TDHCA

03039

Region 3

Development Name: **Oak Timbers- Grand Prairie** TDHCA #: **03039**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 3
City: Grand Prairie
Site Address: 1920 Robinson Rd.
County: Dallas Zip Code: 75051

☐ TTC ☐ DDA ☑ QCT
Purpose / Activity: New Construction

Targeted Units: Family: 0 Elderly: 80 Handicapped/Disabled 4 Domestic Abuse: 0 Transitional: 0

Set Asides: ☐ General ☐ At-Risk ☑ Nonprofit ☐ Rural ☐ TX-USDA-RHS ☑ Elderly

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Oak Timbers-Grand Prairie, LP

Principal Names	Principal Contact	Percentage Ownership
Oak Timbers	Lynda Pittman	51% of Owner
Vaughn Mitchell	Vaughn Mitchell	48% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$425,506** Allocation over 10 Years: $4,255,060
Credits Requested $437,741 Eligible Basis Amount: $425,506 Equity/Gap Amount $459,373

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	13	0	0	13
40%	0	6	0	0	6
50%	0	13	0	0	13
60%	0	24	8	0	32
MR	0	8	8	0	16
Total	0	64	16	0	

Total LI Units: 64
Owner/Employee Units: 0
Total Project Units: 80
Applicable Fraction: 79.00

Applicable fraction is the lesser of the unit fraction or the square foot fraction attributable to low income units.

DEVELOPMENT AMENITIES (no extra cost to tenant)

- ☐ Playground
- ☑ Computer Facility with Internet
- ☑ Recreation facilities
- ☐ Public Phones
- ☑ Perimeter Fence with Controlled Gate Access
- ☑ Community Laundry Room or Hook-Ups in Units
- ☐ On Site Day Care, Senior Center or Community Meal Room
- ☑ Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- ☑ Covered Entries
- ☑ Computer Line in all Bedrooms
- ☑ Mini Blinds
- ☑ Ceramic Tile - Entry, Kitchen, Baths
- ☑ Laundry Connections
- ☐ Storage Room
- ☐ Laundry Equipment
- ☑ 25 year Shingle Roofing
- ☐ Covered Parking
- ☐ Covered Patios or Balconies
- ☐ Garages
- ☑ Greater than 75% Masonry Exterior
- ☐ Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost:	$5,792,818
Gross Building Square Feet	63,023
Total Net Rentable Area Square Feet:	60,048
Average Square Feet/Unit	751
Cost Per Net Rentable Square Foot	$96.47
Credits per Low Income Uni	$6,649

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$498,768
Total Expenses:	$276,760
Net Operating Income	$222,008
Estimated 1st Year Debt Coverage Ratio	1.15

FINANCING

Permanent Principal Amount:	$2,256,000
Applicant Equity:	$260,750
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7699

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	A V Mitchell	Market Analyst:	Ipser and Associates, Inc.
Housing GC:	Alpha Construction Company	Originator/UW:	
Engineer:	NA	Appraiser:	NA
Cost Estimator:	NA	Attorney:	Mark Foster
Architect:	Southwest Architects	Accountant:	Novogradac & Company, LLC
Property Manager	UAH Property Management, L.P.	Supp Services	NA
Syndicator:	Muni Mae Midland, LLC	Permanent Lender	MuniMae Midland, LLC

Project Name: Oak Timbers- Grand Prairie Project Number: 03039

PUBLIC COMMENT SUMMARY

Note: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **0** Opposition: **0**

☐ A resolution was passed by the local government in support of the development.

Local/State/Federal Officials with Jurisdiction:	Comment from Other Public Officials:
Local Official: Charles England, Mayor, City of Grand Prairie, S	Richard Fregoe, Council Member, S
TX Representative: Ray Allen, District 106, N	
TX Senator: Chris Harris, District 9, S	
US Representative: Martin Frost, S	
US Senator:	

General Summary of Comment: Broad Support. Mayoral support is based on the design of the building only and not because of affordable housing.

DEPARTMENT EVALUATION

Points Awarded: 102 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a third party engineering off-site cost certification is a condition of this report.

Should the terms or rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

Alternate Recommendation: NA

RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☑ Score ☑ Meeting a Required Set Aside ☐ Meeting the Regional Allocation

☐ To serve a greater number of lower income families for fewer credits.

☐ To ensure geographic dispersion within each Uniform State Service Region.

☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan.

☐ To ensure the allocation of credits among as many different entities as practicable w/out diminishing the quality of the housing built.

☐ To give preference to a Development located in a QCT or DDA that contributes to revitalization.

☐ To provide integrated, affordable accessible housing for individuals_ families with different levels of income.

Explanation: This Development has a competitive score in the Elderly Set-Aside.

Robert Onion, Manager of Awards and Allocation Date

Brooke Boston, Director of Multifamily Finance Production Date

Edwina Carrington, Executive Director Date
Chairman of Executive Award and Review Advisory Committee

BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if any):

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

Developer Evaluation

Project ID # **03039** Name: **Oak Timbers-Grand Prairie** City: **Grand Prairi**

LIHTC 9% ☑ LIHTC 4% ☐ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☐ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: ☐ N/A ☑ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☑ No

Portfolio Management and Compliance

Projects in Material Noncompliance: No ☑ Yes ☐ # of Projects: 0

Total # of Projects monitored: 0 Projects grouped by score 0-9 0 10-19 0 20-29 0

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 2

Program Monitoring/Draws

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Asset Management

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Reviewed by Sara Carr Newsom Date iday, June 06, 2003

Multifamily Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by R Meyer Date 6 /4 /2003

Single Family Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ________ Date ________

Community Affairs

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by EEF Date 6 /4 /2003

Office of Colonia Initiatives

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by H Cabello Date 6 /10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ________ Date ________

Loan Administration

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

Delinquencies found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Stephanie Stuntz Date 6 /6 /2003

Executive Director: Edwina Carrington **Executed:** Thursday, June 12, 2003

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 14, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03039

DEVELOPMENT NAME

Oak Timbers-Grand Prairie

APPLICANT

Name:	Oak Timbers-Grand Prairie, L.P.			**Type:**	For Profit		
Address:	1833 Wildwood			**City:**	Grand Prairie	**State:**	Texas
Zip:	75050	**Contact:**	Vaughan Mitchell	**Phone:**	(972) 641-3900	**Fax:**	(972) 641-1996

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Oak Timbers	**(%):**	.0051	**Title:**	Managing General Partner
Name:	A.V. Mitchell	**(%):**	.0049	**Title:**	Co-General Partner

PROPERTY LOCATION

Location: 1920 Robinson Road ☒ **QCT** ☐ **DDA**

City: Grand Prairie **County:** Dallas **Zip:** 75051

REQUEST

Amount	Interest Rate	Amortization	Term
1) $437,741	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 **Property Type:** Multifamily

Set-Aside(s): ☐ General ☐ Rural ☐ TX RD ☒ Non-Profit ☒ Elderly ☐ At Risk

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $425,506 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a third party engineering off-site cost certification is a condition of this report.
2. Should the terms or rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	80	**# Rental Buildings**	12	**# Common Area Bldngs**	1	**# of Floors**	1	**Age:**	N/A yrs	**Vacant:**	N/A at / /

Net Rentable SF: 60,048 **Av Un SF:** 751 **Common Area SF:** 2,975 **Gross Bldg SF:** 63,023

STRUCTURAL MATERIALS

Wood frame on a concrete slab, 85% brick veneer/15% Hardiplank siding exterior wall covering, drywall interior wall surfaces, and composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Amenities include a 2,975 square foot community building with activity room, management offices, exercise room, kitchen, and restrooms. A swimming pool and walking trails are also located on the grounds.

Uncovered Parking: 80 spaces **Carports:** 80 spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Oak Timbers-Grand Prairies Apartments are the proposed new construction of 80 units of mixed income housing for seniors in Grand Prairie, Texas, lying at the southwest edge of Dallas. The moderately dense development of 11.6 units per acre is comprised of twelve (12) evenly spaced, single story, garden style, residential buildings as follows:

- (4) Building Type I with 8 one-bedroom/ one-bath units; and
- (8) Building Type II with 4 one-bedroom/ one-bath units, and 2 two- bedroom/ one-bath units.

Architectural Review: The buildings have an overall attractive appearance, with high roofs, ornamental gables, and a combination of brick veneer and hardiplank siding. Each of the unit floor plans appear to have well arranged living, dining, and kitchen areas, with sufficient space in the bedrooms and a sufficient number of closets and windows.

