
Plans, specs, survy, b	3.90%		($1.84)	($463,905)
Interim Construction I	3.38%		(1.59)	(401,456)
Contractor's OH & Prof	11.50%		(5.41)	(1,367,926)
NET DIRECT CONSTRUCTION COSTS			$38.23	$9,661,719

PAYMENT COMPUTATION

Primary	$14,200,000	Term	360
Int Rate	6.00%	DCR	1.03

Secondary	$5,042,000	Term	
Int Rate		Subtotal DCR	1.03

Additional	$0	Term	
Int Rate		Aggregate DCR	1.01

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$960,001
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$95,804

Primary	$13,343,338	Term	360
Int Rate	6.00%	DCR	1.10

Secondary	$5,042,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,060,028	$2,121,829	$2,185,484	$2,251,049	$2,318,580	$2,687,870	$3,115,978	$3,612,272	$4,854,592
Secondary Income	33,600	34,608	35,646	36,716	37,817	43,840	50,823	58,918	79,181
Other Support Income: 60	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,093,628	2,156,437	2,221,130	2,287,764	2,356,397	2,731,710	3,166,801	3,671,190	4,933,773
Vacancy & Collection Los	(157,022)	(161,733)	(166,585)	(171,582)	(176,730)	(204,878)	(237,510)	(275,339)	(370,033)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,936,606	$1,994,705	$2,054,546	$2,116,182	$2,179,668	$2,526,832	$2,929,291	$3,395,851	$4,563,740
EXPENSES at 4.00%									
General & Administrative	$79,488	$82,667	$85,974	$89,413	$92,989	$113,136	$137,647	$167,469	$247,895
Management	96,830	99,735	102,727	105,809	108,983	126,342	146,465	169,793	228,187
Payroll & Payroll Tax	217,280	225,971	235,010	244,410	254,187	309,257	376,259	457,776	677,621
Repairs & Maintenance	118,547	123,289	128,220	133,349	138,683	168,729	205,285	249,760	369,706
Utilities	52,861	54,976	57,175	59,462	61,840	75,238	91,539	111,371	164,856
Water, Sewer & Trash	59,405	61,781	64,252	66,822	69,495	84,552	102,870	125,157	185,263
Insurance	40,436	42,054	43,736	45,486	47,305	57,554	70,023	85,194	126,107
Property Tax	152,455	158,553	164,895	171,491	178,350	216,990	264,002	321,199	475,453
Reserve for Replacements	56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Other	7,500	7,800	8,112	8,436	8,774	10,675	12,988	15,801	23,390
TOTAL EXPENSES	$880,802	$915,066	$950,671	$987,671	$1,026,119	$1,242,178	$1,504,050	$1,821,503	$2,673,122
NET OPERATING INCOME	$1,055,804	$1,079,639	$1,103,875	$1,128,511	$1,153,548	$1,284,654	$1,425,241	$1,574,348	$1,890,618
DEBT SERVICE									
First Lien Financing	$960,001	$960,001	$960,001	$960,001	$960,001	$960,001	$960,001	$960,001	$960,001
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	27,720	27,720	27,720	27,720	27,720	27,720	27,720	27,720	27,720
NET CASH FLOW	$68,084	$91,918	$116,154	$140,791	$165,827	$296,933	$437,520	$586,627	$902,897
DEBT COVERAGE RATIO	1.07	1.09	1.12	1.14	1.17	1.30	1.44	1.59	1.91

LIHTC Allocation Calculation - Copperwood Ranch, Houston, LIHTC 01466

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$2,123,550	$1,300,212		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,800,000	$1,800,000	$1,800,000	$1,800,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$9,496,410	$9,661,719	$9,496,410	$9,661,719
(4) Contractor Fees & General Requirements				
Contractor overhead	$225,928	$225,928	$225,928	$225,928
Contractor profit	$677,785	$677,785	$677,785	$677,785
General requirements	$677,785	$677,785	$677,785	$677,785
(5) Contingencies	$648,696	$573,086	$564,821	$573,086
(6) Eligible Indirect Fees	$668,000	$668,000	$668,000	$668,000
(7) Eligible Financing Fees	$1,893,395	$1,893,395	$1,893,395	$1,893,395
(8) All Ineligible Costs	$147,000	$147,000		
(9) Developer Fees				
Developer overhead	$300,000	$300,000	$300,000	$300,000
Developer fee	$2,076,881	$2,076,881	$2,076,881	$2,076,881
(10) Development Reserves	$50,000	$293,791		
TOTAL DEVELOPMENT COSTS	$20,785,430	$20,295,582	$18,381,004	$18,554,579

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			$18,381,004	$18,554,579
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			$18,381,004	$18,554,579
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			$18,381,004	$18,554,579
Applicable Percentage			3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS			$674,583	$680,953
	Syndication Proceeds	**0.7999**	**$5,396,123**	**$5,447,080**

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS

DATE: April 2, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01464

DEVELOPMENT NAME

Arbor Bend Villas

APPLICANT

Name: Arbor Bend Villa Housing, L.P. **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 5910 N. Central Expressway, Suite 1145 **City:** Dallas **State:** TX

Zip: 75206 **Contact:** Bill Fisher **Phone:** (214) 891-1402 **Fax:** (214) 987-9294

PRINCIPALS of the APPLICANT

Name	(%)	Title
Arbor Bend Villas Development LLC	.01	Managing General Partner
Related Capital Company	99.99	Initial Limited Partner
Brian Potashnik		Owner of G.P.

GENERAL PARTNER

Name: Arbor Bend Villas Development LLC **Type:** ☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other

Address: 5910 N. Central Expressway, Suite 1145 **City:** Dallas **State:** TX

Zip: 75206 **Contact:** Bill Fisher **Phone:** (214) 891-1402 **Fax:** (214) 987-9294

PROPERTY LOCATION

Location: Northwest corner of intersection of Oakmont Trail and Hulen Bend ☐ **QCT** ☐ **DDA**

City: Fort Worth **County:** Tarrant **Zip:** 76132

REQUEST

Amount	Interest Rate	Amortization	Term
$444,910	N/A	N/A	N/A

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

Proposed Use of Funds: New construction

SITE DESCRIPTION

Size: 8.52 acres 371,131 square feet **Zoning/ Permitted Uses:** C, Medium Density 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: 152 **# Rental Buildings** 7 **# Common Area Bldngs** 1 **# of Floors** 3 **Age:** 0 yrs **Vacant:** N/A at / /

Number	Bedrooms	Bathroom	Size in SF
72	2	2	950
48	3	2	1,100
32	4	2	1,300

Net Rentable SF: 162,800 **Av Un SF:** 1,071 **Common Area SF:** 3,850 **Gross Bldng SF** 166,650

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

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 59% stucco/26% shingles/8% siding/7% masonry veneer 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, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops

ON-SITE AMENITIES

3,850 SF community building with management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, swimming pool, equipped children's play area, perimeter fencing with limited access gate

Uncovered Parking: 350 spaces **Carports:** 0 spaces **Garages:** 0 spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Charter Mortgage Acceptance Company **Contact:** Jim Spound

Principal Amount: $8,555,000 **Interest Rate:** 7%

Additional Information: Commitment letter lists amount of $9,800,000

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

LONG TERM/PERMANENT FINANCING

Source: Charter Municipal Mortgage Company **Contact:** Jim Spound

Principal Amount: $8,555,000 **Interest Rate:** 7%

Additional Information: Commitment letter lists amount of $9,800,000 *Payment amount based on larger earlier debt commitment

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

Annual Payment: *$691,564 **Lien Priority:** 1st **Commitment Date** 1/ 22/ 2002

LIHTC SYNDICATION

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

Address: 625 Madison Avenue **City:** New York City

State: New York **Zip:** 10022 **Phone:** (212) 521-6369 **Fax:** (212) 751-3550

Net Proceeds: $3,878,015 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 82¢

Commitment ☐ None ☒ Firm ☐ Conditional **Date:** 12/ 19/ 2001

Additional Information: Commitment letter reflects proceeds of $3,878,015 based on credits of $4,729,760

APPLICANT EQUITY

Amount: $1,364,698 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: $692,386 **Assessment for the Year of:** 2001

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

Total Assessed Value: $692,386

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract

Contract Expiration Date: 2/ 28/ 2002 **Anticipated Closing Date:** 5/ 30/ 2002

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

Seller: Unison Investment **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Arbor Bend Villas is a proposed new construction project of 152 units of affordable housing located in southwest Fort Worth. The project is comprised of ten two- and three-story residential buildings as follows:

- Six Building Type A with twelve 2-BR units and eight 3-BR units;
- Four two-storyBuilding Type B with eight 4-BR units;

Based on the site plan the apartment buildings are distributed evenly and fairly densely throughout the site, with the community building located near the entrance to the site and the swimming pool located at the center of the site. The 3,850-square foot community building is planned to have the management offices, a fitness center, kitchen, restrooms, and laundry and maintenance facilities.

Supportive Services: The Applicant has contracted with Housing Services of Texas, Inc. to provide the following supportive services to tenants: after school and adult education, health screenings and immunizations, family counseling and domestic crisis intervention, computer training, emergency assistance and relief, community outreach, vocational guidance, and social and recreational activities. These services will be provided at no cost to tenants. The Applicant has agreed to pay $1,500 per month for these support services.

Schedule: The Applicant anticipates construction to begin in July of 2002, to be completed and placed in service in July of 2003, and to be substantially leased-up in January of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside although as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI. Although this allows for prospective tenants to be qualified at the 60% of AMGI or less income level, as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI.

Special Needs Set-Asides: Eight units (5.2%) will be handicapped-accessible.

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

MARKET HIGHLIGHTS

A market feasibility study dated December 20, 2001 was prepared by Butler Burgher, LLC and highlighted the following findings:

Definition of Market/Submarket: The analyst did not explicitly define the primary market area, but used population demographics from a five-mile radius of the site to calculate demand. (p.69)

Total Regional Market Demand for Rental Units: "Presently, all real estate sectors are relatively stable with multifamily being the strongest. The Dallas/Fort Worth markets remain strong in spite of slower job growth and a weaker economy…Overall, economic conditions continue to create demand for supportive development." (p. 33)

Total Local/Submarket Demand for Rental Units: "The Southwest Fort Worth submarket has a balanced supply/demand relationship as the submarket has high occupancy with only turnover vacancy reported and no additional units being added in the next 12 months" (p. 72)

Capture Rate: Calculated by the analyst to be 21.47%. (p. 71)

Local Housing Authority Waiting List Information: "The Tarrant County and Fort Worth Housing Authorities offer 1,383 low-rent units and 4,797 Section 8 units to qualified residents…New additions to the waiting list are being accepted; however, the waiting period is approxmately 6 to 18 months due to the lack of available units." (p. 65)

INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	**Market Analyst**		**Underwriter**	
	Units of Demand	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Annual Household Growth	103	8%	103	2%
Resident Turnover	0	0%	5,217**	98%
Pent-Up (10-year)	1,196	92%	0	0%
TOTAL DEMAND	**1,299**	**100%**	**5,321**	**100%**

Ref: p. 71

** Calculated by the Underwriter using 2000 IREM central region turnover rate (62%) and existing static income eligible demand of 8,415

Capture Rate: Calculated by the analyst to be 21.47%. (p. 71) Based on the Underwriter's figures, however, the capture rate including this project and two other projects in the LIHTC pipeline (Sycamore Point and Overton Park) would be a much lower and more acceptable 9.28%.

Local Housing Authority Waiting List Information: "The Tarrant County and Fort Worth Housing Authorities offer 1,383 low-rent units and 4,797 Section 8 units to qualified residents…New additions to the waiting list are being accepted; however, the waiting period is approximately 6 to 18 months due to the lack of available units." (p. 65)

Market Rent Comparables: The market analyst surveyed nine comparable apartment projects totaling 2,374 units in the market area. "The unit and project amenities will be similar to the existing units in the submarket and competitive to the direct competition in the adjoining submarkets." (p.3)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
2-Bedroom	$628	$628	+/-$0	$756	-$128
3-Bedroom	$726	$726	+/-$0	$1,047	-$321
4-Bedroom	$810	$810	+/-$0	$1,137	-$327

(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 current occupancy rate is 95.4%" (p. 50)
Absorption Projections: "An absorption rate of 20 units/month is reasonable for the subject, as encumbered by LIHTC, resulting in just over a 7-month absorption period to obtain 95% physical occupancy." (p. 72)
Known Planned Development: "The only new supply scheduled for southwest Fort Worth is 42 units of conventional, market housing and 126 LIHTC units for a total of 168 units in Sycamore Point Townhomes to the southeast." (p. 66) Another 4% LIHTC project (Overton Ridge) located less than one mile away has submitted an application simultaneous with the subject but by an unrelated applicant and issuer. Overton Ridge received a lower lot priority in the lottery but received a reservation 21 days before the subject project received its reservation from the bond review board. Overton Ridge is a joint project with the Fort Worth Housing Authority that will include 54 public housing units and an additional 162 tax credit units
Effect on Existing Housing Stock: "Due to sufficient demand, the new units should not negatively impact the existing affordable housing properties." (p. 3)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation. Should the Overton Park project be funded with priority over this project, this project would exceed the concentration capture rate based upon the market analyst's findings. However, the Underwriter has calculated a significantly higher demand of 5,321 income-eligible targeted households based upon the demographic information in the market study. The Market Analyst was requested to review their conclusions based on this additional information and indicated in a letter dated March 28, 2002 that "…it is our opinion that sufficient demand exists to warrant development of Arbor Bend Villas, despite the concurrent development and operation of Overton Park Apartments. Excess demand should exist after development of both properties and the operations of each should not be detrimentally impacted by the other property." The market analyst also provided a recalculation of the concentration capture rate that again utilized an aggressive two years of household growth and 10 years of pent-up demand to conclude a total demand of 1,403. Their conclusion was a concentration capture rate of 35.28% when all three LIHTC projects are considered. They also acknowledge that this exceeds the maximum THDCA policy. Again the Underwriter's concentration capture rate is a much lower 9.28 %.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the southwest area of Fort Worth, approximately five miles from the central business district. The site is situated on the west side of Oakmont Trail.
Population: The estimated 2001 population of the five-mile radius of the site was 188,347 and is expected to increase by 5.7% to approximately 198,459 by 2006. Within the primary market area there were estimated to be 77,816 households in 2001.
Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly residential, with some with commercial and retail. Adjacent land uses include:

- **North:** Multifamily residential
- **South:** Single-family residential
- **East:** Multifamily residential
- **West:** Single-family residential

Site Access: Access to the property is from the southwest or northeast along Oakmont Trail. The project is to have one main and two secondary entries from Oakmont Trail. Access to Interstate Highway 20 is 1.5

miles northeast, which provides connections to all other major roads serving the Metroplex area.
Public Transportation: Public transportation to the area is provided by the Fort Worth bus system, with stops adjacent to the site.
Shopping & Services: The site is within one mile of grocery/pharmacies, a regional shopping centers, 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 title commitment lists a minor city lien that must be cleared by the closing.
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 December 20, 2001 was prepared by Butler Burgher and contained the following findings and recommendations:
Findings: "Based on existing conditions observed at the subject and adjacent property on the day of inspection, there was no evidence of recognized environmental conditions…" (p. 12)
Recommendation: "No further investigation/assessment is warranted at this time…" (p. 12)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, which are significantly ($128-$327) lower than the average prevailing market rents in the submarket. The Applicant's secondary income estimate of $26/unit/month results in an overstatement of $29.2K relative to the TDHCA underwriting guideline of $10/unit. The Applicant's estimate of vacancy and collection losses, at 7%, is slightly lower than the TDHCA underwriting guideline of 7.5%; the net result is that the Applicant's effective gross income estimate is $33.6K higher than the Underwriter's.
Expenses: The Applicant's total expense estimate of $3,300 per unit is within 4% of an adjusted TDHCA database-derived estimate of $3,268 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 ($7.2K lower), payroll ($19.1K higher), utilities ($7.5K higher), and property tax ($25.5K lower). In addition, supportive services and compliance fees totaling $22K were moved "below the line" in order to reflect to the reader the absolute minimum bonds-only debt service.
Conclusion: The Applicant's estimated net operating income is inconsistent with the Underwriter's expectations, i.e., more than 5% above the database-derived estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. In the Applicant's estimates there is sufficient net operating income to service the proposed first lien permanent mortgage (bonds-only) at a debt coverage ratio that is in excess of 1.10 as required by program guidelines. However, the Underwriter's estimate reflects that debt service would need to be capped at $633,213 in order to preserve a minimum 1.10 DCR. Therefore, a reduction in the debt amount may be required at the conversion date.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The site cost of $850,000 ($2.29/SF or $100K/acre) is reasonably substantiated by the tax assessed value of $692K and is assumed to be reasonable since the acquisition is an arm's-length transaction.
Sitework Cost: The Applicant's claimed sitework costs of $6,500 per unit are the maximum allowed under TDHCA underwriting guidelines for multifamily projects.
Direct Construction Cost: The Applicant's direct construction cost estimate is $68K or 1% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.
Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all set at the maximums allowed by TDHCA guidelines.
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 is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $12,089,943 is used to determine a credit

allocation of $443,701 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

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 tax-exempt bond proceeds, syndicated LIHTC equity, and deferred developer's fees.