Supportive Services: The Applicant has certified that it will coordinate its tenant services programs with state workforce development and welfare programs, and that it will provide at least three of the tenant services from among TDHCA's tenant services options.

Schedule: The Applicant anticipates construction to begin in January of 2004, to be completed in September of 2004, to be placed in service in March of 2005, and to be substantially leased-up in March of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 6.88 acres 299,693 square feet **Zoning/ Permitted Uses:** Multifamily

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Grand Prairie is located in North Texas, directly southwest of Dallas in Dallas County. The site is a rectangularly-shaped parcel located in the central area of the city, approximately one mile from the central business district. The site is situated on the west side of Robinson Road.

Adjacent Land Uses:

- **North:** Vacant land.
- **South:** Vacant land with church beyond.
- **East:** Robinson road with commercial and multifamily beyond.
- **West:** Vacant Land

Site Access: Access to the property is from the west along Robinson Road. The development will have two main entries at the east from Robinson Road. Access to the freeway is two miles west, which provides connections to all other major roads serving the Dallas-Fort Worth area.

Public Transportation: The market study states that "transportation for residents of the proposed housing facility will be provided by Grand Connections Transit, a service provided by the city. The Grand Connections provides on-demand service for a nominal fee of $1.00 within Grand Prairie for any purpose such as shopping or any other destination, including medical, which is free."

Shopping & Services: The site is within two miles of major grocery stores and pharmacies. Shopping centers, restaurants, health care centers, churches, and public parks are all located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on May 8, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March, 2003 was prepared by Honesty Environmental Services and found no significant environmental concerns associated with the property. No recommendations were made for any further action.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Sixty-four units (80%) will be set aside for low-income tenants. Thirteen units (16%) will be set aside for tenants whose household earnings are less than the 30% AMGI, six unites (8%) will be set aside for tenants earning less than 40% of AMGI, 13 units (16%) will be set aside for tenants earning less than 50% of AMGI, 32 units (40%) will be set aside for tenants earning less than 60% of AMGI and the remaining 16 units (20%) will not be restricted.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$27,960	$31,920	$35,940	$39,900	$43,080	$46,260

MARKET HIGHLIGHTS

A market feasibility study dated March 7, 2003 was prepared by Ipser and Associates and highlighted the following findings:

Definition of Market/Submarket: The Market Analyst identifies the City of Grand Prairie as the primary market area (PMA).

Population: The estimated 2000 population of Grand Prairie was 127,427 and is expected to increase by 1.9% annually to approximately 153,527 by 2010. Within the primary market area there were estimated to be 43,791 households in 2000.

Total Local/Submarket Demand for Rental Units:

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	9	4.1%	9	4%
Resident Turnover	189	86.7%	193	96 %
Other Sources: 10 yrs pent-up demand	20	9.2%		
TOTAL ANNUAL DEMAND	218	**100%**	202	**100%**

Ref: Exhibit N-1

Inclusive Capture Rate: The Market Analyst concluded a capture rate of 29.4%. The Underwriter calculated an inclusive capture rate of 32% based upon a revised demand of 202. If the proposed restricted units at the competing Seniors at Curtis Wright Field are awarded LIHTC funds, the Underwriter's inclusive capture rate increases to 92%. While this is extremely high, it is still acceptable based upon the Department's capture rate policy. If both transactions are approved it is quite likely that they will suffer from a longer than normal absorption period.

Local Housing Authority Waiting List Information: "According to the Grand Prairie Housing Authority, the Section 8 waiting list contains a total of 1,867 names, 236 of which are elderly/disabled applicants (12.6% of all names on the Section 8 waiting list." p. 2-19)

Market Rent Comparables: The market analyst surveyed five comparable apartment projects in the market area. It should be noted that the market rents for the two bedroom units are $60 less than the market rates established by the Market Analyst for the competing Senior Apartments at Curtis Wright Field.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%)	$279	$279	$0	$640	-$361
1-Bedroom (40%)	$405	$405	$0	$640	-$235
1-Bedroom (50%)	$529	$529	$0	$640	-$111
1-Bedroom (60%)	$640	$654	-$14	$640	$0
1-Bedroom (MR)	$640	N/A	N/A	$640	$0
2-Bedroom (60%)	$730	$790	-$60	$730	$0
2-Bedroom (MR)	$730	N/A	N/A	$730	$0

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

Submarket Vacancy Rates: "The adjusted occupancy rate indicated by the market area survey shows 94.1% (economic occupancy) in the conventional family projects in the area, 93.8% in the rental assisted projects." (p. 2-21)

Absorption Projections: "Of the four complexes built since 1990, only one project provided the market analyst with absorption rates. The 282-unit bond project, Landings of Carrier Parkway, opened in February 2002, and based on the current occupancy rate of 87.2%, the absorption rate is 20 units per month. Average absorption for the subject is estimated at approximately 12 units per month. It is expected that about 6 months will be required to achieve 92.5% occupancy of the units. Absorption will be accelerated by the acceptance of Section 8 vouchers, and as noted above, the Grand Prairie Housing Authority reported a total of 600 names on the Section 8 waiting list." (p. 2-21)

Known Planned Development: "The Dallas-Fort Worth area offers several elderly housing options, but no independent living facilities are in the subject's immediate area. There are, however, 102 owner-occupied townhomes currently under construction at Curtis Wright Senior Townhomes on Lindberg Ave., about 1.5 miles north of the site. The townhomes, which range in size from 1,200 to 1,540 square feet, sell for $132,000 to $141,000" (p. 2-17) In addition, and as mentioned above, a competing development, the Senior Apartments at Curtis Wright Field consist of 154 units, 123 of which are proposed to be rent restricted.

Effect on Existing Housing Stock: "The penetration rate (64 LIHTC units divided by the qualified elderly households in the income band from $11,190 to $31,920) is 3.4% based on 1,859 elderly households in Grand Prairie (10,780 older households in 2003 times 17.2% -- a conservative estimate since the percentage of renters in the lower income range is likely higher). The subject will have 64 1 and 2-Bd units with rents structured under LIHTC plus another 16 market rate units. The penetration rate for the market rate units (development units divided by qualified elderly households in the income band from $21,570 to $50,000 for market rate units) is 0.5% for 16 market rate units based on 10,780 estimated older households in Grand Prairie X 31.1% in the market-rate income band." (p. 3-5)

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are slightly lower than the maximum rents allowed under LIHTC guidelines due to the market rents indicated by the market study. The Underwriter's estimate of income is based on the rental rates supported by the market study, which happen to be lower than the 60% AMI maximum rents. If the maximum rents could be achieved an additional $16,896 in potential gross rent could be projected. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $3,460 per unit is within 3% of a TDHCA database-derived estimate of $3,567 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($8.2K lower), payroll ($25.1K lower), repairs and maintenance ($22.8K higher), utilities ($6.7K lower).

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 6.88 acres	$10,320	**Assessment for the Year of:**	2002
Building:	$0	**Valuation by:**	Dallas County Appraisal District
Total Assessed Value:	$10,320	**Tax Rate:**	$2.847098

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved Commercial Property Contract		
Contract Expiration Date:	09/ 01/ 2003	**Anticipated Closing Date:**	09/ 01/ 2003
Acquisition Cost:	$375,000	**Other Terms/Conditions:**	
Seller:	Prairie Place, L.L.C.	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Costs: The Applicant claimed off-site costs of $50,000 for the extension of wastewater, gas, and electrical lines 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's claimed sitework costs of $5,974 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

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 are understated.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $25,625 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

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 of $6,675 effectively moved to ineligible costs. In addition, the Applicant's eligible contingency exceeds the Department's 5% tolerance by $17,384 and an equivalent amount was moved to ineligible costs.

Conclusion: The Applicant's total development 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 $4,997,133 is used to determine a credit allocation of $425,506 from this method. It should be noted that the $6,000 proposed HOME funds from the City of Grand Prairie have been removed from eligible basis to eliminate the potential federal taint of below market rate funds, thereby loosing the 130% QCT adjustment. 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

INTERIM CONSTRUCTION or GAP FINANCING

Source: MuniMae Midland, LLC **Contact:** Dan Flick

Principal Amount: $2,250,000 **Interest Rate:** 6.00%

Additional Information:

Amortization: N/A yrs **Term:** 2 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: MuniMae Midland, LLC **Contact:** Dan Flick

Principal Amount: $2,250,000 **Interest Rate:** 7.75%

Additional Information: Minimum Interest Rate: 6.50%/Maximum Interest Rate 9.00%

Amortization: 30 yrs **Term:** 18 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $193,428 **Lien Priority:** 1st **Commitment Date** 02/ 12/ 2003

GRANT/LONG TERM/PERMANENT FINANCING

Source: City of Grande Prairie HOME award **Contact:** William Hills

Principal Amount: $6,000 **Interest Rate:**

Additional Information: Final terms are unknown. Applicant has requested a grant.

LIHTC SYNDICATION

Source: MuniMae Midland, LLC **Contact:** Ryan Luxon

Address: 13455 Noel Road **City:** Dallas

State: TX **Zip:** 75240 **Phone:** (972) 404-1118 **Fax:** (972) 404-9133

Net Proceeds: $3,370,269 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 77¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 02/ 17/ 2003

APPLICANT EQUITY

Amount: $166,549 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. The HOME funds were included in the sources of funds but could be easily absorbed by deferred developer fees if they are not awarded to this development.

LIHTC Syndication: MuniMae Midland LLC has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $3,370,269 based on a syndication factor of 77%. The funds would be disbursed in a 4-phased pay-in schedule:

1. 65% paid at the latest to occur of (i) admission of the Investment Partnership to the Operating Partnership, (ii) closing of the construction loan and Project land acquisition;
2. 20% paid within fifteen (15) business days of the later of: (i) completion of the Project; or (ii) receipt by the Investment Partnership of the cost and credit certification from the independent accountants;
3. 14% paid within fifteen (15) days of the later of: (i) closing of the permanent loan; or (ii) receipt of the form 8609; or (iii) 90% physical occupancy for three consecutive calendar months; or (iv) 1.15 Debt Service Coverage for ninety days;
4. 1% paid upon receipt of: (i) tenant certifications for one hundred percent of the rent restricted units in the Project evidencing qualified occupants; and (ii) the Operating Partnership tax return for the first year the federal tax credit is claimed.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $166,549 amount to less than 26% of the total fees. Based on the Underwriter's adjustments to the Applicant's eligible basis, deferred developer fees are anticipated to expand by $94,201.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the LIHTC allocation should not exceed $425,506 annually for ten years, resulting in syndication proceeds of approximately $3,276,068. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $260,750 which should be repayable from cash flow with in ten 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 may be available to fund those development cost overruns. It should also be noted that on June 11, 2003 the Applicant submitted a revised "Development Cost Schedule" which reflected a lower requested LIHTC amount of $387,453 annually for ten years. The Applicant indicated the reduction was due to the elimination of garages in the development. However, there were no garages listed in the site plan or budget, but the Applicant indicated that their costs were imbedded in the overall development costs. Also no supporting data was submitted to substantiate the new figures so the Underwriter did not rely upon them. Should the Developer provide such substantiation, a reduction in credit of $38,053 is warranted.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant and Developer firms are all related entities. These are common relationships for LIHTC-funded developments.

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

Financial Highlights:

- The Applicant, Oak Timbers-Grand Prairie, LP, submitted an unaudited financial statement as of February 17, 2003 reporting total assets of $117K and consisting of $2K in cash, $15K in receivables, and $100K in partnership interests. No liabilities resulting in a net worth of $117K.
- The principal of the General Partner, A.V. Mitchell, submitted an unaudited financial statement as of February 18, 2003 and is anticipated to be guarantor of the development.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has been awarded three LIHTC/affordable housing developments totaling 234 units

since 2001.

SUMMARY OF SALIENT RISKS AND ISSUES

∉ The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.

Underwriter:	*Carl Hoover*	**Date:**	June 14, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 14, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Oak Timbers-Grand Prairie, Grand Prairie, LIHTC #03039

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
TC30%	13	1	1	714	$373	$279	$3,627	$0.39	$94.00	$30.00
TC40%	6	1	1	714	499	405	2,430	0.57	94.00	30.00
TC50%	13	1	1	714	623	529	6,877	0.74	94.00	30.00
TC60%	24	1	1	714	748	640	15,360	0.90	94.00	30.00
Market	8	1	1	714	N/A	640	5,120	0.90	94.00	30.00
TC60%	8	2	1	897	898	730	5,840	0.81	108.00	30.00
Market	8	2	1	897	N/A	730	5,840	0.81	108.00	30.00
TOTAL:	80		AVERAGE:	751	#VALUE!	$564	$45,094	$0.75	$96.80	$30.00

INCOME				Total Net Rentable Sq Ft: 60,048	TDHCA	APPLICANT		USS Region	3
POTENTIAL GROSS RENT					$541,128	$529,608		IREM Region	Dallas
Secondary Income			Per Unit Per Month:	$10.00	9,600	9,600	$10.00	Per Unit Per Month	
Other Support Income: (describe)					0	0			
POTENTIAL GROSS INCOME					$550,728	$539,208			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(41,305)	(40,440)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0				
EFFECTIVE GROSS INCOME					$509,423	$498,768			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.86%	$309	0.41	$24,738	$16,500	$0.27	$206	3.31%
Management		5.00%	318	0.42	25,471	$25,260	0.42	316	5.06%
Payroll & Payroll Tax		14.75%	939	1.25	75,138	$50,000	0.83	625	10.02%
Repairs & Maintenance		5.22%	333	0.44	26,603	$49,400	0.82	618	9.90%
Utilities		2.68%	171	0.23	13,665	$7,000	0.12	88	1.40%
Water, Sewer, & Trash		5.65%	360	0.48	28,800	$32,000	0.53	400	6.42%
Property Insurance		4.71%	300	0.40	24,019	$28,000	0.47	350	5.61%
Property Tax	2.847098	9.49%	604	0.80	48,334	$50,000	0.83	625	10.02%
Reserve for Replacements		3.14%	200	0.27	16,000	$16,000	0.27	200	3.21%
Other Expenses: Compl. Fees		0.51%	33	0.04	2,600	$2,600	0.04	33	0.52%
TOTAL EXPENSES		56.02%	$3,567	$4.75	$285,369	$276,760	$4.61	$3,460	55.49%
NET OPERATING INC		43.98%	$2,801	$3.73	$224,055	$222,008	$3.70	$2,775	44.51%
DEBT SERVICE									
First Lien Mortgage		37.97%	$2,418	$3.22	$193,431	$193,428	$3.22	$2,418	38.78%
HOME-City of Grand Prairie		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
HOME-City of Grand Prairie		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		6.01%	$383	$0.51	$30,624	$28,580	$0.48	$357	5.73%
AGGREGATE DEBT COVERAGE RATIO					1.16	1.15			
RECOMMENDED DEBT COVERAGE RATIO						1.15			

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)		6.37%	$4,750	$6.33	$380,000	$380,000	$6.33	$4,750	6.56%
Off-Sites		0.84%	625	0.83	50,000	50,000	0.83	625	0.86%
Sitework		8.01%	5,974	7.96	477,951	477,951	7.96	5,974	8.25%
Direct Construction		44.51%	33,195	44.23	2,655,623	2,474,367	41.21	30,930	42.71%
Contingency	5.00%	2.63%	1,958	2.61	156,679	165,000	2.75	2,063	2.85%
General Req'ts	5.74%	3.02%	2,250	3.00	180,000	180,000	3.00	2,250	3.11%
Contractor's G & A	1.91%	1.01%	750	1.00	60,000	60,000	1.00	750	1.04%
Contractor's Profit	5.74%	3.02%	2,250	3.00	180,000	180,000	3.00	2,250	3.11%
Indirect Construction		8.41%	6,275	8.36	502,000	502,000	8.36	6,275	8.67%
Ineligible Costs		3.11%	2,320	3.09	185,625	185,625	3.09	2,320	3.20%
Developer's G & A	7.02%	5.36%	4,000	5.33	320,000	320,000	5.33	4,000	5.52%
Developer's Profit	7.02%	5.36%	4,000	5.33	320,000	320,000	5.33	4,000	5.52%
Interim Financing		5.83%	4,348	5.79	347,875	347,875	5.79	4,348	6.01%
Reserves		2.51%	1,875	2.50	150,000	150,000	2.50	1,875	2.59%
TOTAL COST		100.00%	$74,572	$99.35	$5,965,753	$5,792,818	$96.47	$72,410	100.00%
Recap-Hard Construction Costs		*62.19%*	***$46,378***	***$61.79***	***$3,710,253***	***$3,537,318***	***$58.91***	***$44,216***	*61.06%*