Bonds and Conventional Interim to Permanent Loan: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by the Tarrant County Housing Finance Corporation and placed privately with Charter Mortgage Acceptance Company (Charter MAC). There is an unexecuted commitment for interim to permanent financing through Charter MAC in the amount of $9,800,000 during both the interim period and at conversion to permanent, although the Applicant's sources of funds indicates a loan size of $8,555,000. The commitment letter indicated a term of 40 years for the permanent portion plus an two-year construction period, at a fixed interest rate of 7%. The commitment also reflects 153 units rather than the 152 units currently proposed. Receipt, review, and acceptance of revised bond commitment reflecting the final amount of the bonds and correct number of units is a condition of this report.

Letter of Credit: The bond commitment requires a letter of credit (LOC), however, a commitment evidencing this arrangement was not provided. Receipt, review, and acceptance of a letter of credit commitment for the full amount of the bonds is a condition of this report. The commitment to purchase the bonds lays out the anticipated terms of the LOC including an origination fee of not more than 0.75%, quarterly interest of not more than 0.75% per annum on the full amount of the letter of credit, and guarantees of Brian Potashnik and Southwest Housing Development Company during construction and lease-up.

LIHTC Syndication: Related Capital Company has offered terms for syndication of the tax credits, however, the commitment letter provided reflected a larger 153-unit project and a slightly larger tax credit and syndication amount than is now anticipated. Receipt, review, and acceptance of a revised syndication commitment reflecting the current project size and currently anticipated credit allocation is a condition of this report. The commitment letter shows net proceeds are anticipated to be $3,878,015 based on a higher anticipated credit amount of $472,976 and a syndication factor of 82%. The funds would be disbursed in a five-phased pay-in schedule:

1. 20% upon admission to the partnership;
2. 10% upon completion of 50% of construction;
3. 30% upon completion of 75% of construction;
4. 20% upon completion of construction;
5. 20% upon the latest to occur of: closing of the permanent loan, receipt of IRS Form 8609, achievement of both 93% occupancy and a DCR of 1.15 for three consecutive months.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,364,698 amount to 87% of the total fees.

Financing Conclusions: Based on the Applicant's estimate of eligible basis and the current underwriting applicable percentage of 3.67%, rather than the Applicant's 3.68%, the LIHTC allocation should not exceed $443,701 annually for ten years, resulting in syndication proceeds of approximately $3,637,983. As discussed previously, the Underwriter's analysis reflects the potential mandatory redemption of up to $64K in bonds at conversion and the need to pay for supportive services and compliance fees out of remaining cash flow below a 1.10 DCR for the first two years of operation. This potential reduction in debt and slight credit adjustment due to the applicable percentage results in an increase of potential deferred developer fee to $1,438,648, which represents approximately 91% of the available fee. Should the Applicant's final construction cost exceed the cost estimate used to determine credits in this analysis or a larger initial mandatory redemption be required, additional deferred developer's fee may not be available to fund the additional gap. As projected by the Underwriter, the deferred fees amount do not appear to be repayable within ten years, however, it can be projected that they are repayable out of estimated cash flow at zero percent interest in approximately 12 years.

REVIEW of ARCHITECTURAL DESIGN

Exterior Elevations: The exterior elevations are attractive, with mixed stucco/masonry veneer/siding exterior finish and pitched roofs. The units are in two three-story walk-up structures with exterior stairways and interior breezeways. Each unit has a semi-private exterior entry that is shared with other units off an interior breezeway. All units are of average size for market rate and LIHTC units, and have covered patios or balconies, outdoor storage closets, and hookups for washers and dryers.

Unit Floorplans:

1. Entry to the 2-BR/2-BA unit is directly into the living area, with the designated dining area to the right and the galley kitchen adjoining the dining area. A hallway off the living area leads to the bedrooms and bathrooms, one of which is accessible from the living area. The patio is accessed from the living room. The master bedroom has a walk-in closet and the secondary bedroom has a conventional closet.
2. The 3-BR/2-BA unit is arranged similarly to the 2-BR unit, with a larger kitchen with island, an entry coat closet, and the third bedroom off the central hallway.
3. Entry into the 4-BR/2-BA unit is through an entry foyer into the dining area, and the galley kitchen is separated from the dining area by a breakfast bar. The living area adjoins the dining space, and again a central hallway off the living area provides access to all bedrooms and bathrooms. The master bedroom has a walk-in closet and the other three bedrooms feature conventional closets. Both bathrooms will have two vanities.

IDENTITIES of INTEREST

Brian Potashnik, the owner of the General Partner, is also a principal of the Developer, General Contractor, and Property Manager. These are typical 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.
- The Developer, Southwest Housing Development Company, Inc., submitted an unaudited financial statement as of December 31, 2000 reporting total assets of $6.76M and consisting of $2M in cash, $3.9M in receivables, $817K in work in progress, and $5K in other assets. Liabilities totaled $3.2M, resulting in net equity of $3.57M.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Brian Potashnik, the owner of the General Partner and president of the Developer and General Contractor, listed participation as president of the general partner on 11 previous affordable and conventional housing projects totaling 2,353 units since 1994.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- 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 $443,701 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report;
2. The potential deferral of the TDHCA compliance fees for the first two years of stabilized operation in order to achieve a minimum 1.10 DCR;
3. Receipt, review, and acceptance of a revised bond commitment reflecting the final amount of the bonds and the correct number of units;
4. Receipt, review, and acceptance of a letter of credit commitment for the full amount of the bonds;
5. Receipt, review, and acceptance of a revised syndication commitment reflecting the current project size and currently anticipated credit allocation;
6. Should the terms of the proposed debt be altered, the previous condition should be re-evaluated.

Credit Underwriting Supervisor: ______________________ **Date:** April 2, 2002
Jim Anderson

Director of Credit Underwriting: ______________________ **Date:** April 2,, 2002
Tom Gouris

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Arbor Bend Villas, 4% LIHTC #01464

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (50%)	72	2	2	950	$690	$628	$45,216	$0.66	$62.00	$22.00
TC (50%)	48	3	2	1,100	796	$726	34,848	0.66	70.00	25.00
TC (50%)	32	4	2	1,300	888	$810	25,920	0.62	78.00	25.00
TOTAL:	152			1,071	$765	$697	$105,984	$0.65	$67.89	$23.58

INCOME Total Net Rentable Sq Ft: 162,800

				TDHCA	APPLICANT			
POTENTIAL GROSS RENT				$1,271,808	$1,271,808			
Secondary Income		Per Unit Per Month:	$10.00	18,240	47,424	$26.00	Per Unit Per Month	
Other Support Income:				0	0			
POTENTIAL GROSS INCOME				$1,290,048	$1,319,232			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(96,754)	(92,352)	-7.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,193,294	$1,226,880			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.15%	$326	$0.30	$49,579	$42,400	$0.26	$279	3.46%
Management	4.00%	314	0.29	47,732	49,075	0.30	323	4.00%
Payroll & Payroll Tax	8.45%	663	0.62	100,776	119,900	0.74	789	9.77%
Repairs & Maintenance	5.54%	435	0.41	66,077	62,744	0.39	413	5.11%
Utilities	2.65%	208	0.19	31,579	39,100	0.24	257	3.19%
Water, Sewer, & Trash	3.60%	283	0.26	43,008	38,900	0.24	256	3.17%
Property Insurance	2.18%	171	0.16	26,048	21,210	0.13	140	1.73%
Property Tax 3.20627	8.50%	668	0.62	101,473	76,000	0.47	500	6.19%
Reserve for Replacements	2.55%	200	0.19	30,400	30,600	0.19	201	2.49%
Other:	0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL EXPENSES	41.62%	$3,268	$3.05	$496,672	$479,929	$2.95	$3,157	39.12%
NET OPERATING INC	58.38%	$4,583	$4.28	$696,622	$746,951	$4.59	$4,914	60.88%
DEBT SERVICE								
First Lien Mortgage	53.46%	$4,197	$3.92	$637,961	$637,961	$3.92	$4,197	52.00%
Supportive Services & Complianc	1.83%	$143	$0.13	21,800	21,650	$0.13	$142	1.76%
Additional Financing	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW	3.09%	$243	$0.23	$36,861	$87,340	$0.54	$575	7.12%
AGGREGATE DEBT COVERAGE RATIO				1.06	1.13			
BONDS-ONLY DEBT COVERAGE RATIO				1.09				
ALTERNATIVE BONDS ONLY DEBT COVERAGE RATIO				1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg		6.27%	$5,592	$5.22	$850,000	$850,000	$5.22	$5,592	6.26%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.29%	6,500	6.07	988,000	988,000	6.07	6,500	7.28%
Direct Construction		49.26%	43,925	41.01	6,676,547	6,704,500	41.18	44,109	49.41%
Contingency	5.00%	2.83%	2,521	2.35	383,227	384,625	2.36	2,530	2.83%
General Requirem	6.00%	3.39%	3,025	2.82	459,873	461,550	2.84	3,037	3.40%
Contractor's G &	2.00%	1.13%	1,008	0.94	153,291	153,850	0.95	1,012	1.13%
Contractor's Pro	6.00%	3.39%	3,025	2.82	459,873	461,550	2.84	3,037	3.40%
Indirect Construction		4.23%	3,773	3.52	573,450	573,450	3.52	3,773	4.23%
Ineligible Expenses		3.50%	3,120	2.91	474,213	474,213	2.91	3,120	3.50%
Developer's G & A	2.00%	1.55%	1,379	1.29	209,595	0	0.00	0	0.00%
Developer's Profit	13.00%	10.05%	8,963	8.37	1,362,365	1,576,949	9.69	10,375	11.62%
Interim Financing		5.79%	5,168	4.82	785,469	785,469	4.82	5,168	5.79%
Reserves		1.32%	1,178	1.10	178,998	153,804	0.94	1,012	1.13%
TOTAL COST		100.00%	$89,177	$83.26	$13,554,900	$13,567,960	$83.34	$89,263	100.00%
Recap-Hard Construction Costs		*67.29%*	***$60,005***	***$56.02***	***$9,120,811***	***$9,154,075***	***$56.23***	***$60,224***	*67.47%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	63.11%	$56,283	$52.55	$8,555,000	$8,555,000	$8,491,328	**Max. Cost Guideline**
LIHTC Syndication Proceeds	26.91%	$24,002	$22.41	3,648,262	3,648,262	3,637,983	$12,047,200
Additional Financing	0.00%	$0	$0.00	0	0	0	
Deferred Developer Fees	10.07%	$8,978	$8.38	1,364,698	1,364,698	1,438,648	
Additional (excess) Funds Requi	-0.10%	($86)	($0.08)	(13,060)	0	0	
TOTAL SOURCES				$13,554,900	$13,567,960	$13,567,960	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Arbor Bend Villas, 4% LIHTC #01464

DIRECT CONSTRUCTION COST ESTIMATE
Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$39.73	$6,467,804
Adjustments				
Exterior Wall Fini	2.25%		$0.89	$145,526
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.83)	(134,353)
Floor Cover			1.82	296,296
Porches/Balconies	$24.32	30,246	4.52	735,638
Plumbing	$585	520	1.87	304,200
Built-In Appliance	$1,550	152	1.45	235,600
Stairs/Fireplaces	$1,550	44	0.42	68,200
Floor Insulation			0.00	0
Heating/Cooling			1.41	229,548
Garages/Carports		0	0.00	0
Comm &/or Aux Bldg	$55.55	3,850	1.31	213,851
Other:			0.00	0
SUBTOTAL			52.59	8,562,310
Current Cost Multiplie	1.04		2.10	342,492
Local Multiplier	0.92		(4.21)	(684,985)
TOTAL DIRECT CONSTRUCTION COSTS			$50.49	$8,219,818
Plans, specs, survy, b	3.90%		($1.97)	($320,573)
Interim Construction I	3.38%		(1.70)	(277,419)
Contractor's OH & Prof	11.50%		(5.81)	(945,279)
NET DIRECT CONSTRUCTION COSTS			$41.01	$6,676,547

PAYMENT COMPUTATION

Primary	$8,555,000	Term	480
Int Rate	7.00%	DCR	1.09

Secondary		Term	
Int Rate		Subtotal DCR	1.06

Additional		Term	
Int Rate		Aggregate DCR	1.06

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$633,213
Supportive Services & Complian	21,800
Additional Debt Service	0
NET CASH FLOW	$41,609

Primary	$8,491,328	Term	480
Int Rate	7.00%	DCR	1.10

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.06

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.06

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,271,808	$1,309,962	$1,349,261	$1,389,739	$1,431,431	$1,659,421	$1,923,724	$2,230,123	$2,997,099
Secondary Income	18,240	18,787	19,351	19,931	20,529	23,799	27,590	31,984	42,984
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,290,048	1,328,749	1,368,612	1,409,670	1,451,960	1,683,220	1,951,313	2,262,107	3,040,083
Vacancy & Collection Loss	(96,754)	(99,656)	(102,646)	(105,725)	(108,897)	(126,242)	(146,349)	(169,658)	(228,006)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,193,294	$1,229,093	$1,265,966	$1,303,945	$1,343,063	$1,556,979	$1,804,965	$2,092,449	$2,812,076
EXPENSES at 4.00%									
General & Administrative	$49,579	$51,562	$53,624	$55,769	$58,000	$70,566	$85,854	$104,455	$154,619
Management	47,732	49,164	50,639	52,158	53,723	62,279	72,199	83,698	112,483
Payroll & Payroll Tax	100,776	104,807	108,999	113,359	117,894	143,436	174,511	212,320	314,285
Repairs & Maintenance	66,077	68,720	71,469	74,327	77,301	94,048	114,424	139,214	206,071
Utilities	31,579	32,842	34,156	35,522	36,943	44,947	54,685	66,533	98,485
Water, Sewer & Trash	43,008	44,728	46,517	48,378	50,313	61,214	74,476	90,611	134,127
Insurance	26,048	27,090	28,174	29,300	30,472	37,074	45,107	54,879	81,235
Property Tax	101,473	105,532	109,754	114,144	118,710	144,428	175,719	213,789	316,460
Reserve for Replacements	30,400	31,616	32,881	34,196	35,564	43,269	52,643	64,048	94,807
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$496,672	$516,062	$536,212	$557,154	$578,919	$701,261	$849,618	$1,029,547	$1,512,571
NET OPERATING INCOME	$696,622	$713,032	$729,754	$746,791	$764,144	$855,717	$955,347	$1,062,902	$1,299,505
DEBT SERVICE									
First Lien Financing	$633,213	$633,213	$633,213	$633,213	$633,213	$633,213	$633,213	$633,213	$633,213
Second Lien	21,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$41,609	$58,018	$74,740	$91,777	$109,131	$200,704	$300,334	$407,888	$644,492
DEBT COVERAGE RATIO	1.06	1.09	1.11	1.14	1.17	1.31	1.46	1.62	1.98

LIHTC Allocation Calculation - Arbor Bend Villas, 4% LIHTC #01464

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$850,000	$850,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$988,000	$988,000	$988,000	$988,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$6,704,500	$6,676,547	$6,704,500	$6,676,547
(4) Contractor Fees & General Requirements				
Contractor overhead	$153,850	$153,291	$153,850	$153,291
Contractor profit	$461,550	$459,873	$461,550	$459,873
General requirements	$461,550	$459,873	$461,550	$459,873
(5) Contingencies	$384,625	$383,227	$384,625	$383,227
(6) Eligible Indirect Fees	$573,450	$573,450	$573,450	$573,450
(7) Eligible Financing Fees	$785,469	$785,469	$785,469	$785,469
(8) All Ineligible Costs	$474,213	$474,213		
(9) Developer Fees				
Developer overhead		$209,595		$209,595
Developer fee	$1,576,949	$1,362,365	$1,576,949	$1,362,365
(10) Development Reserves	$153,804	$178,998		
TOTAL DEVELOPMENT COSTS	$13,567,960	$13,554,900	$12,089,943	$12,051,689