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	37.72%	$28,125	$37.47	$2,250,000	$2,250,000	$2,250,000	Developer Fee Available
HOME-City of Grand Prairie	0.10%	$75	$0.10	6,000	6,000	6,000	$640,000
LIHTC Syndication Proceeds	56.49%	$42,128	$56.13	3,370,269	3,370,269	3,276,068	% of Dev. Fee Deferred
Deferred Developer Fees	2.79%	$2,082	$2.77	166,549	166,549	260,750	41%
Additional (excess) Funds Required	2.90%	$2,162	$2.88	172,935	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$5,965,753	$5,792,818	$5,792,818	$848,083.50

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Oak Timbers-Grand Prairie, Grand Prairie, LIHTC #03039

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$44.51	$2,672,736
Adjustments				
Exterior Wall Finish	6.95%		$3.09	$185,755
Elderly	5.00%		2.23	133,637
Roofing			0.00	0
Subfloor			(2.02)	(121,297)
Floor Cover			1.92	115,292
Porches/Balconies	$17.20	2,240	0.64	38,528
Plumbing	$615	0	0.00	0
Built-In Appliances	$1,625	80	2.16	130,000
Stairs/Fireplaces	$1,475	1	0.02	1,475
Floor Insulation			0.00	0
Heating/Cooling			1.47	88,271
Garages/Carports	$7.83	12,000	1.56	93,960
Comm &/or Aux Bldgs	$59.56	2,975	2.95	177,197
Other:	$0.00	0	0.00	0
SUBTOTAL			58.55	3,515,554
Current Cost Multiplier	1.03		1.76	105,467
Local Multiplier	0.90		(5.85)	(351,555)
TOTAL DIRECT CONSTRUCTION COSTS			$54.45	$3,269,465
Plans, specs, survy, bld prmt	3.90%		($2.12)	($127,509)
Interim Construction Interest	3.38%		(1.84)	(110,344)
Contractor's OH & Profit	11.50%		(6.26)	(375,989)
NET DIRECT CONSTRUCTION COSTS			$44.23	$2,655,623

PAYMENT COMPUTATION

Primary	$2,250,000	Term	360
Int Rate	7.75%	DCR	1.16
Secondary	$6,000	Term	
Int Rate	0.00%	Subtotal DCR	1.16
Additional	$3,370,269	Term	
Int Rate		Aggregate DCR	1.16

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	$193,431
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$28,577

Primary	$2,250,000	Term	360
Int Rate	7.75%	DCR	1.15
Secondary	$6,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.15
Additional	$3,370,269	Term	0
Int Rate	0.00%	Aggregate DCR	1.15

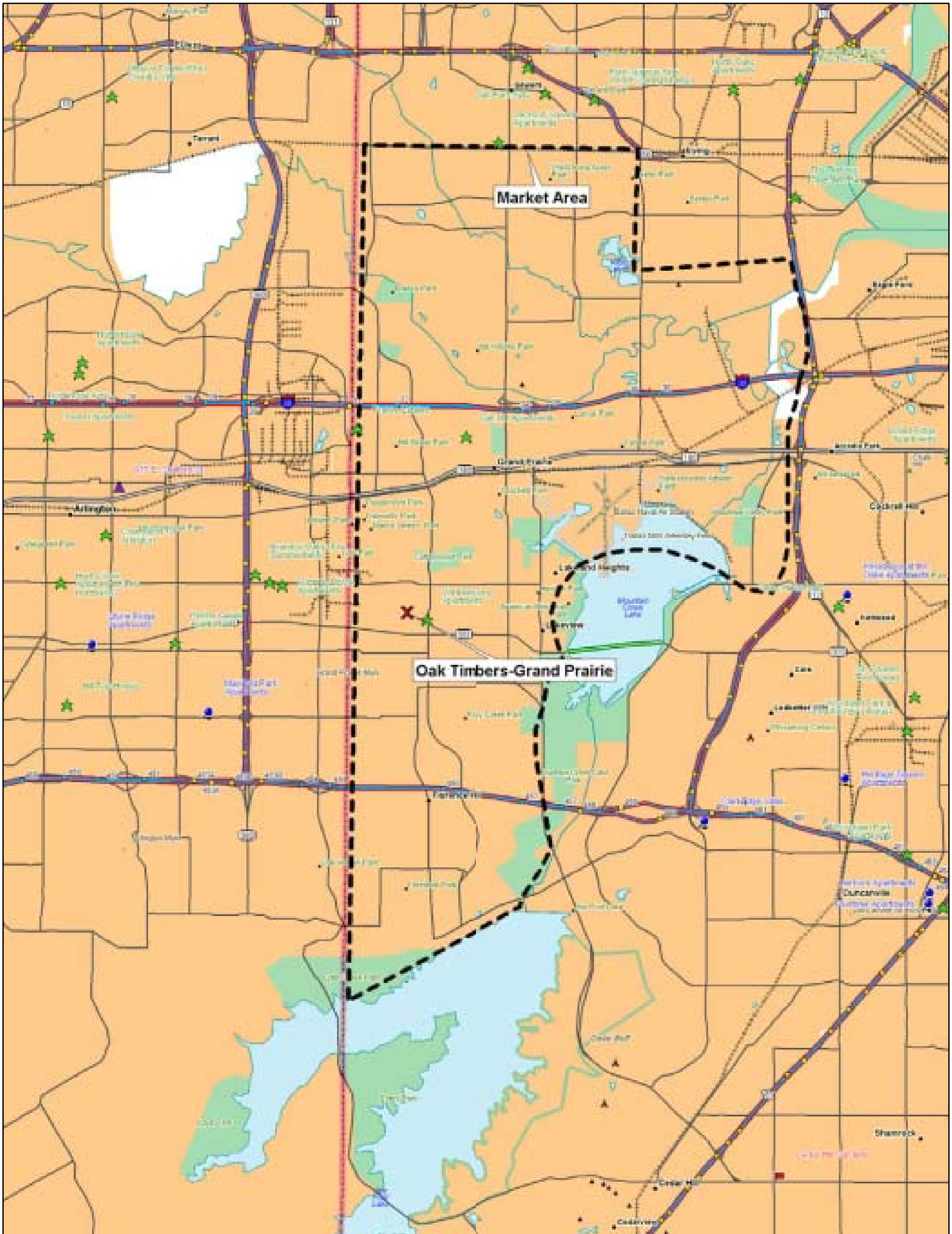
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$541,128	$557,362	$574,083	$591,305	$609,044	$706,049	$818,505	$948,871	$1,275,204
Secondary Income	9,600	9,888	10,185	10,490	10,805	12,526	14,521	16,834	22,623
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	550,728	567,250	584,267	601,795	619,849	718,575	833,026	965,705	1,297,827
Vacancy & Collection Loss	(41,305)	(42,544)	(43,820)	(45,135)	(46,489)	(53,893)	(62,477)	(72,428)	(97,337)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$509,423	$524,706	$540,447	$556,661	$573,361	$664,682	$770,549	$893,277	$1,200,490
EXPENSES at 4.00%									
General & Administrative	$24,738	$25,728	$26,757	$27,827	$28,940	$35,210	$42,839	$52,120	$77,150
Management	25,471	26,235	27,022	27,833	28,668	33,234	38,527	44,664	60,024
Payroll & Payroll Tax	75,138	78,144	81,270	84,520	87,901	106,945	130,115	158,305	234,330
Repairs & Maintenance	26,603	27,667	28,774	29,925	31,122	37,864	46,068	56,048	82,965
Utilities	13,665	14,212	14,780	15,371	15,986	19,450	23,663	28,790	42,616
Water, Sewer & Trash	28,800	29,952	31,150	32,396	33,692	40,991	49,872	60,677	89,817
Insurance	24,019	24,980	25,979	27,018	28,099	34,187	41,593	50,605	74,908
Property Tax	48,334	50,267	52,278	54,369	56,543	68,794	83,698	101,831	150,735
Reserve for Replacements	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
Other	2,600	2,704	2,812	2,925	3,042	3,701	4,502	5,478	8,108
TOTAL EXPENSES	$285,369	$296,529	$308,127	$320,182	$332,711	$403,149	$488,586	$592,228	$870,554
NET OPERATING INCOME	$224,055	$228,178	$232,320	$236,479	$240,649	$261,533	$281,963	$301,049	$329,936
DEBT SERVICE									
First Lien Financing	$193,431	$193,431	$193,431	$193,431	$193,431	$193,431	$193,431	$193,431	$193,431
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	$30,624	$34,746	$38,889	$43,047	$47,218	$68,102	$88,532	$107,617	$136,505
DEBT COVERAGE RATIO	1.16	1.18	1.20	1.22	1.24	1.35	1.46	1.56	1.71

LIHTC Allocation Calculation - Oak Timbers-Grand Prairie, Grand Prairie, LIHTC #03039

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	$380,000	$380,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$477,951	$477,951	$477,951	$477,951
Off-site improvements	$50,000	$50,000		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$2,474,367	$2,655,623	$2,474,367	$2,655,623
(4) Contractor Fees & General Requirements				
Contractor overhead	$60,000	$60,000	$59,046	$60,000
Contractor profit	$180,000	$180,000	$177,139	$180,000
General requirements	$180,000	$180,000	$177,139	$180,000
(5) Contingencies	$165,000	$156,679	$147,616	$156,679
(6) Eligible Indirect Fees	$502,000	$502,000	$502,000	$502,000
(7) Eligible Financing Fees	$347,875	$347,875	$347,875	$347,875
(8) All Ineligible Costs	$185,625	$185,625		
(9) Developer Fees				
Developer overhead	$320,000	$320,000	$320,000	$320,000
Developer fee	$320,000	$320,000	$320,000	$320,000
(10) Development Reserves	$150,000	$150,000		
TOTAL DEVELOPMENT COSTS	$5,792,818	$5,965,753	$5,003,133	$5,200,128

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis		$6,000	$6,000
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		$4,997,133	$5,194,128
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$6,496,273	$6,752,366
Applicable Fraction		78.54%	78.54%
TOTAL QUALIFIED BASIS		$5,101,989	$5,303,117
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$425,506	$442,280
Syndication Proceeds	**0.7699**	**$3,276,068**	**$3,405,215**
Total Credits (Eligible Basis Method)		**$425,506**	**$442,280**
Syndication Proceeds		**$3,276,068**	**$3,405,215**
Requested Credits		**$437,741**	
Syndication Proceeds		**$3,370,269**	
Gap of Syndication Proceeds Needed		**$3,536,818**	
Credit Amount		**$459,373**	



Zoom Level: 10-6 Datum: WGS84

Scale 1 : 125 000

TN
MN
5.4°E

TDHCA

03081

Region 3

MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **The Senior Apartments at Curtis Wright Field** TDHCA #: **03081**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 3 Site Address: 1000 South Carrier Parkway
City: Grand Prairie County: Dallas Zip Code: 75051

☐ TTC ☐ DDA ☑ QCT Purpose / Activity: New Construction

Targeted Units: Family: 0 Elderly: 154 Handicapped/Disabled 11 Domestic Abuse: 0 Transitional: 0

Set Asides: ☑ General ☐ At-Risk ☐ Nonprofit ☐ Rural ☐ TX-USDA-RHS ☑ Elderly

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Wright Senior Apartments, L.P.

Principal Names	Principal Contact	Percentage Ownership
Good Landing, Inc.	Hal T. Thorne	50% of GP
David Nicklas Organ Donor Awareness Foundation	Rodney DeBaun	50% of GP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$756,655** Allocation over 10 Years: $7,566,550
Credits Requested $761,162 Eligible Basis Amount: $756,655 Equity/Gap Amount $884,193

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	4	15	5	0	24
40%	2	8	3	0	13
50%	4	15	5	0	24
60%	13	36	13	0	62
MR	6	18	7	0	31
Total	29	92	33	0	

Total LI Units: 123
Owner/Employee Units: 0
Total Project Units: 154
Applicable Fraction: 80.00

Applicable fraction is the lesser of the unit fraction or the square foot fraction attributable to low income units.

DEVELOPMENT AMENITIES (no extra cost to tenant)

☐ Playground
☑ Recreation facilities
☑ Perimeter Fence with Controlled Gate Access
☑ Community Laundry Room or Hook-Ups in Units
☑ On Site Day Care, Senior Center or Community Meal Room
☑ Furnished Community Room
☑ Computer Facility with Internet
☑ Public Phones

UNIT AMENITIES (no extra cost to tenant)

☑ Covered Entries
☑ Mini Blinds
☑ Laundry Connections
☐ Laundry Equipment
☑ Covered Parking
☐ Garages
☐ Use of Energy Efficient Alternative Construction Materials
☑ Computer Line in all Bedrooms
☐ Ceramic Tile - Entry, Kitchen, Baths
☐ Storage Room
☑ 25 year Shingle Roofing
☑ Covered Patios or Balconies
☑ Greater than 75% Masonry Exterior

BUILDING INFORMATION

Total Development Cost: $11,223,425
Gross Building Square Feet 116,915
Total Net Rentable Area Square Feet: 112,359
Average Square Feet/Unit 730
Cost Per Net Rentable Square Foot $99.89
Credits per Low Income Uni $6,152

INCOME AND EXPENSE INFORMATION

Effective Gross Income $960,492
Total Expenses: $577,931
Net Operating Income $382,561
Estimated 1st Year Debt Coverage Ratio 1.19

FINANCING

Permanent Principal Amount: $4,327,900
Applicant Equity: $994,621
Equity Source: Deferred Developer Fee
Syndication Rate: $0.7799

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Crusader Construction Company
Housing GC: Carleton Construction
Engineer: Walter Nelson and Associates
Cost Estimator: Carleton Construction
Architect: Gaylen Howard Laing Architect, Inc.
Property Manager David Nicklas Organ Donor Awareness Foundation
Syndicator: Lend Lease Real Estate
Market Analyst: NA
Originator/UW: NA
Appraiser: NA
Attorney: Shackelford, Melton, & McKinley
Accountant: Novogradac & Company, LLC
Supp Services NA
Permanent Lender Malone Mortgage Company

Project Name: The Senior Apartments at Curtis Wright Fi   Project Number: 03081

PUBLIC COMMENT SUMMARY

Note: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **1** Opposition: **0**

☐ A resolution was passed by the local government in support of the development.

Local/State/Federal Officials with Jurisdiction:		Comment from Other Public Officials:
Local Official:	NC	Kenneth Mayfield, Dallas County Commissioner, S
TX Representative:	Ray Allen, District 106, S	James N. Swafford, Council Member, S
TX Senator:	Chris Harris, District 9, N	
US Representative:	Martin Frost, S	
US Senator:		

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 102 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a financial statement for the David Nicklas Organ Donor Awareness Foundation, Inc. prior to execution of the commitment.

Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title prior to the initial closing on the property.

Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated or an adjustment to the credit amount may be warranted.

Alternate Recommendation: NA

RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☑ Score   ☑ Meeting a Required Set Aside   ☐ Meeting the Regional Allocation

☐ To serve a greater number of lower income families for fewer credits.
☐ To ensure geographic dispersion within each Uniform State Service Region.
☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan.
☐ To ensure the allocation of credits among as many different entities as practicable w/out diminishing the quality of the housing built.
☐ To give preference to a Development located in a QCT or DDA that contributes to revitalization.
☐ To provide integrated, affordable accessible housing for individuals_ families with different levels of income.

Explanation: This Development has a competitive score in the Elderly Set-Aside.

Robert Onion, Manager of Awards and Allocation   Date   Brooke Boston, Director of Multifamily Finance Production   Date

Edwina Carrington, Executive Director   Date
Chairman of Executive Award and Review Advisory Committee

BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if any):

Approved Credit Amount: ____   Date of Determination: ____

Michael E. Jones, Chairman of the Board   Date

Developer Evaluation

Project ID # **03081** Name: **Wright Senior Apartments** City: **Grand Prairi**

LIHTC 9% ☑ LIHTC 4% ☐ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☑ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

Portfolio Management and Compliance

Projects in Material Noncompliance: No ☑ Yes ☐ # of Projects: 0

Total # of Projects monitored: 0 Projects grouped by score 0-9 0 10-19 0 20-29 0

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 0

Program Monitoring/Draws

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Asset Management

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Reviewed by Sara Carr Newsom Date iday, June 06, 2003

Multifamily Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by R Meyer Date 6 /5 /2003

Single Family Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ______ Date ______

Community Affairs

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by EEF Date 6 /5 /2003

Office of Colonia Initiatives

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by H Cabello Date 6 /10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ______ Date ______

Loan Administration

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

Delinquencies found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Stephanie Stuntz Date 6 /6 /2003

Executive Director: Edwina Carrington **Executed:** Thursday, June 12, 2003

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 15, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03081

DEVELOPMENT NAME

The Senior Apartments at Curtis Wright Field

APPLICANT

Name:	Wright Senior Apartments, L.P.			**Type:**	For Profit		
Address:	840 South Carrier Parkway			**City:**	Grand Prairie	**State:**	Texas
Zip:	75051	**Contact:**	Hal T. Thorne	**Phone:**	(214) 502-0000	**Fax:**	(972) 263-5220