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		$12,089,943	$12,051,689
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$12,089,943	$12,051,689
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$12,089,943	$12,051,689
Applicable Percentage		3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS		$443,701	$442,297
Syndication Proceeds	**0.8199**	**$3,637,983**	**$3,626,472**

DESCRIPTION of IMPROVEMENTS

Total Units: 180 **# Rental Buildings** 1 **# Common Area Bldngs** 1* **# of Floors** 3 **Age:** n/a yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
18	0	1	450
108	1	1	600
36	2	1	832
18	2	2	995

Net Rentable SF: 120,582 **Av Un SF:** 670 **Common Area SF:** 6,800 **Gross Bldng SF** 127,382

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

* Common area building is connected to residential buidlings

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade w/ grade beams, 35% brick veneer/ 65% 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, stall shower, fiberglass tub/shower with tile walls, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES

Community center in main building with congregate dining & activity room, management offices, kitchen, restrooms, central mailroom, beauty shop, library, fitness center, store & coffee shop, swimming pool, equipped children's play area, perimeter fencing with limited access gate, three elevators

Uncovered Parking: 215 spaces **Carports:** n/a spaces **Garages:** n/a spaces

OTHER SOURCES of FUNDS

INTERIM to PERMANENT FINANCING

Source: SunAmerica, Inc. **Contact:** Dana Mayo

Principal Amount: $7,500,000 **Interest Rate:** Fixed rate estimated by bank at 6.0%

Additional Information:

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

Annual Payment: $91,701 **Lien Priority:** 1st **Commitment Date** 12/ 06/ 2001

LIHTC SYNDICATION

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

Address: 1 SunAmerica Center, Century City **City:** Los Angeles

State: Texas **Zip:** 90067 **Phone:** (310) 772-6831 **Fax:** (310) 772-6179

Net Proceeds: $4,062,218 **Net Syndication Rate** (per $1.00 of 10-yr LIHTC) 82¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 12/ 06/ 2001

Additional Information:

APPLICANT EQUITY

Amount:	$1,208,619	**Source:**	Deferred developer fee
Amount:	$125,000	**Source:**	Construction cash flow from rental income
Amount:	$85,000	**Source:**	Interest income during construction

VALUATION INFORMATION

APPRAISED VALUE

Land Only: 9.803 acres $980,000 **Date of Valuation:** 12/ 11/ 2001

Appraiser: Joe J. Blood, III, Real Estate Appraisers, Inc. **City:** Weatherford **Phone:** (817) 732-0206

ASSESSED VALUE

Land: 32.9614 acres	$35,000 per acre	**Assessment for the Year of:**	2001
Land: 9.803 acres prorated	$343,105 total	**Valuation by:**	Collin County Appraisal District
		Tax Rate:	2.582049

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest money contract (9.803 acres)

Contract Expiration Date: 10/ 31/ 2002 **Anticipated Closing Date:** 05/ 15/ 2002

Acquisition Cost: $ 1,000,000 **Other Terms/Conditions:** $500 earnest money

Seller: McKinney Hospital Land, Ltd. **Related to Development Team Member:** Yes

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Grand Reserve Seniors Community is a proposed new construction project of 180 units of affordable seniors' housing located in McKinney. The two three-story buildings consisting of efficiency, one- and two-bedroom units are connected by covered breezeways to a central clubhouse. The buildings include open atriums and three elevators. The 6,800 square foot clubhouse will house a dining/multipurpose room with commercial kitchen, fitness center, home health office, game room, central mailroom, beauty shop, coffee shop, activities room, business center/library, and public restrooms as well as leasing/management offices. The overall layout of the buildings mimics the L-shape of the site. Additional amenities such as a pool, cabana and playground area are also planned.

The proposed site is in close proximity to the Country Lane Seniors Community and The Grand Texan Seniors Community. Country Lane received a tax-exempt bond and 4% LIHTC allocation in 1999. The 230-unit project was recently completed and has been stabilized with +90% occupancy since June 2001 and, as of March 2002, has a waiting list of over 150 prospective residents. The Grand Texan is proposed as a 230-unit mixed income seniors' development and received a 2001 9% LIHTC allocation, but has yet to break ground. All three projects share the same development team.

The 2001 underwriting report for The Grand Texan Seniors Community indicated concern over the project's proximity to Country Lane Seniors Community and Country Lane's then lack of stabilized status as determined by a market analyst. As of the date of the original underwriting report for Grand Texan, this would have violated the 2001 QAP limitations on the size of projects making The Grand Texan ineligible in that allocation cycle. Section 50.7(g)(2) of the 2001 QAP states, "…Projects involving new construction will be limited to 250 units. For those developments which are a second phase or are otherwise adjacent to an existing tax credit development, unless such proposed development is being constructed to replace previously existing affordable multifamily units on its site, the combined Unit total for the developments may not exceed the maximum allowable project size, unless the first phase has been completed and stabilized for at least six months." This is no longer a concern for The Grand Texan as Country Lane has had stabilized occupancy for at least six months. However, because the subject development is located in close proximity to The Grand Texan Seniors Community and The Grand Texan has not had the opportunity to maintain stabilized occupancy for six months, approval of funding for the proposed development could violate the 2002 QAP limitation of 280 units for tax-exempt bond developments (Section 49.7(h)(2) and (3)).

Due to this possible violation and to the general decline in the market for seniors' housing, the Applicant proposes the following two scenarios:

1. The developer has submitted a request to the Department for resizing of The Grand Texan Seniors Community from a 230-unit development to a 100-unit development. The proposal would maintain the number of affordable units at 54 units, but reduce the number of market units to 46 units. Should the Department and Board approve the changes, the 100-unit Grand Texan and 180-unit subject development would provide a total of only 280 units, which is equal to the limit for unstabilized tax-exempt bond projects located adjacent to one another. As of the date of this report, the Department and Board have not made a decision on this proposal.
2. Should the Department and Board decide not to approve the request for resizing of The Grand Texan Seniors Community, as described above, the developer has indicated that he will not move forward with construction of The Grand Texan. As a letter, dated March 13, 2002, explains, "I have been unable to find an investor for the tax credit allocation due to the large number of market rate units in this project. On March 11, 2002 I filed a revised tax credit application with the TDHCA requesting for the market rate units to be reduced to 4[6] units…At this time I am no longer pursuing the development of The Grand Texan as a 230 unit project with 176 market rate units, because such efforts would be futile in the current economic climate." Without the inclusion of the 230-units proposed at The Grand Texan, the 2002 QAP limitation of a total of 280 units for tax-exempt bond developments located adjacent to one another would no longer be an issue.

Conclusions presented in this report are conditioned upon the receipt, review and acceptance of either Department and Board approval of the proposed reduction in the number of units planned for The Grand Texan Seniors Community to 100 units or documentation indicating that the developer for The Grand Texan will not move forward with its construction and has returned all related tax credits.

Supportive Services: The Applicant has contracted with the Visiting Nurse Association to provide health and wellness services to tenants. These services will be provided at no cost to tenants. A contract for a similar project requires a display of the service provider's information package and an annual fee of $2,000.

Schedule: The Applicant anticipates construction to begin in September of 2002, to be completed in November of 2003, to be placed in service and 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. Although this allows for prospective tenants to be qualified at the 60% of AMGI or less income level, as a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI. All of the units will be reserved for elderly tenants.

Special Needs Set-Asides: Nine units (5%) will be set-aside for households with handicapped/ developmentally disabled individuals.

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

MARKET HIGHLIGHTS

Ipser & Associates prepared a market study with an effective date of December 6, 2001 that included the following information:

Definition of Market/Submarket: The subject's immediate neighborhood is defined as Census Tract 309. The primary market area is defined as the City of McKinney, Texas with the secondary market extending throughout most of Collin County, including small communities to the north and east. (p. 2-5)

Total Demand for Rental Units: For elderly renters (regardless of income level), 47 of 125 (37.6%) in the subject tract and 259 of 431 (60.1%) in the city were using 30% or more for rent, with most paying 35% or more for housing. (p. 2-7) A major factor in demand for the affordable rental housing in the subject's defined market is the area's increase in the number of elderly households, along with the aging of some of the existing housing stock. As indicated by the age data from 1990 to 2000, the elderly population age 65 and over in Collin County increased by 12,083 representing 5.3% of the county's total growth. I&A's estimates for the 2000 to 2005 period show the addition of 9,932 elderly amounting to 5.8% of the estimated growth in five years. Because the county, state and national trend indicates an increasing elderly population, further increases in the number of elderly in McKinney and Collin County are anticipated. Rental housing demand for the City of McKinney, based on household growth, is estimated at approximately 1,587 rental units between 2002 and 2004, with an additional 833 rental units from 2004 to 2005. For Collin County, this analysis shows that an estimated demand for rental units is much higher than the city (9,779 between 2002 and 2004, with an additional 5,058 units between 2004 and 2005). This is considered a minimum demand to meet the basic growth, **regardless of age**, and need for replacement of substandard housing. (p. 2-14)

An alternate approach to a demand analysis (based on projected growth [26,554 total county, 3,903 age 55+], existing households [206,139 total county, 30,302 age 55+], estimated renter household percentages, income limits, turnover [38.5% total county, 30% age 55+] and approved LIHTC units) indicates a figure for 234 LIHTC units of householders age 55 and older over the nest two years in ***Collin County***. The other sources of demand are based on 65% of 230 existing tenants coming from outside Collin County. (Exhibit N-1) (p. 3-4)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY		
Type of Demand	**Units of Demand**	**% of Total Demand**
Household Growth (55+)	94	11%
Resident Turnover (55+)	546	70%
Other Sources (65% demand)	150*	19%
TOTAL ANNUAL DEMAND	**790**	**100%**

Ref: p. 3-4

* Market analyst chart indicates 416 units of demand from other sources, but data presented in Exhibit N-1 indicates that this figure should be 65% of 230 existing tenants coming from outside Collin County.

Capture Rate: (54 approved LIHTC elderly units + 180 proposed units)/1,057 units of demand = 22.1% (p. 3-4) A supplementary letter was provided indicating that a change in the number of units at The Grand Texan Seniors community would not affect the proposed capture rate as long as the number of LIHTC units remained constant. Eliminating the 54 tax credit units at The Grand Texan would cause the estimated capture rate to decrease to 17.0%. Alternatively, considering all 100 units proposed as a restructure of The Grand Texan would increase the capture rate to 27%, which exceeds the Department's 25% concentration capture rate policy.

As noted above, the market analyst appears to have overstated demand from outside Collin County (listed as "Other Sources"). The referenced Exhibit N-1 indicates that Demand from other sources is based on 65% of 230 existing tenants coming from outside Collin County, calculated by the Underwriter as 150 units of demand. This drops total annual demand from 1,057 units to 790 units. Therefore capture rate would be recalculated as (54 approved LIHTC elderly units + 180 proposed units)/790 units of demand = 29.6% with the inclusion of the proposed LIHTC units to be located at The Grand Texan Seniors Community OR 180 proposed units/790 units of demand = 23% excluding the units proposed for The Grand Texan. Again, including all 100 units proposed as a restructure of The Grand Texan would further increase the capture rate to 35%.

Local Housing Authority Waiting List Information: All public housing units are 100% occupied, and the waiting list has a total of 371 names of which 45% are elderly/disabled persons (167 names). The Section 8 waiting list, which has been closed since October 1, 2001, has 235 names of which 60% are elderly/disabled persons (141 names). (p. 2-23)

Market Rent Comparables: Data from the Comprehensive Housing Affordability Strategy (CHAS) Database is available for McKinney and Collin County. The data for McKinney showed that nearly one-half (48.8%) of the available rental housing (vacant for rent in 1990) was in the 31% to 50% affordability group, and another 32.9% were available in the lower affordability group, 0 to 30%. The data also showed that there were renter units with housing problems, some overcrowding, and tenants paying 30% (or 50%) or more of income for rent. Approximately 40.2% of occupied rental units were reported with problems, and 24.6% of owner occupied housing (32.1% and 24.0%, respectively in the county). (p. 2-11) A nearly identical LIHTC senior housing complex opened in October 2000, and currently the 230-unit complex is 97.8% occupied and 100% leased with 110 applicants on the waiting list. Other elderly facilities in McKinney include a 45-unit HUD 202 rental-assisted complex and three assisted living facilities with Level I Care rents ranging from $1,430 to $2,550. Additional assisted living projects are located in Princeton, Plano and other surrounding communities, but there are no known affordable elderly projects in the surrounding communities. (p. 2-20) The comparable market data used in the report consists of 22 projects containing 3,726 units, including 6 LIHTC complexes (1,202 units), one HUD Section 8 complex (100 units) and 200 public housing units managed by the McKinney Housing Authority. In addition, five elderly retirement locations were contacted with a total of 428 units. (p. 2-21) A sorting of the rent rates by the number of bedrooms indicates the subject's LIHTC proposed rents rank in the lower end of the range for one-bedroom and two-bedroom units, and in the mid-range of efficiency rents. The subject's rent per square foot rank in the mid range of efficiencies and one-bedroom units, while the two-bedroom units fall in the lower and upper-mid range of rents per square foot. (p. 2-23)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
Efficiency	$514	$510	+$4	$555	-$41
1-Bedroom	$540	$538	+$2	$628	-$88
2-Bedroom (832 SF)	$645	$647	-$2	$762	-$117
2-Bedroom (985 SF)	$645	$647	-$2	$868	-$223

(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: In the City of McKinney, the occupancy rate rose from 89.0% in 1990 to 93.4% in 2000. In Collin County, occupancy rose from 92.3% in 1990 to 93.4% in 2000. The subject tract experienced less intense growth than the city or county, with a net increase of 28 units. This increase was created by a growth of 81 owner units and 87 rented units, along with a decrease of 140 vacant units. The loss of vacant units could mean the units were demolished or that they became inhabited and are no longer vacant. Occupancy in the subject tract grew from 86.6% in 1990 to 94.2% in 2000. (p. 2-9) Occupancy among the 22 conventional and rental-assisted locations increases to 94.3% and 96.3% leased and occupancy among the five LIHTC locations rises to 95.2% and 97.6% leased, after excluding Tuscany at Wilson Creek, a new LIHTC family complex that is currently in its initial lease-up stage. (p. 2-22)

Absorption Projections: Country Lane Seniors Community reached 95.6% occupancy in September 2001, which equates to an absorption rate of 20 units per month since its opening in October 2000. The property manager indicates that 30% of all tenants come from McKinney, 5% from the Plano-Frisco area and 65% from the remainder of the Dallas-Fort Worth Metroplex. Another indicator of absorption can be found at Tuscany at Wilson Creek, a 220-unit LIHTC family project that officially opened in June 15, 2001, but tenants began moving into one completed building in January 2001. According to the property manager, the absorption rate has averaged about 20 units per month since June 2001. (p. 2-25) Average absorption for the subject is estimated at 20 units per month. (p. 3-5)

Known Planned Developments: Another planned project of 230 units, The Grand Texan Seniors, may be built on an adjoining site. This project offers only 54 LIHTC units with all others at market rate. Two complexes, the Greens of McKinney and Skyline Villas, are currently under construction. The Greens of McKinney, a 1,200-units conventional, multifamily complex, is scheduled for completion in two phases: 576 units by May 2002 and 604 units by December 2003. The Greens of McKinney is located about one mile northwest of the subject. Skyline Villas, a 240-unit LIHTC complex is located on Skyline Drive. (p. 2-20)

Effect on Existing Housing Stock: The addition of another 180 units for householders aged 55 and over is not expected to have any significant long-term impact on the existing rental market. (p. 3-3)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: McKinney is located in North Central Texas, approximately 30 miles north of Dallas in Collin County. The site is an irregularly shaped parcel located in the southeastern area of McKinney, approximately 3.5 miles from the central business district. The site is situated on the east side of State Highway 5, north of Country View Lane and south of the junction with State Highway 121.

Population: The 2000 Census population of McKinney was 54,369 and is expected to increase to approximately 72,569 by 2004. Within the primary market area there were estimated to be 7,596 households in 1990. The 1990 Census data shows that there were 407 renters age 65 and older in the city and 1,999 elderly renters in the county. The 1990 to 2000 period indicates and increase of 9,270 elderly and the 2000 to 2005 projections show the addition of 9,952 elderly.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed with vacant land and multifamily housing. Adjacent land uses include:

- **North:** Senior apartment complex
- **South:** Vacant land
- **East:** Proposed senior apartment complex, railroad line, Heard Natural Science Museum and Wildlife Sanctuary beyond
- **West:** Vacant land

Site Access: Access to the property will be from State Highway 5 via Enterprise Drive, a new east/west road, and Country View Lane, a new north/south road leading to the seniors' community. State Highway 5 provides access to downtown Dallas.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within a distance of 2-3 miles of major groceries/pharmacies, shopping centers, a library, churches, parks and a variety of retail establishments and restaurants. Colleges and universities, the social security office, a community center and more extensive retail are located within a short driving distance from the site. The North Central Medical Center is a full service medical facility located about one-half mile west of the subject. Closer to the subject is the future site of Gambro Health Clinic. For more intense medical conditions, such as transplants, several hospitals in Dallas provide such services.