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Good Landing, Inc.	**(%):**	0.05	**Title:**	Managing General Partner
Name:	David Nicklas Organ Donor Awareness Foundation, Inc. (501(c)(3) nonprofit)	**(%):**	0.05	**Title:**	Co-General Partner
Name:	Crusader Construction Company	**(%):**	N/A	**Title:**	Developer
Name:	Hal Thorne	**(%):**	N/A	**Title:**	President & 50% owner of MGP
Name:	Dean Dauley	**(%):**	N/A	**Title:**	50% owner of MGP
Name:	Isibelle Debaun	**(%):**	N/A	**Title:**	President & director of Co-GP

PROPERTY LOCATION

Location:	1000 South Carrier Parkway		☒ **QCT**		☐ **DDA**
City:	Grand Prairie	**County:**	Dallas	**Zip:**	75051

REQUEST

Amount	Interest Rate	Amortization	Term
$761,162	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 **Property Type:** Multifamily

Set-Aside(s): ☒ General ☐ Rural ☐ TX RD ☐ Non-Profit ☒ Elderly ☐ At Risk

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $756,655 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a financial statement for the David Nicklas Organ Donor Awareness Foundation, Inc. prior to execution of the commitment;
2. Receipt, review, and acceptance of a copy of the release of lien on the property or an updated title commitment showing clear title prior to the initial closing on the property;
3. Should the terms or rates of the proposed debt or syndication change, the transaction should be re-evaluated or an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	154	**# Rental Buildings**	3	**# Common Area Bldgs**	1	**# of Floors**	3	**Age:**	0 yrs	**Vacant:**	N/A at / /

Net Rentable SF: 112,359 **Av Un SF:** 730 **Common Area SF:** 4,556 **Gross Bldg SF:** 116,915

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade foundation, 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, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, high-speed internet access.

ON-SITE AMENITIES

4,556 SF of community facilities located in the residential buildings with activity rooms, management offices, fitness & laundry facilities, kitchen, restrooms, & library. In addition, perimeter fencing with a limited access gate is also planned for the site.

Uncovered Parking: 130 spaces **Carports:** 158 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Senior Apartments at Curtis Wright Field is a relatively dense (12.3 units per acre) new construction development of 154 units of mixed income housing located in central Grand Prairie. The development is to be comprised of three large, garden style, elevator-served residential buildings as follows:

- One Building Type I with 11 efficiency units, 40 one-bedroom/one-bath units, and 18 two-bedroom/one-bath units;
- One Building Type II with six efficiency units, 34 one-bedroom/one-bath units, and 12 two-bedroom/one -bath units; and
- One Building Type III with 12 efficiency units, 18 one-bedroom/one-bath units, and 3 two-bedroom/ one -bath units.

These buildings are connected with enclosed corridors on all floors.

Architectural Review: The elevations are simple and attractive, with hipped and gabled roofs. The units are well laid out and feature walk-in closets and utility hookups for full-size washers and dryers.

Supportive Services: The Applicant indicted that three supportive services would be provided at no cost to the tenants.

Schedule: The Applicant anticipates construction to begin in December of 2003, to be completed in March of 2005, and to be substantially leased-up in March of 2006.

SITE ISSUES

SITE DESCRIPTION

Size: 12.5 acres 544,500 square feet **Zoning/ Permitted Uses:** MF-1, Multifamily-One Residential

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Grand Prairie is located in between Dallas and Fort Worth in Dallas, Ellis, and Tarrant counties. The site is an irregularly-shaped parcel located in Dallas County in the central area of the city, approximately one-half mile from the central business district. The site is situated near the northwest corner of the intersection of South Carrier Parkway and Dickey Road.

Adjacent Land Uses:

∉ **North:** new elderly multifamily residential

∉ **South:** vacant land, West Dickey Road, with an auto repair shop and two churches beyond

∉ **East:** vacant land, South Carrier Parkway, and single-family residential beyond

∉ **West:** vacant land, Robinson Road, with large warehouses beyond

Site Access: Access to the property is from the north or south from South Carrier Parkway, and the development is to have a single entry from that street. Access to Interstate Highway 30 is two miles north, which provides connections to all other major roads serving the Metroplex.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within two miles of two major grocery/pharmacies and 2.5 miles of a regional shopping center. A variety of other retail establishments and restaurants as well as 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 vendor's lien that must be cleared by the closing. Receipt, review, and acceptance of documentation verifying the resolution of this issue is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection on May 8, 2003 and found the location to be acceptable for the proposed development. The inspector noted the site has easy access to a major street and that Dickey Road at the southwest end of the site indicated a potential for flooding.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 12, 2003 was prepared by Professional Service Industries, Inc. and contained the following findings and recommendations: "This assessment has revealed no evidence of recognized environmental conditions in connection with the subject property. No further assessment of recognized environmental conditions appears warranted." (p. 27-28)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 123 of the units (80% of the total) will be reserved for low-income tenants. Twenty-four of the units (16%) will be reserved for households earning 30% or less of AMGI, 13 units (8%) will be reserved for households earning 40% or less of AMGI, 24 units (16%) will be reserved for households earning 50% or less of AMGI, 62 units (40%) will be reserved for households earning 60% or less of AMGI, and the remaining 31 units will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$27,960	$31,920	$35,940	$39,900	$43,080	$46,260

MARKET HIGHLIGHTS

A market feasibility study dated March 24, 2003 was prepared by Apartment MarketData Research Services, LLC and highlighted the following findings:

Definition of Market/Submarket: "For this analysis we utilized a primary market area comprising a 104-square mile trade area in Grand Prairie, Texas." (p. 33) This is a moderate to large market area for an urban market area containing roughly the equivalent area as a circle with a radius of 5.78 miles. Developments targeting seniors often draw from a larger market area than family developments.

Population: The estimated age 55+ population of the primary market area in 2002 was 32,398 and is expected to increase by 11.3% to approximately 36,052 by 2007. Within the primary market area there were estimated to be 21,599 elderly households in 2002.

Total Local/Submarket Demand for Rental Units: "In the primary market area we have determined that there is a demand for a minimum of 93 elderly rental units per year, based on the employment growth analysis." (p. 20)

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	109	3%	40	6%
Resident Turnover	3,150	96%	589	94%
Other Sources: pent-up demand	34	1%	0	0%
TOTAL ANNUAL DEMAND	**3,293**	**100%**	**629**	**100%**

Ref: p. 47-48

Inclusive Capture Rate: The Market Analyst calculated a capture rate of 3.7%. (p. 49) The Underwriter calculated an inclusive capture rate of 19.5% based upon a revised demand of 629 units. The Market Analyst's turnover demand is based in the IREM Dallas annual renter turnover rate of 65.1%, whereas the Underwriter reduced this rate by 50% to estimate the lower turnover rate typical of elderly populations. If a second elderly development also located in Grand Prairie and being considered for a tax credit allocation is approved, the Underwriter's inclusive capture rate would rise to 32.3% which is still within the 100% allowed for elderly developments. If both developments are approved it is quite likely that they will suffer from a longer than normal absorption period.

Local Housing Authority Waiting List Information: No information provided.

Market Rent Comparables: The Market Analyst surveyed six comparable apartment projects totaling 2,052 units in the market area. "The level of rent being [proposed] is 3%-63% below that which is currently being charged on existing market rate projects." (p. 20)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
Efficiency (30%)	$270	$269	+$1	$551	-$281
Efficiency (40%)	$387	$387	$0	$551	-$164
Efficiency (50%)	$480	$503	-$23	$551	-$71
Efficiency (60%)	$480	$620	-$140	$551	-$71
Efficiency (MR)	$480	N/A	N/A	$551	-$71
1-Bedroom (30%)	$280	$279	+$1	$643	-$363
1-Bedroom (40%)	$405	$405	$0	$643	-$238
1-Bedroom (50%)	$530	$529	+$1	$643	-$113
1-Bedroom (60%)	$615	$654	-$39	$643	-$28
1-Bedroom (MR)	$615	N/A	N/A	$643	-$28
2-Bedroom (30%)	$341	$340	+$1	$811	-$470
2-Bedroom (40%)	$491	$491	$0	$811	-$320
2-Bedroom (50%)	$641	$640	+$1	$811	-$170
2-Bedroom (60%)	$775	$790	-$15	$811	-$36
2-Bedroom (MR)	$775	N/A	N/A	$811	-$36

(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 of the market area is 93.3% as a result of everincreasing demand…There are no competing elderly projects in the primary trade area. Comparable elderly projects throughout the Dallas area report occupancies in the 97% to 100% range." (p. 88)

Absorption Projections: "We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-month lease-up period]." (p. 85)

Known Planned Development: None identified. (p. 59) As mentioned above, a second elderly development in Grand Prairie, Oak Timbers, is being considered simultaneously with the subject. Oak Timbers contains 80 units, 64 of which are tax credit units. It should be noted that the Applicant and Market Analyst for the Oak Timbers development both below the 60% rates for the two bedroom units are not fully achievable.