Site Inspection Findings: TDHCA staff performed a site inspection on May 24, 2000 for The Grand Texan Seniors Community 2000 LIHTC application and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

Environmental Managers, Inc. prepared a Phase I Environmental Site Assessment report dated December 2001 concluding the following:

"Based upon the available data, it is our opinion that no recognized environmental conditions appear to be present at the subject site at this time."

OPERATING PROFORMA ANALYSIS

Income: The Applicant's effective gross income estimate is $6K, or 1%, higher than the Underwriter's estimate. The difference can be attributed to the Applicant's inclusion of $12 per unit per month in secondary income rather than the underwriting guideline of $10 per unit per month.

Expenses: The Applicant's total operating expense estimate also compared favorably to the Underwriter's estimate. Many of the TDHCA database-derived line-item expenses were adjusted based on information provided by the Applicant for the Country Lane Seniors Community located near the subject. Despite these adjustments, the following line-item expenses differed by more than 5% as compared to the Underwriter's figures: general and administrative ($16K lower), repairs and maintenance ($16K lower), utilities ($7K lower), water, sewer and trash ($19K lower), property insurance ($5K higher) and property tax ($40K higher).

Conclusion: Overall, the Applicant's net operating income estimate is within 5% of the Underwriter's estimate. It should be noted that expense estimates for compliance and supportive services were removed from both the Applicant and Underwriter's net operating income calculation. This allows the reader to see the true effect of the bonds-only debt service requirement as compliance fees can be waived by the Department if necessary and supportive services can be funded out of net cash flow.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The submitted earnest money contract and amendments indicate a revised sale price of $1,000,000, lowered from an original price of $1,100,000. The amendments also decrease the overall acreage of the site from 14.813 acres to 9.803 acres by subtracting a 5.01-acre tract of land within the limits of the City of Fairview that does not have proper zoning or utilities. Kenneth H Mitchell, 100% owner of the General Partner, is also a principal of the seller, McKinney Hospital Land, Ltd.

Because the land sale is not an arm's length transaction, the Applicant provided a third party appraisal for the 9.803-acre site. Joe J Bond, III of Real Estate Appraisers, Inc. has concluded a market value of the fee simple interest of the site of $980,000, as of December 11, 2001. The conclusion was based on four land sales in the McKinney Area dating back to May 2000 and individually adjusted for location, zoning, availability of utilities at time of sale, density, anticipated use, size and date of sale. The comparables did not include the resale of an adjacent property for identical use as the subject. This transaction was $36,416 per acre.

The Applicant also provided documentation in support of holding costs associated with the entire 26.92-acre and 38-acre tracts of land originally purchased by McKinney Hospital Land, Ltd., which include cost of infrastructure and interest expense. It appears that the infrastructure costs relate to the construction of off-site water, sewer and street improvements. The Underwriter added acquisition, infrastructure and interest expense for a total of $4.8M in acquisition and holding costs including interest expense. Acreage for wetlands and street improvements were subtracted from the 64.92 acres acquired for a net of 59.06 acres. This indicates a per acre acquisition and holding cost of $81K, or a total cost of $795K for the subject 9.803 acres. This is less than the amount used by the Applicant, but was based on the justifications they provided, it was used in the underwriting analysis.

Off-Site Costs: The Applicant did not include off-site costs in their total development cost budget. However, holding costs submitted as support for the proposed acquisition costs include off-site costs, as described above.

Site Work Cost: At $3,611 per unit, site work costs are on the low side of the typical range but are acceptable.

Direct Construction Cost: The Applicant's direct construction cost estimate is $285K, or 5%, lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

Interim Financing Fees: The Underwriter reduced the Applicant's interim financing fees by $85,000 to reflect the net effect of the Applicant's projection of that amount in income from a guaranteed investment contract, which results in an equivalent reduction in eligible basis. In addition, while the Applicant's estimate includes an estimated 29 months of interim interest expense, 26 of which was considered eligible, the Underwriter's analysis includes only 12 months of fully drawn interest expense.

Fees: The Applicant's contingency costs exceed the underwriting guideline of 5% of site work and direct construction costs. Therefore, the eligible portion was reduced from $450K to $323K.

The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and, therefore, the eligible portion of the Applicant's developer fee must also be reduced by $1,798.

Reserves: The Applicant's reserve estimate is lower than the minimum two-month estimate used by the Underwriter and this results in a $117K understatement of ineligible costs.

Conclusion: Despite the overstatement of eligible interest expense and acquisition costs, the Applicant's total development cost estimate is within 5% of the Underwriter's estimate. Therefore, the Applicant's estimate was used to determine the project's eligible basis and it was adjusted for an overstated acquisition cost and fees to determine the need for funding.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from four sources: a mortgage revenue bond-financed interim to permanent loan, syndicated LIHTC equity, deferred developer's fees, and rental income and interest income received during the construction phase.

Bonds: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by Collin County Housing Financing Corporation and placed with SunAmerica, Inc. As of the date of this underwriting analysis, there will be $7,500,000 in tax-exempt bonds. The bonds will have a term of 33 years and amortization schedule of 30 years at a fixed interest rate. The Underwriter used a lender determined interest rate of 6.0%.

LIHTC Syndication: SunAmerica Affordable Housing Partners, Inc. has offered terms for syndication of the tax credits. The letter of interest shows net proceeds is anticipated to be $4,062,218 based on a syndication factor of 82%. A commitment letter from SunAmerica for a similar project indicates a three-phased pay-in schedule as follows: a bridge loan; 86.5% of LIHTC equity invested, which will be used to pay off the bridge loan; and 13.5% invested upon receipt of an audited cost certification of final eligible basis, IRS Forms 8609, and achievement of 90% physical occupancy and a DCR of 1.15 for three consecutive months.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,208,619 amount to 85% of the total proposed fees.

Income from Operations: The Applicant forecast rental income of $125,000 from lease-up prior to project completion. The Underwriter regards this income source as speculative and, therefore, does not rely on it.

GIC Interest Income: The Applicant included $85,000 in GIC income; the Underwriter has removed this amount as a source of funds and removed an equivalent amount from interim financing interest cost to compensate.

Financing Conclusions: As stated above, the Applicant's total development cost estimate, adjusted for overstated acquisition costs and fees, was used to determine the project's eligible basis and need for funding. The adjustment for an overstated acquisition cost results in total development costs of $12,690,881, or $204,958 less than indicated by the Applicant. Based on the current underwriting applicable percentage rate of 3.67%, the project qualifies for $516,835 in tax credits. SunAmerica's syndication factor of 82% will provide $4,237,627 in proceeds, or $175,409 more than anticipated by the Applicant.

While the Applicant's year one proforma indicates a debt coverage ratio (DCR) of 1.12, which is within the Department's DCR guideline of 1.10 to 1.25, the Underwriter's proforma results in a DCR of 1.09. However, by excluding compliance and supportive service fees, the Underwriter's proforma results in a bonds-only DCR of 1.11. In either case, this is acceptable as the Underwriter's analysis validated the Applicant's net operating income projections.

Finally, the reduced total development cost coupled with an increase in anticipated syndication proceeds provides for a reduction in estimated deferred developer fees to $953,254, or 67% of eligible developer fees. This amount appears to be repayable from project cashflow within ten years of stabilized operation.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are attractive, with architectural elements such as bay windows, imitation chimneys, and open atriums in the two wings. The units are of average size for LIHTC units, and have covered patios or balconies and utility rooms with hookups for full-size appliances. One drawback noted is that in the one-bedroom and two-bedroom/one-bath units the bathroom is accessible only through the bedroom. In addition, the plans call for only three elevators to serve a community of 180 households.

IDENTITIES of INTEREST

The Developer, Kenneth Mitchell, also owns the General Partner. This appears to be an acceptable relationship. As discussed above, Mr. Mitchell also is the principal of the seller of the land. The Underwriter has reconciled the proposed sales price to eliminate the potential for excess profit on the transfer of the land based on the documentation provided in this application.

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.

- Kenneth Mitchell, the Developer and owner of the General Partner, listed participation as member of the general partner on eleven affordable housing projects totaling 2,376 units since 1997. No disclosures or defaults were listed.

SUMMARY OF SALIENT RISKS AND ISSUES

None noted.

RECOMMENDATION

☑ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $516,835 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of either: 1) Department and Board subsequent approval of the proposed reduction in the number of units planned for The Grand Texan Seniors Community to a total of 100 units or 2) Documentation confirming that the developer will not move forward with construction of The Grand Texan and has returned all related tax credits.

Underwriting Supervisor:	(SIGNED) *Lisa Vecchietti*	**Date:**	March 27, 2002
Director of Credit Underwriting:	(SIGNED) *Tom Gouris*	**Date:**	March 27, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

The Grand Reserve Seniors, McKinney, LIHTC 01463

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 50%	18	0	1	450	$582	$510	$9,180	$1.13	$72.00	$30.00
TC 50%	108	1	1	600	623	538.00	58,104	0.90	85.00	36.00
TC 50%	36	2	1	832	748	647.00	23,292	0.78	101.00	41.00
TC 50%	18	2	2	985	748	647.00	11,646	0.66	101.00	41.00
TOTAL:	180			670	$656	$568	$102,222	$0.85	$88.50	$36.90

INCOME	Total Net Rentable Sq Ft:	120,582		TDHCA	APPLICANT			
POTENTIAL GROSS RENT				$1,226,664	$1,228,824			
Secondary Income		Per Unit Per Month:	$10.00	21,600	25,920	$12.00	Per Unit Per Month	
Other Support Income: (describe)				0	0			
POTENTIAL GROSS INCOME				$1,248,264	$1,254,744			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(93,620)	(94,104)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,154,644	$1,160,640			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.18%	$268	$0.40	$48,235	$32,000	$0.27	$178	2.76%
Management	4.00%	257	0.38	46,186	46,426	0.39	258	4.00%
Payroll & Payroll Tax	10.34%	663	0.99	119,340	125,212	1.04	696	10.79%
Repairs & Maintenance	4.76%	305	0.46	54,984	38,540	0.32	214	3.32%
Utilities	4.22%	271	0.40	48,746	40,950	0.34	228	3.53%
Water, Sewer, & Trash	5.87%	376	0.56	67,764	48,800	0.40	271	4.20%
Property Insurance	1.80%	116	0.17	20,818	26,000	0.22	144	2.24%
Property Tax 2.725843	9.31%	597	0.89	107,536	148,000	1.23	822	12.75%
Reserve for Replacements	3.12%	200	0.30	36,000	36,000	0.30	200	3.10%
Security	0.74%	47	0.07	8,500	8,500	0.07	47	0.73%
TOTAL EXPENSES	48.34%	$3,101	$4.63	$558,108	$550,428	$4.56	$3,058	47.42%
NET OPERATING INC	51.66%	$3,314	$4.95	$596,536	$610,212	$5.06	$3,390	52.58%
DEBT SERVICE								
First Lien Mortgage	46.73%	$2,998	$4.47	$539,595	$539,592	$4.47	$2,998	46.49%
LIHTC Syndication Proceeds	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Compliance/Supportive Services	0.56%	$36	$0.05	6,500	6,500	$0.05	$36	0.56%
NET CASH FLOW	4.37%	$280	$0.42	$50,441	$64,120	$0.53	$356	5.52%
AGGREGATE DEBT COVERAGE RATIO				1.09	1.12			
ALTERNATIVE BOND-ONLY DEBT COVERAGE RATIO				1.11				

CONSTRUCTION COST									
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg		6.41%	$4,417	$6.59	$795,042	$1,000,000	$8.29	$5,556	7.75%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.24%	3,611	5.39	650,000	650,000	5.39	3,611	5.04%
Direct Construction		49.11%	33,862	50.55	6,095,093	5,810,001	48.18	32,278	45.05%
Contingency	5.00%	2.72%	1,874	2.80	337,255	450,000	3.73	2,500	3.49%
General Requirem	5.47%	2.97%	2,050	3.06	369,000	369,000	3.06	2,050	2.86%
Contractor's G &	1.82%	0.99%	683	1.02	123,000	123,000	1.02	683	0.95%
Contractor's Pro	5.47%	2.97%	2,050	3.06	369,000	369,000	3.06	2,050	2.86%
Indirect Construction		3.92%	2,701	4.03	486,100	486,100	4.03	2,701	3.77%
Ineligible Expenses		7.04%	4,857	7.25	874,187	874,187	7.25	4,857	6.78%
Developer's G & A	2.69%	1.99%	1,375	2.05	247,493	282,955	2.35	1,572	2.19%
Developer's Profit	12.31%	9.12%	6,288	9.39	1,131,824	1,131,824	9.39	6,288	8.78%
Interim Financing		6.17%	4,256	6.35	766,000	1,289,772	10.70	7,165	10.00%
Reserves		1.36%	935	1.40	168,244	60,000	0.50	333	0.47%
TOTAL COST		100.00%	$68,957	$102.94	$12,412,237	$12,895,839	$106.95	$71,644	100.00%
Recap-Hard Construction Costs		*64.00%*	***$44,130***	***$65.88***	***$7,943,348***	***$7,771,001***	***$64.45***	***$43,172***	*60.26%*
SOURCES OF FUNDS							RECOMMENDED		
First Lien Mortgage		60.42%	$41,667	$62.20	$7,500,000	$7,500,000	$7,500,000	**Max. Cost Guideline**	
LIHTC Syndication Proceeds		32.73%	$22,568	$33.69	4,062,218	4,062,218	4,237,627	$8,923,068	
Other		0.00%	$0	$0.00	0	0	0		
Deferred Developer Fees		9.74%	$6,715	$10.02	1,208,619	1,208,619	953,254		
Additional (excess) Funds Requi		-2.89%	($1,992)	($2.97)	(358,600)	125,002	0		
TOTAL SOURCES					$12,412,237	$12,895,839	$12,690,881		

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$42.28	$5,097,689
Adjustments				
Exterior Wall Finis	3.45%		$1.46	$175,870
Elderly	5.00%		2.11	254,884
Roofing			0.00	0
Subfloor			(0.65)	(78,780)
Floor Cover			1.82	219,459
Porches/Balconies	$23.99	41,070	8.17	985,132
Plumbing	$585	54	0.26	31,590
Built-In Appliances	$1,550	180	2.31	279,000
Interior Stairwells	$1,500	12	0.15	18,000
Floor Insulation			0.00	0
Heating/Cooling			1.41	170,021
Sprinkler System			1.55	186,902
Comm &/or Aux Bldgs	$51.60	6,800	2.91	350,860
Elevator	$42,000	3	1.04	126,000
SUBTOTAL			64.82	7,816,627
Current Cost Multiplier	1.04		2.59	312,665
Local Multiplier	0.92		(5.19)	(625,330)
TOTAL DIRECT CONSTRUCTION COSTS			$62.23	$7,503,962
Plans, specs, survy, b	3.90%		($2.43)	($292,655)
Interim Construction In	3.38%		(2.10)	(253,259)
Contractor's OH & Profi	11.50%		(7.16)	(862,956)
NET DIRECT CONSTRUCTION COSTS			$50.55	$6,095,093

PAYMENT COMPUTATION

Primary	$7,500,000	Term	360
Int Rate	6.00%	DCR	1.11

Secondary		Term	
Int Rate		Subtotal DCR	1.11

Additional		Term	
Int Rate		Aggregate DCR	1.09

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$539,595
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$56,941

Primary	$7,500,000	Term	360
Int Rate	6.00%	DCR	1.11

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.11

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.11

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,226,664	$1,263,464	$1,301,368	$1,340,409	$1,380,621	$1,600,518	$1,855,439	$2,150,963	$2,890,714
Secondary Income	21,600	22,248	22,915	23,603	24,311	28,183	32,672	37,876	50,902
Other Support Income: (de	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,248,264	1,285,712	1,324,283	1,364,012	1,404,932	1,628,701	1,888,111	2,188,838	2,941,616
Vacancy & Collection Los	(93,620)	(96,428)	(99,321)	(102,301)	(105,370)	(122,153)	(141,608)	(164,163)	(220,621)
Employee or Other Non-Ren	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,154,644	$1,189,284	$1,224,962	$1,261,711	$1,299,562	$1,506,549	$1,746,503	$2,024,676	$2,720,995
EXPENSES at 4.00%									
General & Administrative	$48,235	$50,164	$52,171	$54,258	$56,428	$68,653	$83,527	$101,624	$150,428
Management	46,186	47,571	48,998	50,468 #	51,982	60,262	69,860	80,987	108,840
Payroll & Payroll Tax	119,340	124,114	129,078	134,241	139,611	169,858	206,658	251,431	372,180
Repairs & Maintenance	54,984	57,183	59,471	61,850	64,324	78,259	95,214	115,843	171,476
Utilities	48,746	50,696	52,723	54,832	57,026	69,380	84,412	102,700	152,021
Water, Sewer & Trash	67,764	70,474	73,293	76,225	79,274	96,449	117,345	142,768	211,331
Insurance	20,818	21,651	22,517	23,418	24,354	29,631	36,050	43,861	64,924
Property Tax	107,536	111,837	116,310	120,963	125,801	153,057	186,217	226,561	335,366
Reserve for Replacements	36,000	37,440	38,938	40,495	42,115	51,239	62,340	75,847	112,271
Other	8,500	8,840	9,194	9,561	9,944	12,098	14,719	17,908	26,509
TOTAL EXPENSES	$558,108	$579,970	$602,693	$626,311	$650,859	$788,887	$956,344	$1,159,530	$1,705,346
NET OPERATING INCOME	$596,536	$609,313	$622,269	$635,400	$648,703	$717,662	$790,159	$865,146	$1,015,648
DEBT SERVICE									
First Lien Financing	$539,595	$539,595	$539,595	$539,595	$539,595	$539,595	$539,595	$539,595	$539,595
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
NET CASH FLOW	$50,441	$63,218	$76,173	$89,304	$102,608	$171,567	$244,064	$319,050	$469,553
DEBT COVERAGE RATIO	1.09	1.12	1.14	1.16	1.19	1.31	1.45	1.58	1.86

LIHTC Allocation Calculation - The Grand Reserve Seniors, McKinney, LIHTC 01463

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,000,000	$795,042		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$650,000	$650,000	$650,000	$650,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$5,810,001	$6,095,093	$5,810,001	$6,095,093
(4) Contractor Fees & General Requirements				
Contractor overhead	$123,000	$123,000	$123,000	$123,000
Contractor profit	$369,000	$369,000	$369,000	$369,000
General requirements	$369,000	$369,000	$369,000	$369,000
(5) Contingencies	$450,000	$337,255	$323,000	$337,255
(6) Eligible Indirect Fees	$486,100	$486,100	$486,100	$486,100
(7) Eligible Financing Fees	$1,289,772	$766,000	$1,289,772	$766,000
(8) All Ineligible Costs	$874,187	$874,187		
(9) Developer Fees			$1,412,981	
Developer overhead	$282,955	$247,493		$247,493
Developer fee	$1,131,824	$1,131,824		$1,131,824
(10) Development Reserves	$60,000	$168,244		
TOTAL DEVELOPMENT COSTS	$12,895,839	$12,412,237	$10,832,854	$10,574,765

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			$10,832,854	$10,574,765
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			$14,082,710	$13,747,194
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			$14,082,710	$13,747,194
Applicable Percentage			3.67%	3.67%
TOTAL AMOUNT OF TAX CREDITS			$516,835	$504,522
	Syndication Proceeds	**0.8199**	**$4,237,627**	**$4,136,667**

Item 5 Presentation, Discussion and Possible Approval of Request of 2001 Nine Percent (9%) Low Income Housing Tax Credit Transaction for Request on Carryover Deadline for Project #02010, Champion Forest Apartments, Houston, Texas

LOW INCOME HOUSING TAX CREDIT PROGRAM

BOARD ACTION REQUEST
April 11, 2002

Staff Recommendation

Staff recommends that the request be granted.

Action Item

Extension of Champion Forest Apartments submission deadline for carryover documents.

Required Action

Approve a request for extension associated with the 2001 forward commitment of Champion Forest Apartments.

Background

Pertinent facts about the project requesting an extension of the deadline for submitting carryover documents are summarized below. The project is a 2001 forward commitment to receive a 2002 allocation. The request was accompanied by a mandatory $2,500 extension request fee. Staff has reviewed the information and recommends granting the extension pursuant to Section 50.11(h) of the 2001 QAP.

Project No. 02010, Champion Forest Apartments

City/County:	Houston / Harris
Set-Aside:	General
Type of Project:	New Construction
Units:	115 LIHTC units and 77 market rate units
Allocation:	$610,346
Allocation Cost per LIHTC Unit:	$5,307
Type of Extension Request:	Extension of deadline to submit carryover documentation
Current Deadline:	March 29, 2002
New Deadline Requested:	April 29, 2002
Prior Extensions on Project:	None
Reason for Extension Request:	Delays in closing on land

Item 6 Presentation, Discussion and Possible Approval of Waiver of Exhibit 108 of the 2000 Qualified Allocation Plan for an Extension of the Submission Deadline for Appraisals on Developments with Funding from Rural Development

LOW INCOME HOUSING TAX CREDIT PROGRAM

BOARD ACTION REQUEST
April 11, 2002

<u>Action Item</u>

Extension of the submission deadline for appraisals on developments with the United States Department of Agriculture (USDA) Rural Housing Service funding.

<u>Requested Action</u>

Approve an extended submission deadline for the appraisal report on all developments with USDA Rural Housing Services funding.

<u>Background</u>

Exhibit 108 of the 2002 Qualified Allocation Plan (QAP) requires that applications needing an appraisal must submit the appraisal with the application by the deadline, which was March 1, 2002. Several of the applications for developments with funding from USDA Rural Housing Services are required to submit an appraisal. Historically, those appraisals are prepared by appraisers that are contracted by USDA Rural Housing Services, and are then provided in the application, saving the applicants money and reducing duplication. This year, because of the change in the tax credit cycle deadlines, many of the appraisals contracted by USDA Rural Housing Services were not yet complete on March 1, 2002. While the lack of this document does constitute a Material Deficiency, which is grounds for termination, an exception should be made for this unique situation so that an undersubscribed set aside does not lose any of its applicants. The Memorandum of Understanding with USDA Rural Housing Services indicates that they will be providing TDHCA with the most recent appraisal of the property. If the exception is not granted, a minimum of five applications, if not more, will be terminated for a Material Deficiency.

<u>Staff Recommendation</u>

Staff recommends that an extension be made allowing applications with USDA Rural Housing Services funding to submit appraisals no later than May 10, 2002.

Item 7 Presentation, Discussion and Possible Approval of Change(s) in the Process for Certifying Community Housing Development Organizations

CHDOs and Property Tax Exemptions

At the request of the Governor's Office and various Legislators, the following is being presented to the Board for consideration and possible action:

Background

During 75th Texas Legislative Session, HB 137 provided property tax exemptions for properties that are owned by nonprofit organizations that are certified Community Housing Development Organization (CHDOs), as defined by 42 U.S.C. Section 12704 --the federal HOME Investment Partnerships Program (HOME) statute. These tax exemptions were intended to increase the stock of affordable housing and allow property owners to pass along the savings to their lower income tenants.

During the 77th Texas Legislative Session, HB 3383 further modified the State tax code. Section 11.182 provides that a CHDO (as defined by 42 U.S.C. Section 12704) constructing a housing project after December 31, 2001 financed with 501(c)(3) bonds issued under Section 145 of the Internal Revenue Code; tax-exempt private activity bonds subject to the volume cap; or low income housing tax credit, the CHDO must "comply with all rules of and laws administered by the Texas Department of Housing and Community Affairs (TDHCA) applicable to community housing development organizations; and…submit annually to THDCA…evidence that the organization spent an amount equal to at least 90 percent of the project's cash flow in the preceding fiscal year…on social, educational, or economic development services, capital improvement projects, or rent reduction.[1] In addition, Section 11.182(g) requires such a CHDO to have an annual independent audit performed and to submit a copy to TDHCA as well as to the appraisal district in which the property is located. To receive the property tax exemption the CHDO must also receive a determination letter from the Comptroller to submit with its application to the local tax appraiser. The property tax exemption is valid for five years and may be renewed.

TDHCA's involvement with CHDOs is derived exclusively from its administration of the federal HOME program. The HOME program statute at 42 USC Sec. 12771(a) requires that for a period of 24 months not less than 15% of the HOME allocation must be "reserved" for CHDOs. As the state administrator of the HOME program[2], TDHCA is responsible for determining that a nonprofit organization satisfies the definitional requirements for a CHDO specified in 42 USC Sec. 12704(6) and the implementing regulations at 24 CFR Sec. 92.1. TDHCA has chosen to require applicants for a CHDO designation to certify to the federal requirements. The certification process has been used as the administrative tool to assist TDHCA in making the determination, although it is not required. TDHCA began certifying CHDOs contemporaneously with its administration of the HOME program in 1992, and during that time has not required an organization seeking certification as a CHDO to have also submitted an application for HOME funds.

It is important to note that the U.S. Department of Housing and Urban Development (HUD) has not raised concerns or issued findings regarding the Department's process and procedures for CHDO certification.

Current Status

Various Legislators and interest groups have stated that there has been an unintended property tax revenue loss occasioned to these two bills (HB 137 & HB 3383). Specifically, they have alleged that this legislation has resulted in the removal of millions of dollars from local tax rolls, and the reduction of funds for school districts, fire districts, local infrastructure, water systems, and ultimately General

[1] Section 11.182(e)(2) and (3)
[2] Section 2306/111, Texas Government Code

Revenue. In addition, there have been concerns that there is not enough public benefit resulting from the loss of tax revenue and that organizations that do not have the public purpose in mind are taking advantage of the tax abatements.

TDHCA has been asked by these parties to revamp its CHDO certification process so as to limit the number of CHDOs that will be certified and subsequently apply for the property tax abatement.

To date no conclusive data has been submitted to the Department indicating what percentage of CHDOs receiving property tax exemptions are certified by TDHCA.

Policy Issues

Below are the specific suggestions that have been brought to the Department:

1. Only certify CHDOs that are immediately applying for HOME funds.

Advantage: The number of CHDOs would be limited, resulting in fewer organizations applying for property tax exemptions.

Disadvantage: At present an organization may receive a CHDO designation as long as it satisfies the federal requirements and then carries through to receive the exemption. If TDHCA ceases certifying CHDOs, organizations that have lost a potentially valuable property interest through the tax exemption may seek legal action against TDHCA for interfering with their property rights. The likelihood of a successful challenge would be reduced if TDHCA affords interested parties notice of the proposed change and an opportunity to be heard (which would constitute fundamental due process).

Additionally, the loss of the ability to receive the certification and subsequently the property exemption may result in a reduction of the number of affordable housing units for the State.

2. Discontinue certifying CHDOs located in Participating Jurisdictions.

Currently the Department certifies entities that serve Participating Jurisdictions. Concerns have been raised that nonprofit organizations circumvent their local certifying entity and go directly to TDHCA for their certification.

Advantage: Would ensure that local governments control their individual housing and tax issues.

Disadvantage: Currently, the Department serves as an objective reviewer of the requirements for CHDO certification. If TDHCA is no longer involved in the process, there are potential NIMBY and local political issues that might inhibit the production of affordable housing.

As with policy issue number one, if TDHCA ceases certifying CHDOs, organizations that have lost a potentially valuable property interest through the tax exemption may seek legal action against TDHCA for interfering with their property rights.

3. "Tighten" the requirements for the CHDO certification to reduce the number that may be certified.

Advantage: The number of CHDOs would be limited, resulting in fewer organizations applying for property tax exemptions.

Disadvantage: Tougher standards may result in fewer affordable housing units for the State.

As with policy issue number one, if TDHCA ceases certifying CHDOs, organizations that have lost a potentially valuable property interest through the tax exemption may seek legal action against TDHCA for interfering with their property rights

4. Take no action regarding the CHDO certification process.

Advantage: The Department would ensure that there is a statewide standard for the certification -- one that would not be affected by potential local biases regarding affordable housing.

Disadvantage: Political pressure from some legislative members and advocates.

Proposed Action for the Board

The Governor's Office and various Legislators have recognized that this is a policy issue that should be addressed by the TDHCA Board. Staff is providing the following for Board consideration:

- The changes proposed in scenario number one, two, and three (as outlined above) could be made after a public comment period and through the rule making process.

  Any change the Board proposes to current policies related to CHDOs, will require amendments to both the HUD Action Plan and HOME rules. Taking into account public comment periods and posting requirements, this process may take up to 90 days.

- Take no action, as outlined in scenario number four, therefore leaving the current CHDO certification process in place.

REPORT ITEMS
Executive Directors Report

Taxable Junior Lien Mortgage Revenue Bonds, Series 2002A Pricing and Closing

Collateralized Home Mortgage Revenue Bonds, Series 1991A, GNMA Sale, Closing and Bond Redemptions

Single Family Mortgage Revenue Bond Indenture Economics

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MEMORANDUM

TO: Edwina Carrington, Executive Director

FROM: Byron Johnson, Director of Housing Finance Bond Program

DATE: April 2, 2002

RE: Single Family Issues

Taxable Junior Lien Single Family Mortgage Revenue Bonds, Series 2002A, Pricing and Closing - Bonds were successfully priced on March 5, 2002. The transaction was closed on March 27, 2002. The funds are available and staff is working on programs to distribute the funds.

Collateralized Home Mortgage Revenue Bonds, Series 1991A, GNMA Sale, Closing and Bond Redemption – On March 25, 2002 proceeds from the sale of Series 1991A GNMAs were used to redeem $13,480,000 in Series 1991A bonds. A surplus balance of $593,000 will be allocated to the Bootstrap program.

Single Family Mortgage Revenue Bond Indenture Economics – As a result of indenture studies prepared in 2000 and cashflows prepared for the recent Taxable Junior Lien transaction, Bond Finance has concluded that over $9 million in additional funds will be available to redeem bonds. This redemption should enhance the SFMRB indenture's net worth over the intermediate term.

Mthelddec

Subprime Lending

Subprime lending is the provision of loans to households that have demonstrated an inability or unwillingness to properly manage credit. The subprime market is the credit source of last resort for households with:

- Poor credit histories
- Insufficient documentation of requisite financial resources or other important loan application data
- Other loan application shortcomings that would limit a prospective borrower's ability to secure credit from the prime market

Source: Fannie Mae Foundation

Texas Department of Housing & Community Affairs

Status of Subprime Mortgage Product Development

- TDHCA currently offers non-conforming, non-traditional mortgage “subprime” loans e.g., contract for deed conversion and “Bootstrap” mortgage loans
- However, these loans do not qualify for bond securitization and thus, funding for such loans is limited

Texas Department of Housing & Community Affairs

Status of Subprime Mortgage Product Development

- TDHCA seeks to offer subprime mortgage loans as an alternative to the traditional market’s subprime loans
- Such loans will further reduce the cost of getting a mortgage loan for first time homebuyers i.e., TDHCA’s subprime loans will carry less fees and highly competitive interest rates as adjusted for risk.
- These loans must qualify for securitization in the capital markets

Status of Subprime Mortgage Product Development

- TDHCA has issued a “Request for Information” from potential vendors to conduct a market study as required by the legislation

- TDHCA has continuously conducted an analysis of the subprime mortgage and bond markets

Three factors exist which may delay TDHCA's entrance into the subprime mortgage bond market as a conduit issuer

- May have geographic concentration of the loans since all will be located in Texas
- Insignificant bond size
- Insufficient funds for loss coverage reserves

Texas Department of Housing & Community Affairs

Status of Subprime Mortgage Product Development

- Accordingly, TDHCA is examining entering the subprime mortgage bond market in partnership with highly reputable entities already engaged in subprime mortgage bond securitizations and credit enhancement

- Product development and bond structuring should be completed by mid-December 2002

Predatory Lending

Predatory lenders use tactics to extract the greatest profit, causing the greatest financial harm to the borrower. Three features define predatory lending practices:

- Targeted marketing to households on the basis of their race, ethnicity, age, gender or other personal characteristics unrelated to creditworthiness
- Unreasonable and unjustifiable loan terms
- Outright fraudulent behavior that maximizes the destructive financial impact on consumers and inappropriate marketing strategies and loan provisions

Source: Fannie Mae Foundation

Subprime Lending
is not always
Predatory Lending

TDHCA will not tolerate predatory lending practices of any sort and will require participating lenders to adhere to best business practices such as those promoted by Fannie Mae and Freddie Mac

The Texas Department of Housing and Community Affairs will not purchase loans that do not comply with the following lending practices.

- **Steering –** TDHCA expects that lenders will have determined borrowers' ability and willingness to repay mortgage debt regardless of the underwriting method used. Consumers who seek financing through a lender's higher-priced subprime lending channel should be offered the lender's prime mortgage product line if they are able to qualify for one of the prime products.