Effect on Existing Housing Stock: "…the proposed project would not have a dramatically detrimental effect on the balance of supply and demand in this market. " (p. 12)

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, except for the 50% AMI efficiency units and the 60% AMI units of all types. As the market study indicates that the maximum LIHTC rents are achievable and the Applicant anticipated achieving higher still market rates, the Underwriter has used rents equal to the lower of the maximum LIHTC rents or the estimated Market Analyst's market rents as required by the Department's underwriting rules. The result is that the Underwriter's potential gross rental income estimate is $28,380 greater than the Applicant's. It should be further noted that the Underwriter's rents in this case for the two bedroom units are $60 more than the accepted maximum rents in the competing Oak Timbers. The higher rents here provide $14.4K in additional potential gross income to the subject but it is anticipated that this difference will have no significant impact on the feasibility of either transaction. The Applicant's estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines; as a result, the Underwriter's effective gross income estimate exceeds the Applicant's by $26,254 or 3%.

Expenses: The Applicant's estimate of total operating expense is 1% lower than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($27K lower), payroll ($18K higher), repairs and maintenance ($27K higher), utilities ($20K lower), and property tax ($14K higher). The buildings have a large amount of air conditioned corridor and common area space which the Underwriter considered in estimating utilities expense.

Conclusion: The Applicant's estimated income is generally consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land, 11.12 acres multifamily	$1,330,000	**Date of Valuation:**	11/ 11/ 2002
Land, 2.07 acres pad site	$720,000		11/ 11/ 2002
Land, 16.94 acres retail	$1,840,000		11/ 11/ 2002
Land: 30.13 total acres	$3,890,000 ($2.96/SF)		11/ 11/ 2002

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The appraisal consisted of three differently zoned areas within one 30.13-acre parcel. While the 12.5-acre subject site appears to roughly correspond with the 11.12-acre multifamily portion, the Underwriter was unable to confirm this.

Conclusion: The Appraised value for the site could not be accurately determined by the appraisal provided. The multifamily land was valued at $1.33M but the amount of land was less than that being proposed in the site plan. If this value per acre were applied to the actual acquisition amount of acreage, a value of $1.495M could be interpreted. If a strict prorata value of the total appraised value of all three tracts were used, an implied value of $1.61M could be interpreted. Thus, the validity of the appraisal in establishing a value for the subject site is in question.

ASSESSED VALUE

Land: 26.3437 acres	$1,069,650	**Assessment for the Year of:**	2002
Building:	N/A	**Valuation by:**	Dallas County Appraisal District
Total Assessed Value:	$1,069,650	**Tax Rate:**	$2.847098

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved commercial property contract		
Contract Expiration Date:	07/ 23/ 2003	**Anticipated Closing Date:**	07/ 23/ 2003
Acquisition Cost:	$960,000	**Other Terms/Conditions:**	
Seller:	65 Acres, L.P.	**Related to Development Team Member:**	Yes

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: Dean Dauley and Hal Thorne each own 50% of the Managing General Partner and are minority shareholders of the land seller. The site was acquired as part of a larger 65-acre parcel in October 1999 at a cost of $2,551,396. This amounts to a prorated cost of $39,252 per acre or $490,650 for the subject 12.5 acres. The Applicant claimed subsequent holding and improvement costs of $2,327,385 which would bring the total prorated cost to $1.72/SF. Therefore, the Underwriter used a proration of the original purchase price and holding and improvement costs as the appropriate transfer price to ensure that a windfall profit or excess developer fee is not provided to the developer as a result of the potential TDHCA funding for the project.

Off-Site Costs: The Applicant claimed off-site costs of $72,219 for an access road and wastewater sewer lines and provided sufficient third party certification by an engineer to justify these costs.

Sitework Cost: The Applicant's claimed site work costs of $5,747 per unit are considered reasonable compared to historical site work costs for multifamily projects.

Direct Construction Cost: The Applicant's costs are $923K or 16% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are significantly understated.

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 $24,359 with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $17,953.

Conclusion: The Underwriter regards total costs to be understated by $899K or 8%. This percentage exceeds the acceptable 5% margin of tolerance, and therefore the Underwriter's cost estimate is used to size the total sources of funds needed for the development. The Applicant's requested credit amount, as adjusted for the current applicable percentage and fee overages discussed above, is less than the Underwriter's eligible basis tax credit calculation. Therefore, the Applicant's tax credit calculation, as adjusted, is used to establish the eligible basis method of determining the credit amount. As a result an eligible basis of $8,742,842 is used to determine a credit allocation of $756,655 from this method. It should be noted that the $1,000 in requested HOME funds has been deducted from eligible basis by the Underwriter since it is a below market federal loan and if it were awarded as such without being reduced from basis, the development would no longer be eligible for the 130% QCT adjustment. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: Malone Mortgage Company **Contact:** Jeff Rogers

Principal Amount: $4,326,900 **Interest Rate:** 7.0%

Additional Information: FHA insured loan.

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

LONG TERM/PERMANENT FINANCING

Source: Malone Mortgage Company **Contact:** Jeff Rogers

Principal Amount: $4,326,900 **Interest Rate:** 7.00%

Additional Information: FHA insured loan.

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $334,304 **Lien Priority:** 1st **Commitment Date** 02/ 18/ 2003

LONG TERM/PERMANENT FINANCING

Source: City of Grand Prairie HOME funds **Contact:** William Hills

Principal Amount: $1,000 **Interest Rate:** (Grant)

Additional Information: Application only

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

Annual Payment: None **Lien Priority:** None **Commitment Date** 1/ 9/ 2003

LIHTC SYNDICATION

Source: Lend Lease Real Estate Investments **Contact:** Marie Keutman

Address: 101 Arch Street **City:** Boston

State: Mass. **Zip:** 02110 **Phone:** (617) 772-9557 **Fax:** (617) 439-9978

Net Proceeds: $5,849,000 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 78¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 02/ 20/ 2003

Additional Information: Proceeds based upon credits of $750,000

APPLICANT EQUITY

Amount: $148,135 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application. The HOME funds were included in the interim sources and uses by the Applicant but not the permanent sources and uses despite the implication that these funds will be in the form of a grant if they materialize at all.

LIHTC Syndication: The LIHTC syndication commitment is slightly inconsistent with the terms reflected in the sources and uses of funds listed in the application in that the commitment reflects the expectation of

$11,162 less in credits than the Applicant has requested.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees amount to 13% of the total eligible fees. Due to the Underwriter's significantly higher costs this deferred developer fee is anticipated to increase by $846,516.

Financing Conclusions: Based on the Underwriter's estimate of eligible basis, the LIHTC allocation would not exceed $840,275 annually for ten years, resulting in syndication proceeds of approximately $6,553,026. However, this amount exceeds the Applicant's request of $761,162, which in turn exceeds the Applicant's adjusted amount of $756,655 which is therefore used to determine the LIHTC allocation and the resulting syndication proceeds of approximately $5,900,904. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $994,621 which represents approximately 87% of the eligible fee and while this is not repayable in ten years it should be repayable from cash flow within 15 years. Should the Applicant's final direct construction cost exceed the Underwriter's cost estimate used to determine credits in this analysis, significant additional deferred developer's fee may not be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

Hal Thorne and Dean Dauley each owns 50% of the Managing General Partner and are also minority owners of the land seller. These are permissible relationships for LIHTC-funded developments.