Texas Department of Housing & Community Affairs

Status of Subprime Mortgage Product Development

- **Excessive Fees** – For loans originated under TDHCA's subprime mortgage program, points and fees charged to a borrower may not exceed a certain level. TDHCA will determine this level prior to the sale of the first series of bonds secured by subprime bonds.

- **Prepaid Single Premium Credit Life Insurance Policies –**

  TDHCA will not purchase or securitize any mortgage loans for which a prepaid single-premium credit life insurance policy was sold to the borrower in connection with or associated with the origination of the mortgage loan. This condition applies regardless of whether the premium is financed in the mortgage amount or paid from the borrowers' funds.

Texas Department of Housing & Community Affairs

Status of Subprime Mortgage Product Development

- **Full Credit Reporting** – TDHCA will require lenders and servicers to report monthly the entire credit history of borrowers to national credit bureaus.

- **Mandatory Arbitration** – TDHCA will not purchase or securitize any mortgage loans under which borrowers are restricted to mandatory arbitration procedures in connection with or associated with the mortgage loan.

- **Prepayment Penalties** – Prepayment penalties, if any, will be contractual in nature and fully disclosed to borrowers. TDHCA will offer mortgages that have a prepayment penalty only if borrowers receive a benefit, such as a rate or fee reduction in exchange for the additional cost of a prepayment penalty. TDHCA will not charge prepayment penalties, if any, upon the acceleration of mortgage debt as a result of borrowers' defaults in making mortgage payments.

Texas Department of Housing & Community Affairs

Status of Subprime Mortgage Product Development

Prepared for

TDHCA Board

April 2002

Texas Department of Housing and Community Affairs
Overview of Investment Banking Pool
April 2002

Senior Manager Teams

Bear Stearns	George K. Baum	Salomon Smith Barney
Piper Jaffray	PaineWebber	M.R. Beal

Factors Considered for Senior Manager Teams

National Presence
Retail Distribution Capacity
Institutional Distribution Capacity
Structuring and Quantitative Capabilities
Knowledge of Department's Bond Indentures

Texas Department of Housing and Community Affairs
Overview of Investment Banking Pool
April 2002

Co-Manager Teams

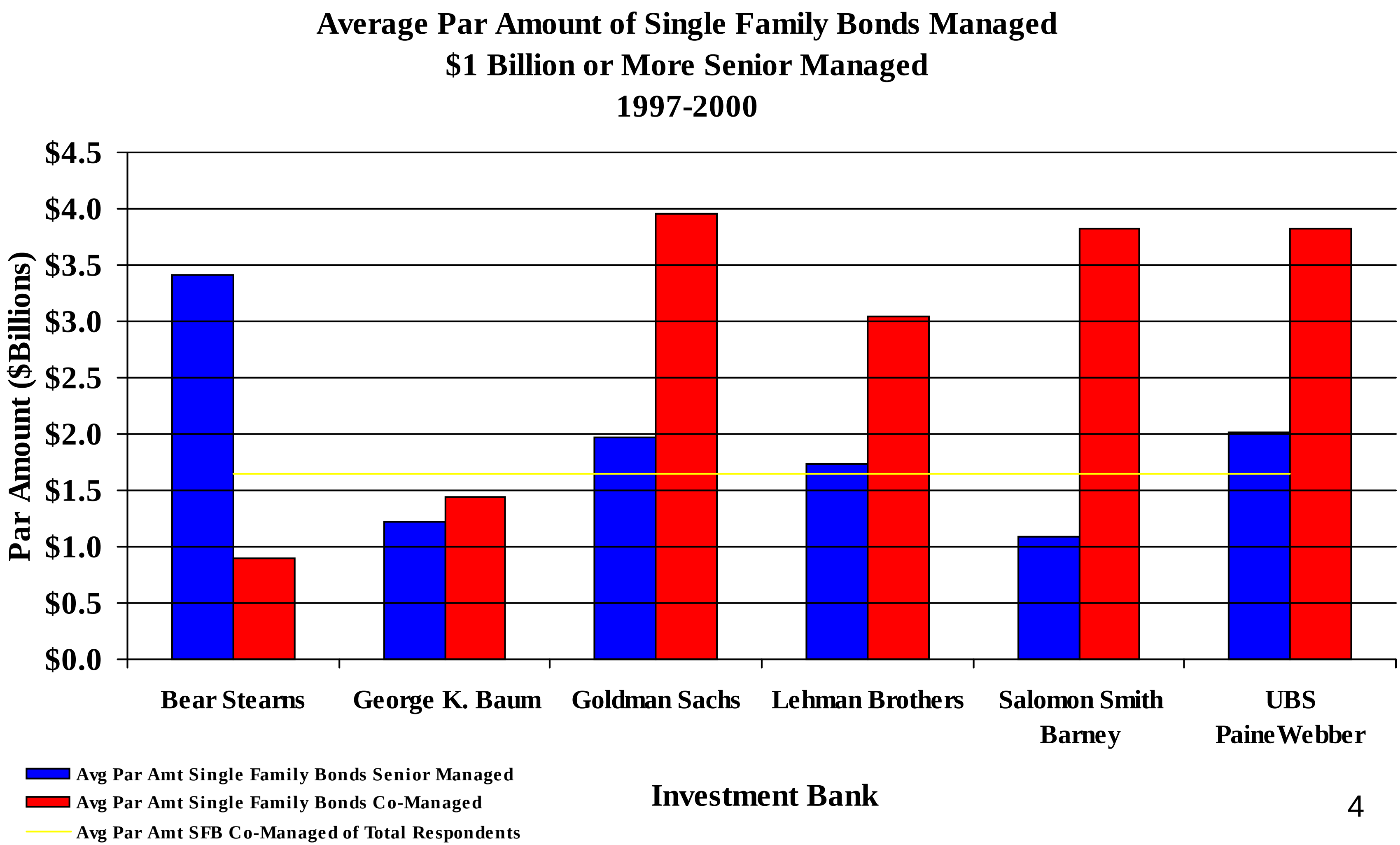
Goldman, Sachs	Lehman Brothers	To Be Determined
First Southwest Company	Morgan Keegan	To Be Determined
Siebert Branford	Estrada Hinojosa	To Be Determined

Factors Considered for Co-Manager Teams

Retail Distribution Capacity
Institutional Distribution Capacity

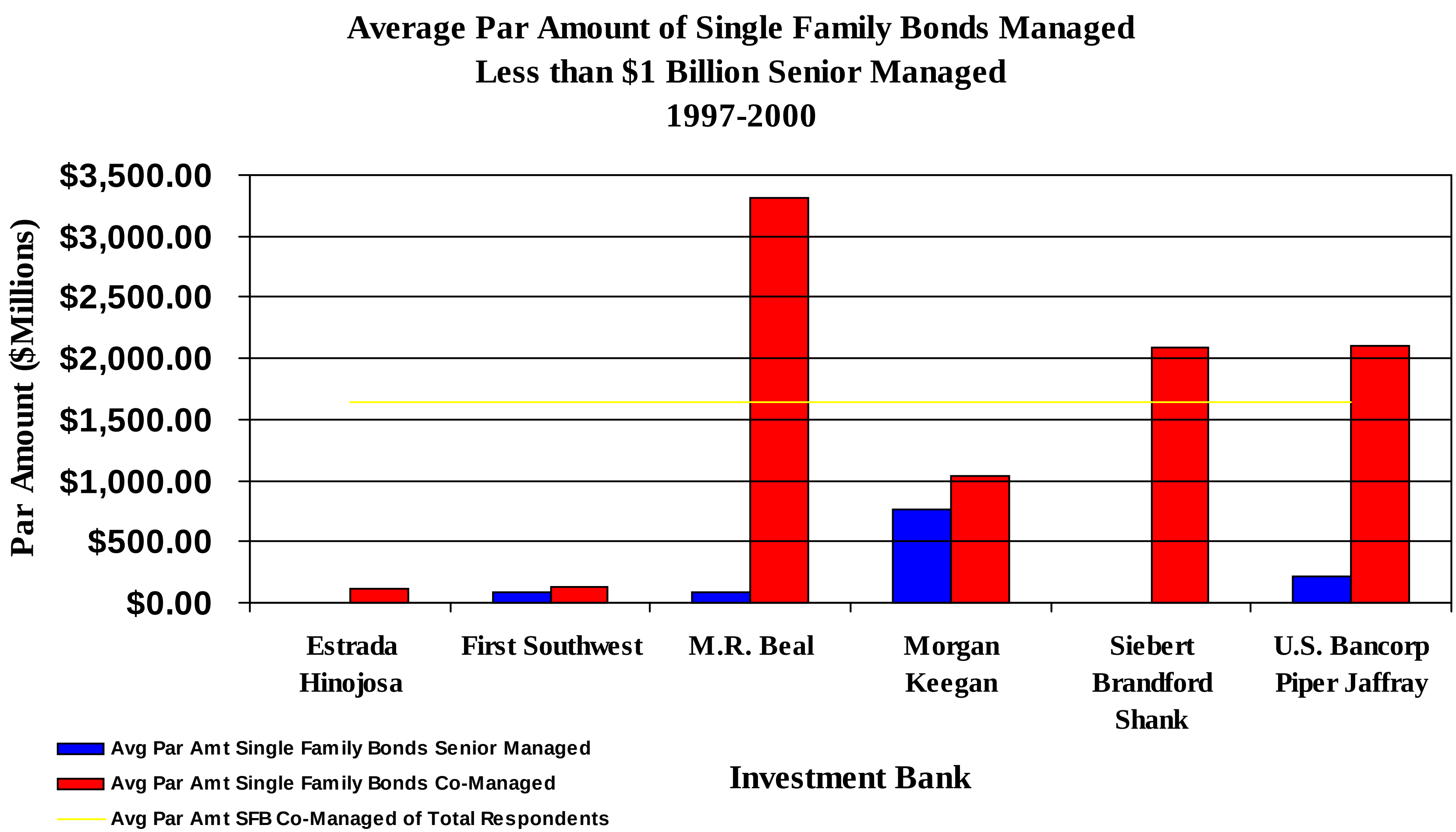
Investment Bank Qualifications

Texas Department of Housing and Community Affairs
Overview of Investment Banking Pool
April 2002



Source: TDHCA 2001 RFP for Underwriting Services Responses

Texas Department of Housing and Community Affairs
Overview of Investment Banking Pool
April 2002



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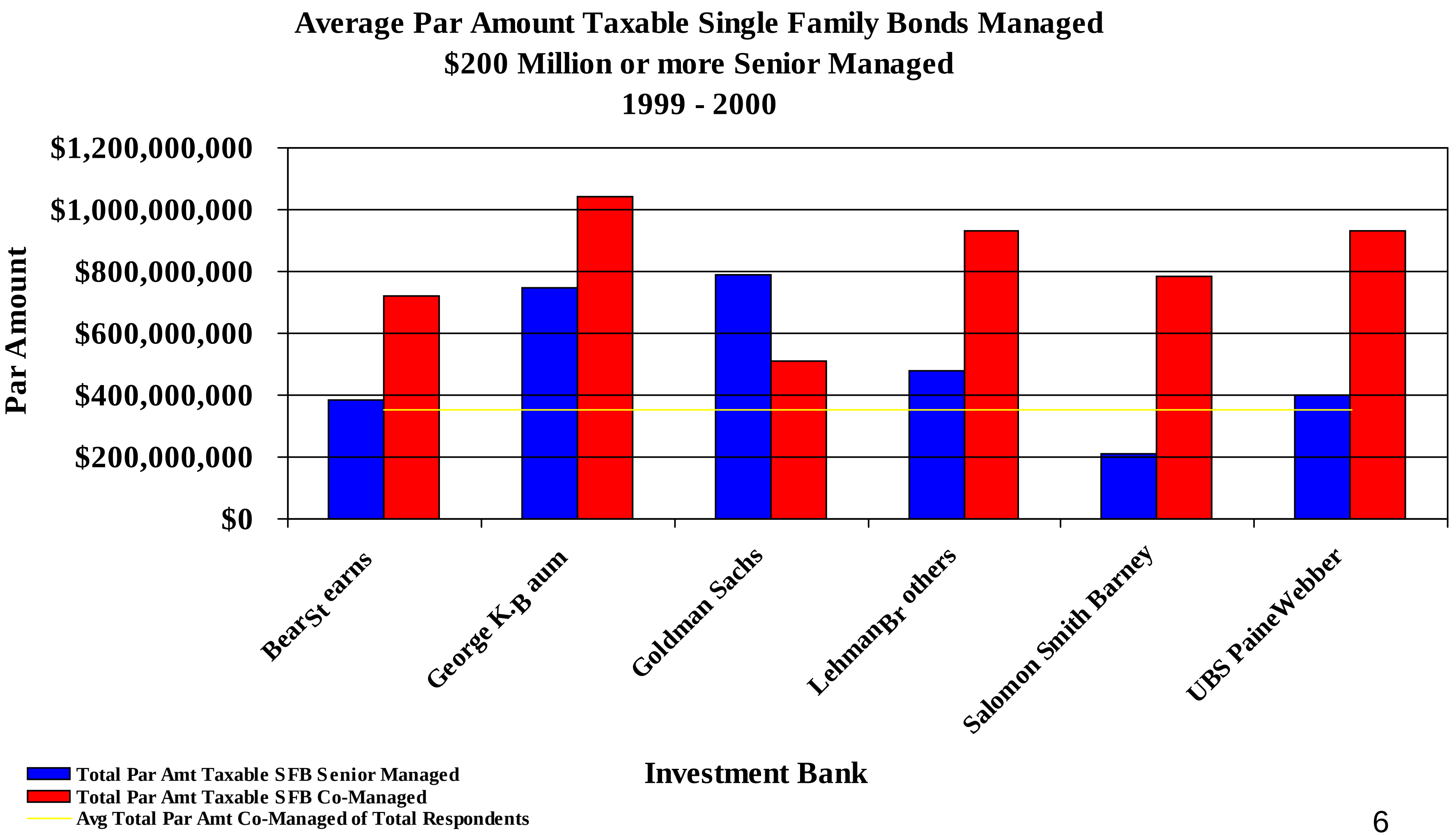
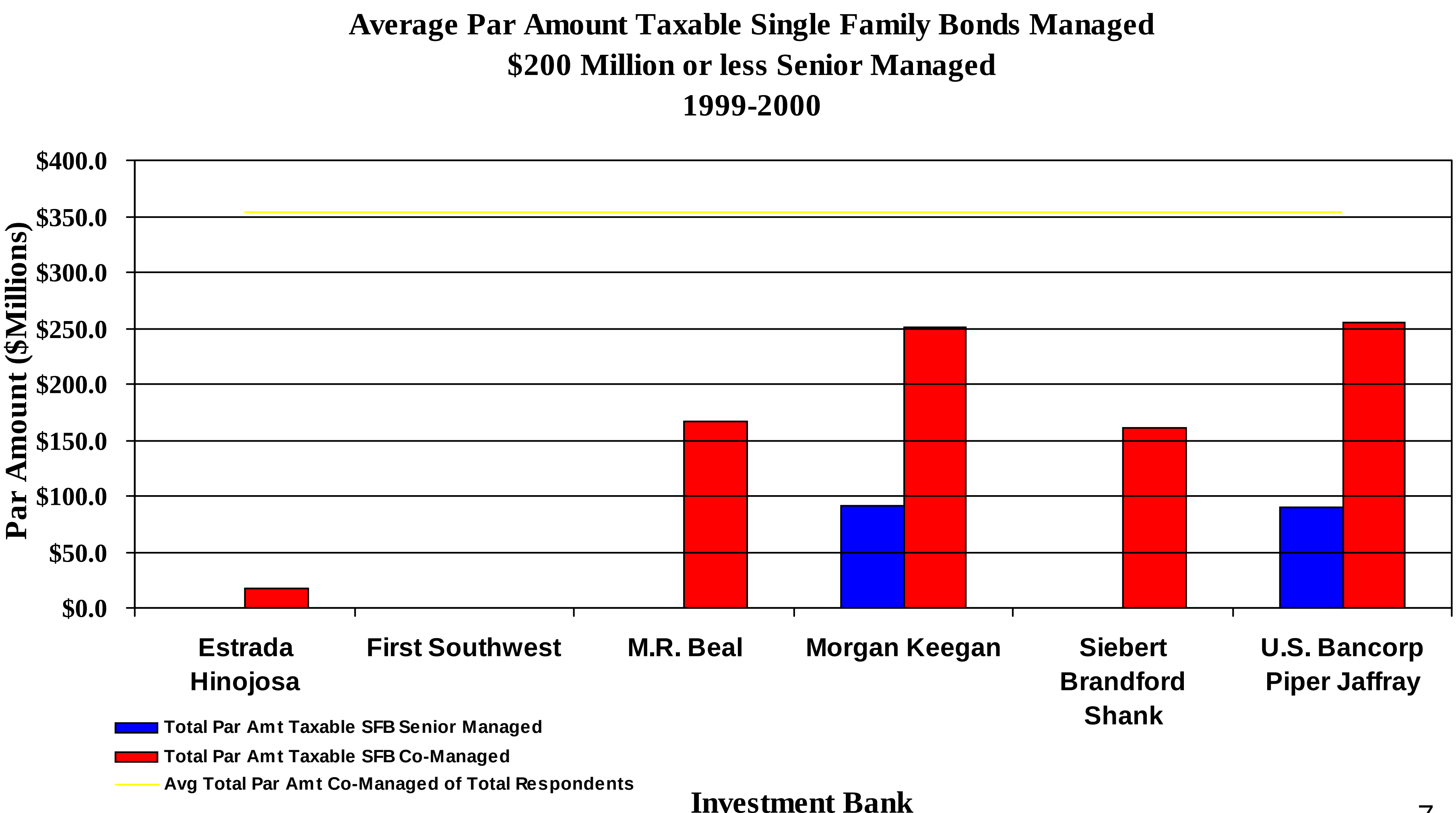
Texas Department of Housing and Community Affairs
Overview of Investment Banking Pool
April 2002



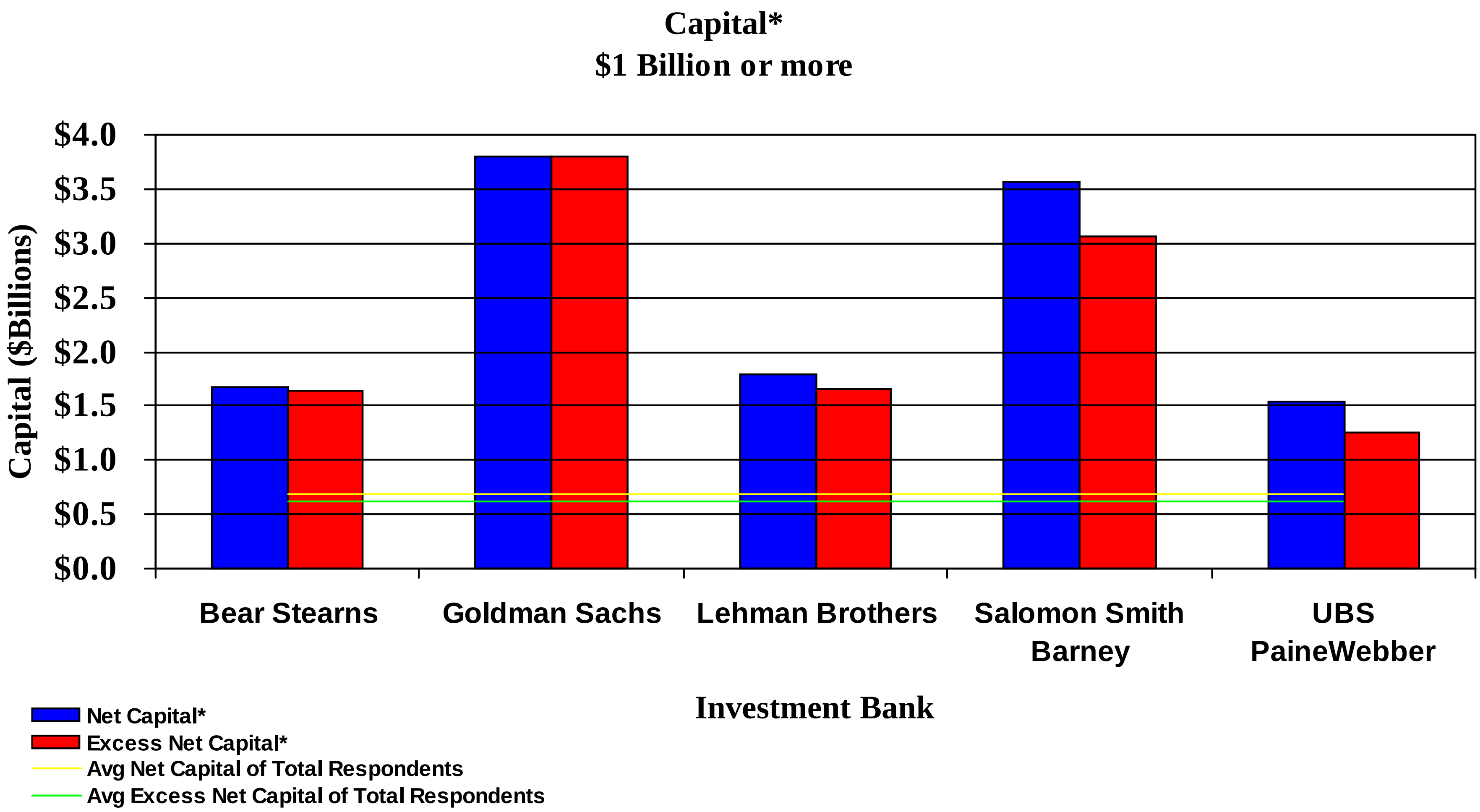
Source: TDHCA 2001 RFP for Underwriting Services Responses

Texas Department of Housing and Community Affairs
Overview of Investment Banking Pool
April 2002



Source: TDHCA 2001 RFP for Underwriting Services Responses

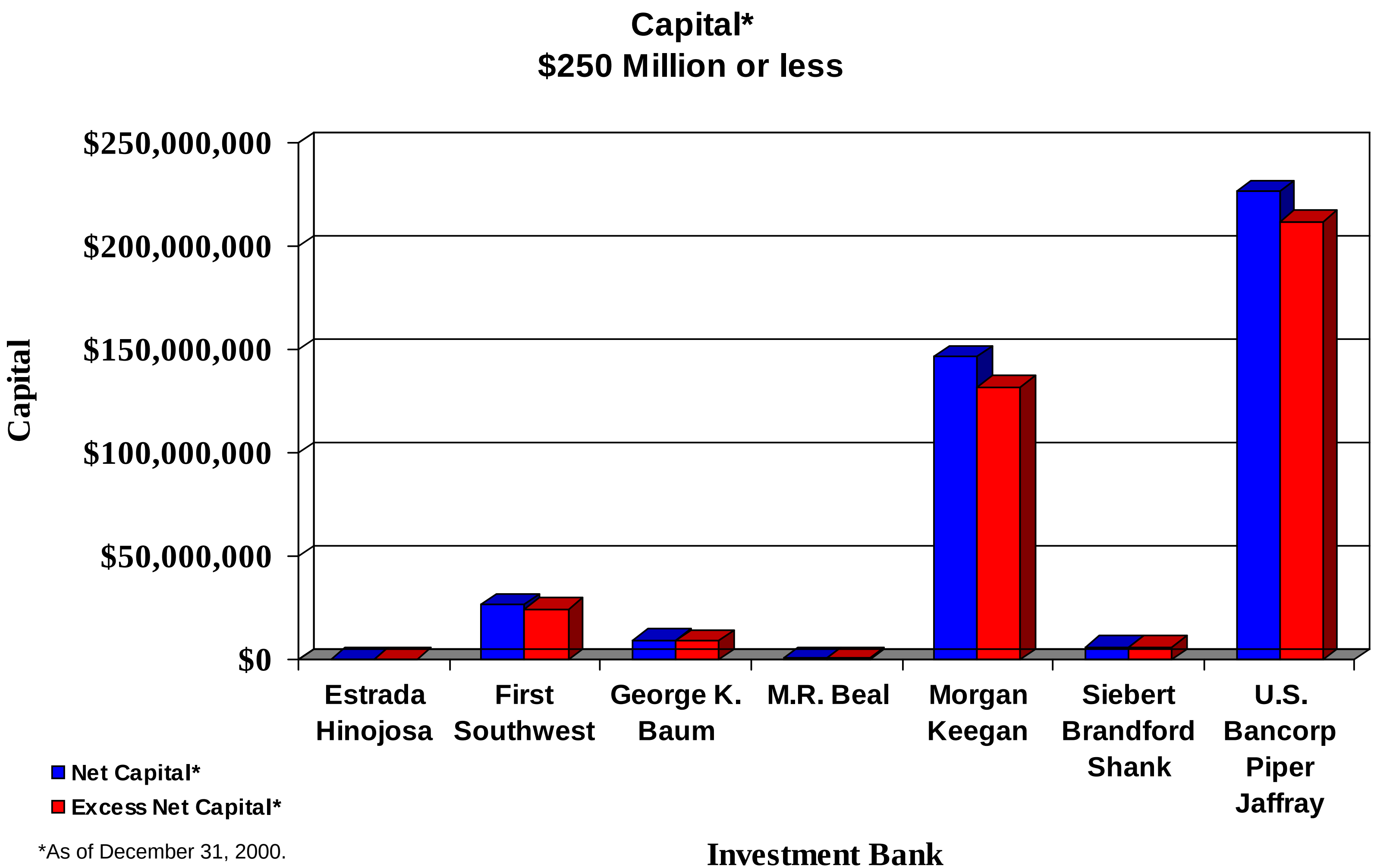
Texas Department of Housing and Community Affairs
Overview of Investment Banking Pool
April 2002



*As of December 31, 2000

Source: TDHCA 2001 RFP for Underwriting Services Responses

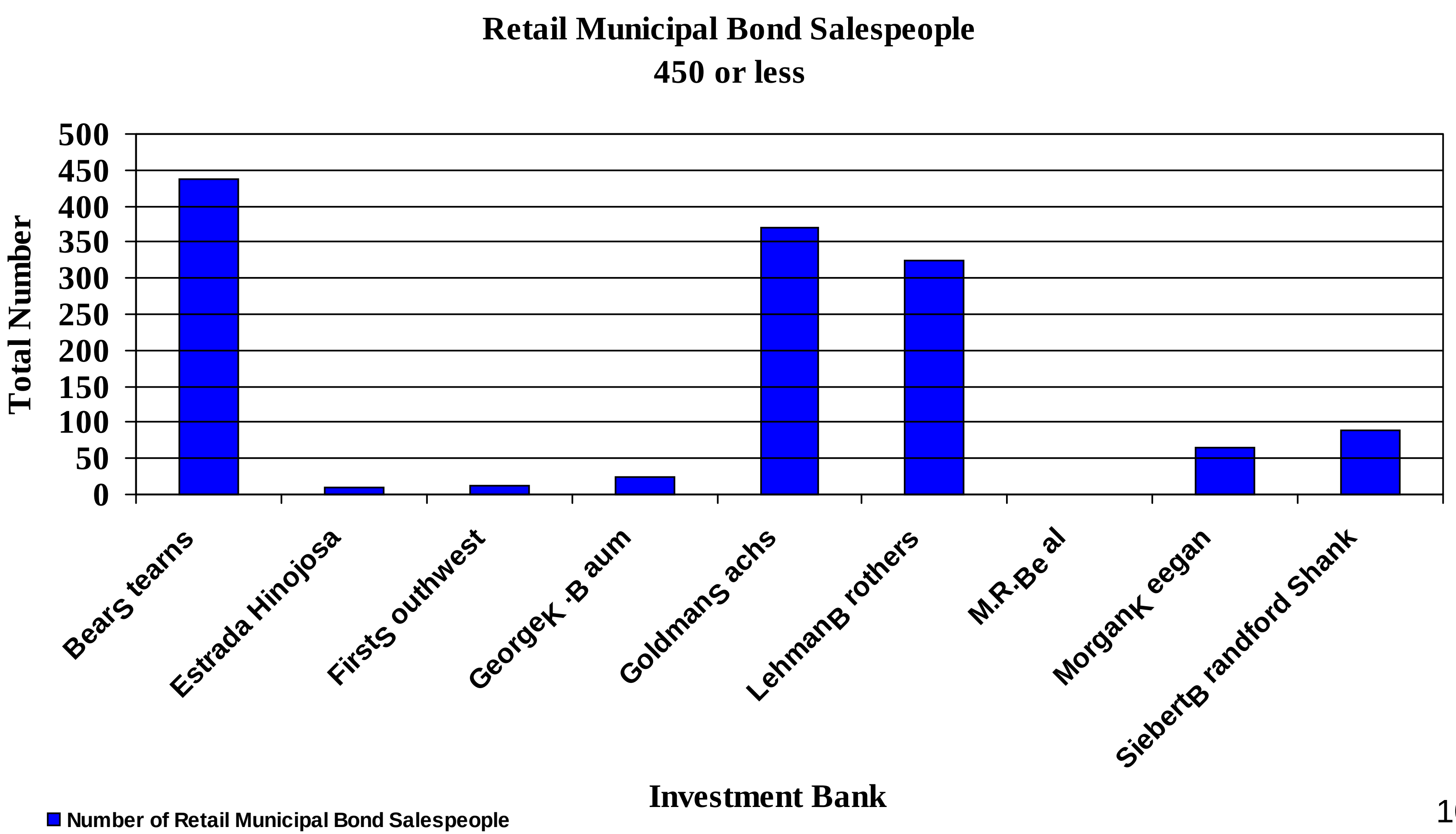
Texas Department of Housing and Community Affairs
Overview of Investment Banking Pool
April 2002



*As of December 31, 2000.

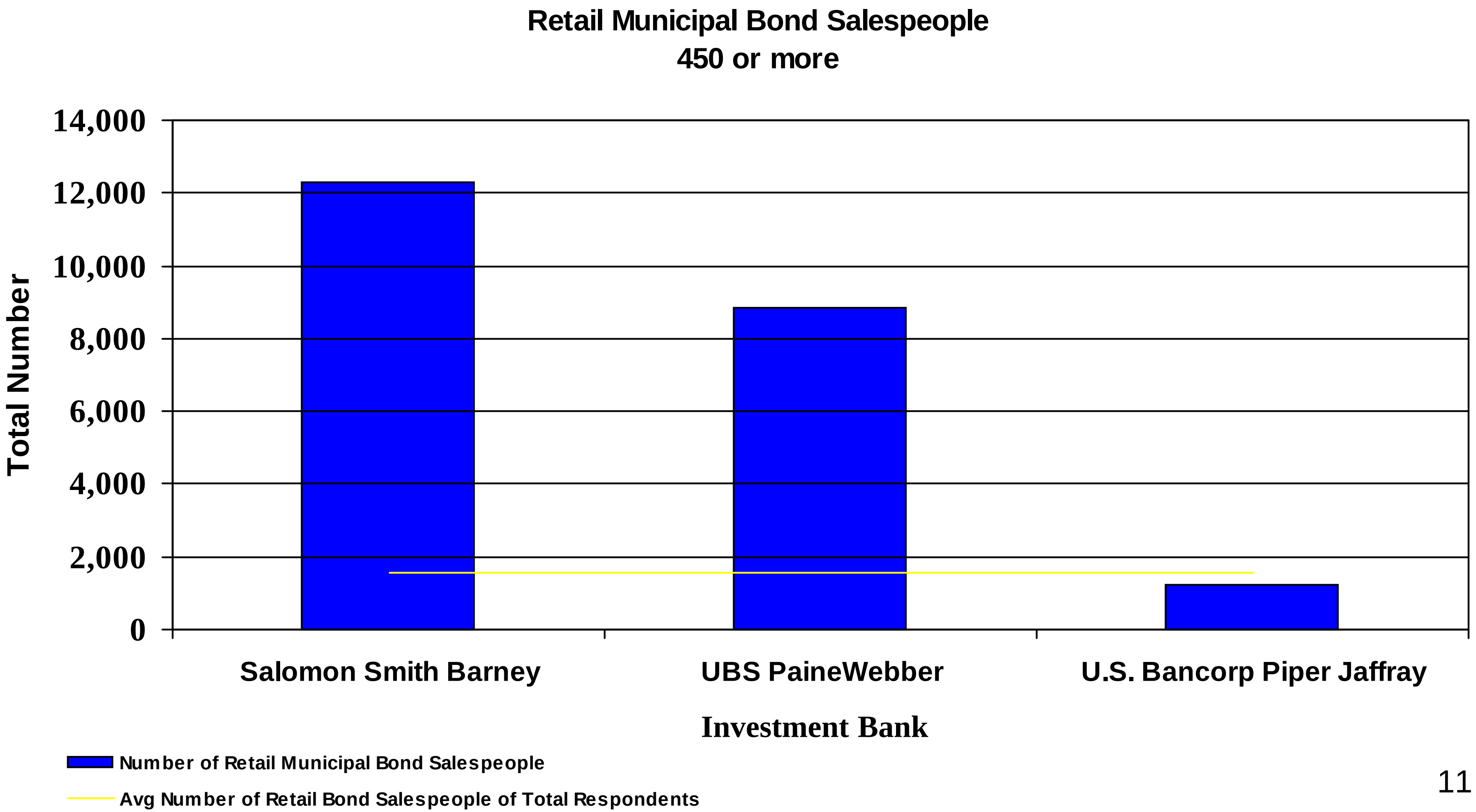
Source: TDHCA 2001 RFP for Underwriting Services Responses

Texas Department of Housing and Community Affairs
Overview of Investment Banking Pool
April 2002



Source: TDHCA 2001 RFP for Underwriting Services Responses

Texas Department of Housing and Community Affairs
Overview of Investment Banking Pool
April 2002



Source: TDHCA 2001 RFP for Underwriting Services Responses

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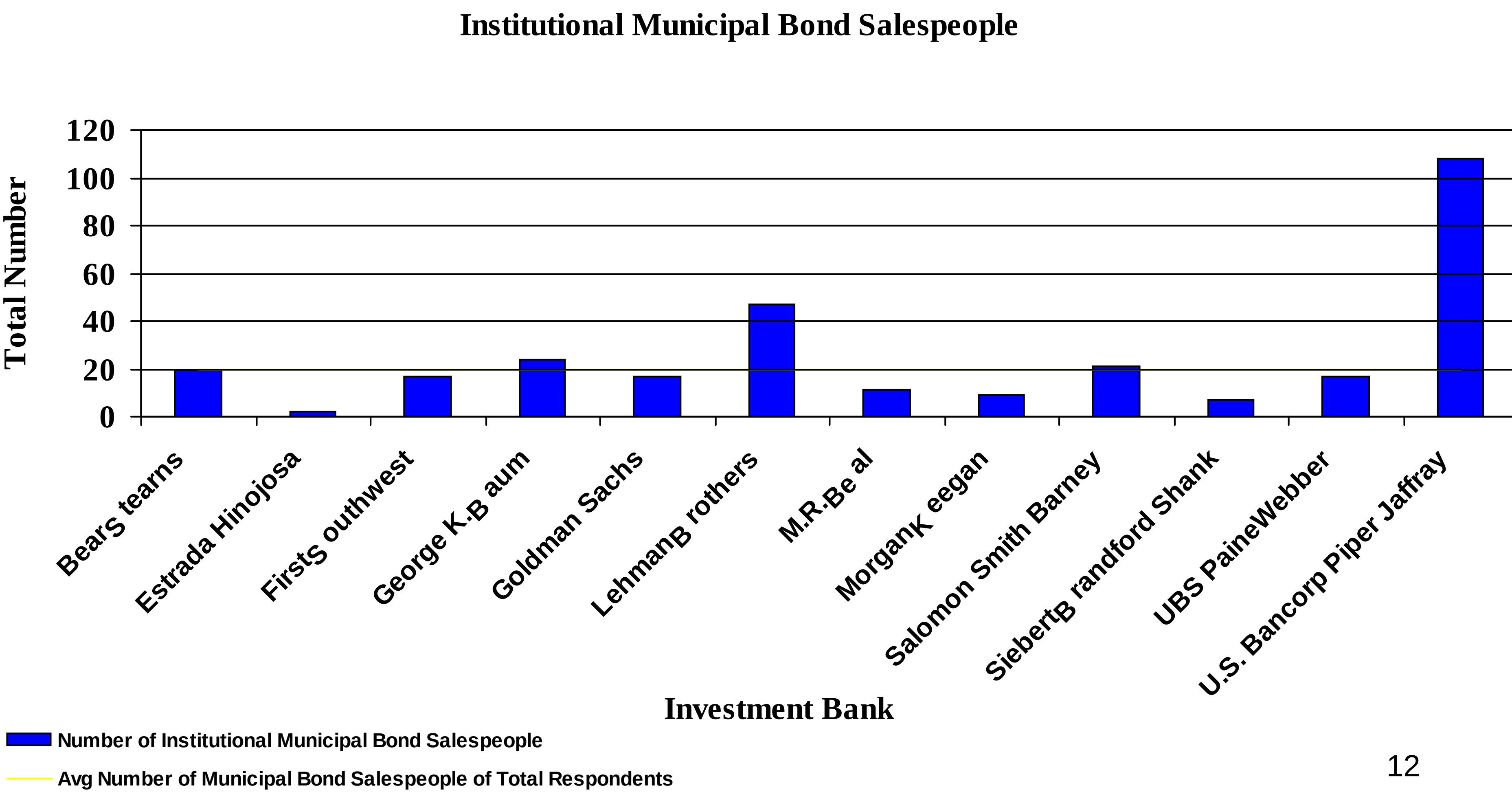

Source: TDHCA 2001 RFP for Underwriting Services Responses

2001 Investment Bank Rankings
(Public Finance)

Top 25 Managing Underwriters
Negotiated Issues
1/1/2001-12/31/2001

Full to Book Manager	Par Amount (US$ mil)	Rank	# of Issues
Salomon Smith Barney	30,880.7	1	364
UBS PaineWebber Inc.	27,235.2	2	412
Bear, Stearns & Co.	16,313.8	3	166
Morgan Stanley	15,555.1	4	174
Goldman, Sachs & Co.	13,962.9	5	166
Lehman Brothers	11,773.4	6	196
Merrill Lynch & Co.	10,370.8	7	151
J P Morgan Securities Inc.	8,208.7	8	104
RBC Dain Rauscher	6,929.8	9	466
A.G. Edwards & Sons, Inc.	5,503.1	10	253
Banc of America Securities LLC	5,333.5	11	236
George K. Baum & Company, Inc.	4,306.1	12	233
U.S. Bancorp Piper Jaffray Inc	4,294.6	13	341
Morgan Keegan & Co., Inc.	3,992.1	14	234
Banc One Capital Markets Inc	2,942.8	15	200
Siebert Brandford Shank & Co	2,510.1	16	28
William R. Hough & Co.	2,390.6	17	125
Stone & Youngberg	2,086.9	18	118
PNC Capital Markets, Inc.	1,639.5	19	106
Wachovia Securities Inc	1,588.2	20	105
Seattle-Northwest Securities Corp.	1,525.3	21	131
Ziegler Capital Markets Group	1,487.0	22	51
Raymond, James & Associates, Inc.	1,466.9	23	34
First Albany Corporation	1,412.6	24	54
Commerce Capital Markets	1,372.7	25	72
Total	***185,082.4***	**-**	***4,520***

Source: Securities Data Corporation

Top 25 Managing Underwriters
Negotiated Issues
1/1/2001-12/31/2001

Full to Each Manager	Par Amount (US$ mil)	Rank	# of Issues
Salomon Smith Barney	82,395.0	1	802
UBS PaineWebber Inc.	74,825.4	2	824
Morgan Stanley	58,266.6	3	490
Bear, Stearns & Co.	58,202.5	4	440
Merrill Lynch & Co.	52,939.9	5	529
Lehman Brothers	50,081.8	6	464
Goldman, Sachs & Co.	47,971.6	7	395
RBC Dain Rauscher	39,870.4	8	784
J P Morgan Securities Inc.	39,693.7	9	324
A.G. Edwards & Sons, Inc.	36,914.2	10	624
Siebert Brandford Shank & Co	32,244.1	11	250
Ramirez & Co., Inc.	24,818.4	12	158
Banc of America Securities LLC	24,338.8	13	398
First Albany Corporation	21,677.6	14	167
M.R. Beal & Co.	19,955.7	15	181
Loop Capital Markets	18,802.6	16	172
Wachovia Securities Inc	18,130.5	17	236
Raymond, James & Associates, Inc.	17,777.9	18	148
Jackson Securities	16,014.2	19	120
Quick & Reilly, Inc.	15,627.5	20	163
Morgan Keegan & Co., Inc.	14,366.8	21	397
Banc One Capital Markets Inc	13,842.4	22	317
U.S. Bancorp Piper Jaffray Inc	13,485.9	23	491
Advest Incorporated.	12,986.0	24	82
Roosevelt & Cross, Inc.	12,951.8	25	124
Total	***818,181.3***	**-**	***9,080***

Source: Securities Data Corporation

Texas Department of Housing and Community Affairs
Overview of Investment Banking Pool
April 2002

Full to Book Manager
Negotiated Issues
Minority Firms Only
01/01/2001 thru 12/31/2001

Full to Book Manager	Par Amount (US$ mil)	Rank	# of Issues
Siebert Brandford Shank	2,510.1	1	28
E.J. De La Rosa & Co	448.2	2	16
Ramirez & Co., Inc.	335.5	3	7
Estrada Hinojosa	242.3	4	16
Sutter Securities Inc	225.6	5	11
First American Municipals	127.0	6	4
Loop Capital Markets	113.5	7	5
Apex Pryor Securities	110.1	8	2
M.R. Beal & Co.	91.0	9	6
Redwood Securities Group	78.4	10	7
Total	***4,281.7***	**-**	***102***

Full to Each Manager
Negotiated Issues
Minority Firms Only
01/01/2001 thru 12/31/2001

Full to Each Manager	Par Amount (US$ mil)	Rank	# of Issues
Siebert Brandford Shank	31,889.0	1	249
Ramirez & Co., Inc.	24,377.2	2	156
M.R. Beal & Co.	19,950.7	3	181
Loop Capital Markets	18,802.6	4	172
Jackson Securities	16,053.2	5	122
Apex Pryor Securities	10,874.7	6	83
Chapman Company	9,851.1	7	95
SBK-Brooks Investment	7,588.8	8	71
E.J. De La Rosa & Co.	5,814.4	9	60
Estrada Hinojosa & Co.	4,534.5	10	85
Total	***149,736.2***	**-**	***1,274***

Source: Securities Data Corporation

Texas Department of Housing and Community Affairs
Overview of Investment Banking Pool
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Full to Book Manager
Negotiated Issues
Single Family Housing
01/01/2001 thru 12/31/2001

Full to Book Manager	Par Amt. (US$ mil)	Rank	# of Issues
UBS PaineWebber Inc.	2,076.2	1	68
Merrill Lynch & Co.	1,876.4	2	50
Lehman Brothers	1,300.0	3	65
Bear, Stearns & Co.	1,257.3	4	41
Goldman, Sachs & Co.	1,198.3	5	27
Salomon Smith Barney	1,065.9	6	39
George K. Baum & Company, Inc.	1,047.8	7	50
William R. Hough & Co.	567.4	8	21
Morgan Keegan & Co., Inc.	354.0	9	26
RBC Dain Rauscher	247.1	10	7
Total	***10,990.4***	**-**	***394***

Full to Each Manager
Negotiated Issues
Single Family Housing
01/01/2001 thru 12/31/2001

Full to Each Manager	Par Amt (US$ mil)	Rank	# of Issues
Merrill Lynch & Co.	5,863.5	1	198
UBS PaineWebber Inc.	4,840.0	2	162
Salomon Smith Barney	4,766.7	3	163
Lehman Brothers	4,287.9	4	138
Bear, Stearns & Co.	3,786.3	5	112
Goldman, Sachs & Co.	3,417.5	6	86
A.G. Edwards & Sons, Inc.	2,669.1	7	115
RBC Dain Rauscher	2,122.9	8	73
George K. Baum & Company, Inc.	2,007.0	9	90
U.S. Bancorp Piper Jaffray Inc	1,929.5	10	74
Total	***35,690.4***	**-**	***1,211***

Source: Securities Data Corporation

Texas Department of Housing and Community Affairs
Overview of Investment Banking Pool
April 2002

Full to Book Manager
Texas Negotiated Issues
Single Family Housing

01/01/2001 thru 12/31/2001

Full to Book Manager	Par Amount (US$ mil)	Rank	# of Issues
Salomon Smith Barney	215.1	1	6
William R. Hough & Co.	210.0	2	8
First Southwest	54.1	3	5
Morgan Keegan & Co.,	28.6	4	3
George K. Baum	19.0	5	3
Total	***526.8***	**-**	***25***

Full to Each Manager
Texas Negotiated Issues
Single Family Housing

01/01/2001 thru 12/31/2001

Full to Each Manager	Par Amount (US$ mil)	Rank	# of Issues
William R. Hough & Co.	270.0	1	10
Siebert Brandford Shank	215.1	2*	6
Salomon Smith Barney	215.1	2*	6
First Southwest	209.2	4	9
Morgan Keegan & Co..	201.7	5	9
George K. Baum	174.1	6	7
M.R. Beal & Co.	155.1	7*	4
Bear, Stearns & Co.	155.1	7*	4
Ramirez & Co., Inc.	60.0	9*	2
Goldman, Sachs & Co.	60.0	9*	2
Estrada Hinojosa	60.0	9*	2
Lehman Brothers	60.0	9*	2
Jackson Securities	60.0	9*	2
Banc One Capital Markets Inc	60.0	9*	2
SWS Securities Inc.	27.1	15	2
Leo Oppenheim, A Division of BOSC, Inc.	18.0	16	2
Total	***2,000.5***	**-**	***71***

Source: Securities Data Corporation

Texas Department of Housing and Community Affairs
Overview of Investment Banking Pool
April 2002

Full to Book Manager
Negotiated Issues
Minority Firms/Single Family Housing

01/01/2001 thru 12/31/2001

Full to Book Manager	Par Amount (US$ mil)	Rank	# of Issues
M.R. Beal & Co.	17.5	1	1
Total	***17.5***	***-***	***1***

Full to Each Manager
Negotiated Issues
Minority Firms/Single Family Housing

01/01/2001 thru 12/31/2001

Full to Each Manager	Par Amount (US$ mil)	Rank	# of Issues
M.R. Beal & Co.	1,173.3	1	49
Siebert Brandford Shank	1,147.1	2	42
Jackson Securities	857.7	3	21
Loop Capital Markets	818.9	4	23
Ramirez & Co., Inc.	798.8	5	16
Chapman Company	502.1	6	18
SBK-Brooks Investment	437.6	7	9
Roberts & Ryan Investments	393.2	8	6
E.J. De La Rosa & Co Inc	323.0	9	4
First American Municipals,	225.0	10	3
Total	***6,676.7***	***-***	***191***

Source: Securities Data Corporation

Texas Department of Housing and Community Affairs
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Bond Finance Division

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MEMORANDUM

TO: Edwina Carrington, Executive Director

FROM: Michael Lyttle, Director of Communications/GPI

DATE: April 2, 2002

RE: House Committee on Urban Affairs Meeting

There will be a House Committee on Urban Affairs Meeting at 9 a.m. on Thursday, April 11, 2002, at the Houston City Council Chambers, Houston, TX.

The agenda is:

Committee Interim Charge 4: Actively monitor agencies and programs under the committee's oversight jurisdiction, including implementation of sunset legislation, and specifically including requirements to target single family mortgage loans to underserved geographic and economic populations and new Section 8 home ownership initiatives.

TDHCA staff will be present to give testimony at this meeting and to also inform the Committee on the implementation of the Sunset legislation.

The House Committee on Urban Affairs will also meet on Wednesday, June 12, at the Capitol in Austin, to discuss the issue of community housing development organization (CHDO) certification and subsequent issues.

Legislative Visits/Trade Publication Interviews

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MEMORANDUM

TO: Edwina Carrington, Executive Director

FROM: Michael Lyttle, Director of Communications/GPI

DATE: April 2, 2002

RE: Media/Legislative Issues

MEDIA ACTIVITY

1. *Housing & Development Reporter:* Interviewed you on March 26,2002, for approximately 25 minutes, asking a set of very general questions: a brief rundown on your background and experience; a list of your priorities for the Department; what changes you may have for TDHCA programs, particularly the LIHTC Program; and your overall impression on where you see the Department going in the near-term.

   I am trying to obtain a copy of this article, as the issue will probably hit the stands today but is in the mail. The publication does not seem to have an on-line presence.

2. We tentatively have an interview set up for April 8 with *Affordable Housing Finance*. You have send the type of questions they intend to pose.

3. A request for an interview has been made by the *Tax Credit Advisor*. No firm date has yet been set. Glenn Petherwick, the reporter, and I will speak this week regarding this request. I will e-mail you this information as soon as I have it.

LEGISLATIVE ACTIVITY

1. The following meetings have been held:
   - Meeting held with Rep Pete Gallego on March 25;
   - Meeting held with Paul Hudson of the Governors Office on March 12.

2. The following meetings have been scheduled:
   - Meeting with Rep. Manny Najera on April 9;
   - Meeting with Rep. Bill Callegari on April 9;
   - Meeting with Rep. Fred Hill on April 17.

EXECUTIVE SESSION

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception)

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

ADJOURN

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.