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

Financial Highlights:

- The Applicant and Managing General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Co-General Partner, the David Nicklas Organ Donor Awareness Foundation, Inc., did not submit a financial statement, and receipt, review, and acceptance of a financial statement is a condition of this report.
- The principals of the Managing General Partner, Hal Thorne and Dean Danley, submitted unaudited financial statements as of February 15, 2003 and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant and Managing General Partner are new entities formed for the purpose of developing the project.
- The principals of the general partners listed no participation in the development of affordable or conventional housing, but Dean Dauley and the Co-General Partner submitted TDHCA certificates of experience.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- The Applicant's total development costs differ from the Underwriter's verifiable estimate by more than 5%.
- 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.
- One of the principals of the Applicant does not appear to have the financial capacity to support the project if needed.
- The seller of the property has an identity of interest with the Applicant.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

Underwriter:	*Jim Anderson*	**Date:**	June 15, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 15, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

The Senior Apts at Curtiss Wright Field, Grand Prairie, 9% LIHTC #03081

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
TC30%	4	Eff.	1	528	$348	$269	$1,076	$0.51	$79.00	$17.00
TC40%	2	Eff.	1	528	466	387	774	0.73	79.00	17.00
TC50%	4	Eff.	1	528	582	503	2,012	0.95	79.00	17.00
TC60%	13	Eff.	1	528	699	551	7,163	1.04	79.00	17.00
Market	6	Eff.	1	528	551	551	3,306	1.04	79.00	17.00
TC30%	10	1	1	696	373	279	2,790	0.40	94.00	30.00
TC40%	5	1	1	696	499	405	2,025	0.58	94.00	30.00
TC50%	10	1	1	696	623	529	5,290	0.76	94.00	30.00
TC60%	25	1	1	696	748	643	16,075	0.92	94.00	30.00
Market	12	1	1	696	643	643	7,716	0.92	94.00	30.00
TC30%	5	1	1	779	373	279	1,395	0.36	94.00	30.00
TC40%	3	1	1	779	499	405	1,215	0.52	94.00	30.00
TC50%	5	1	1	779	623	529	2,645	0.68	94.00	30.00
TC60%	11	1	1	779	748	643	7,073	0.83	94.00	30.00
Market	6	1	1	779	706	643	3,858	0.83	94.00	30.00
TC30%	5	2	2	925	448	340	1,700	0.37	108.00	30.00
TC40%	3	2	2	925	599	491	1,473	0.53	108.00	30.00
TC50%	5	2	2	925	748	640	3,200	0.69	108.00	30.00
TC60%	13	2	2	925	898	790	10,270	0.85	108.00	30.00
Market	7	2	2	925	811	790	5,530	0.85	108.00	30.00
TOTAL:	154		AVERAGE:	730	$649	$562	$86,586	$0.77	$94.18	$27.55

INCOME	Total Net Rentable Sq Ft: 112,359			TDHCA	APPLICANT			
							USS Region	3
POTENTIAL GROSS RENT				$1,039,032	$1,010,652		IREM Region	Dallas
Secondary Income		Per Unit Per Month:	$15.00	27,720	27,720	$15.00	Per Unit Per Month	
Other Support Income:				0	0			
POTENTIAL GROSS INCOME				$1,066,752	$1,038,372			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(80,006)	(77,880)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$986,746	$960,492			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.76%	$305	0.42	$47,002	$20,000	$0.18	$130	2.08%
Management		5.00%	320	0.44	49,337	$48,024	0.43	312	5.00%
Payroll & Payroll Tax		14.47%	927	1.27	142,748	$160,673	1.43	1,043	16.73%
Repairs & Maintenance		5.12%	328	0.45	50,515	$77,528	0.69	503	8.07%
Utilities		5.57%	357	0.49	54,938	$35,281	0.31	229	3.67%
Water, Sewer, & Trash		5.16%	331	0.45	50,916	$40,000	0.36	260	4.16%
Property Insurance		4.55%	292	0.40	44,944	$39,326	0.35	255	4.09%
Property Tax	2.847098	11.11%	712	0.98	109,613	$123,200	1.10	800	12.83%
Reserve for Replacements		3.12%	200	0.27	30,800	$30,304	0.27	197	3.16%
Other: compliance fees		0.36%	23	0.03	3,595	$3,595	0.03	23	0.37%
TOTAL EXPENSES		59.23%	$3,795	$5.20	$584,408	$577,931	$5.14	$3,753	60.17%
NET OPERATING INC		40.77%	$2,613	$3.58	$402,338	$382,561	$3.40	$2,484	39.83%
DEBT SERVICE									
Malone Mortgage		32.70%	$2,095	$2.87	$322,665	$344,304	$3.06	$2,236	35.85%
Additional Financing		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		8.07%	$517	$0.71	$79,673	$38,257	$0.34	$248	3.98%
AGGREGATE DEBT COVERAGE RATIO					1.25	1.11			
RECOMMENDED DEBT COVERAGE RATIO						1.19			

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)		8.34%	$6,081	$8.34	$936,540	$960,000	$8.54	$6,234	9.30%
Off-Sites		0.64%	469	0.64	72,219	72,219	0.64	469	0.70%
Sitework		7.89%	5,747	7.88	884,983	884,983	7.88	5,747	8.57%
Direct Construction		50.27%	36,639	50.22	5,642,339	4,719,459	42.00	30,646	45.71%
Contingency	3.12%	1.82%	1,323	1.81	203,719	203,719	1.81	1,323	1.97%
General Req'ts	5.31%	3.09%	2,251	3.09	346,706	346,706	3.09	2,251	3.36%
Contractor's G & A	1.77%	1.03%	750	1.03	115,569	115,569	1.03	750	1.12%
Contractor's Profit	5.31%	3.09%	2,251	3.09	346,706	346,706	3.09	2,251	3.36%
Indirect Construction		4.96%	3,618	4.96	557,233	557,233	4.96	3,618	5.40%
Ineligible Costs		2.20%	1,604	2.20	246,944	246,944	2.20	1,604	2.39%
Developer's G & A	0.55%	0.42%	304	0.42	46,879	0	0.00	0	0.00%
Developer's Profit	13.00%	9.90%	7,218	9.89	1,111,575	1,158,454	10.31	7,522	11.22%
Interim Financing		4.04%	2,944	4.03	453,325	453,325	4.03	2,944	4.39%
Reserves		2.30%	1,680	2.30	258,688	258,688	2.30	1,680	2.51%
TOTAL COST		100.00%	$72,879	$99.89	$11,223,425	$10,324,005	$91.88	$67,039	100.00%
Recap-Hard Construction Costs		*67.18%*	***$48,961***	***$67.11***	***$7,540,022***	***$6,617,142***	***$58.89***	***$42,968***	*64.09%*

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
Malone Mortgage	38.55%	$28,097	$38.51	$4,326,900	$4,326,900	$4,326,900	Developer Fee Available
Additional Financing	0.01%	$6	$0.01	1,000	1,000	1,000	$1,140,501
LIHTC Syndication Proceeds	52.11%	$37,981	$52.06	5,849,000	5,849,000	5,900,904	% of Dev. Fee Deferred
Deferred Developer Fees	1.32%	$962	$1.32	148,105	148,105	994,621	87%
Additional (excess) Funds Required	8.00%	$5,834	$8.00	898,420	(1,000)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$11,223,425	$10,324,005	$11,223,425	$1,490,133

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

The Senior Apts at Curtiss Wright Field, Grand Prairie, 9% LIHTC #03081

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.42	$4,654,018
Adjustments				
Exterior Wall Finish	6.60%		$2.73	$307,165
Elderly	5.00%		2.07	232,701
Roofing			0.00	0
Subfloor			(0.67)	(31,650)
Floor Cover			1.92	215,729
Porches/Balconies	$23.15	6,852	1.41	158,601
Plumbing	$615	99	0.54	60,885
Built-In Appliances	$1,625	154	2.23	250,250
Stairs	$1,625	8	0.12	13,000
Corridors	$41.42	23,796	8.77	985,653
Heating/Cooling			1.47	165,168
Carports	$7.83	23,700	1.65	185,571
Comm &/or Aux Bldgs	$41.42	5,656	2.09	234,277
Other: Elevators	$27,350	3	0.73	82,050
SUBTOTAL			66.48	7,469,413
Current Cost Multiplier	1.03		1.99	224,082
Local Multiplier	0.90		(6.65)	(746,941)
TOTAL DIRECT CONSTRUCTION COSTS			$61.82	$6,946,554
Plans, specs, survy, bld prm	3.90%		($2.41)	($270,916)
Interim Construction Interest	3.38%		(2.09)	(234,446)
Contractor's OH & Profit	11.50%		(7.11)	(798,854)
NET DIRECT CONSTRUCTION COSTS			$50.22	$5,642,339

PAYMENT COMPUTATION

Primary	$4,326,900	Term	480
Int Rate	7.00%	DCR	1.25

Secondary	$1,000	Term	
Int Rate	0.00%	Subtotal DCR	1.25

Additional	$5,849,000	Term	
Int Rate		Aggregate DCR	1.25

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI

Primary Debt Service	$322,665
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$59,896

Primary	$4,326,900	Term	480
Int Rate	7.00%	DCR	1.19

Secondary	$1,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.19

Additional	$5,849,000	Term	0
Int Rate	0.00%	Aggregate DCR	1.19

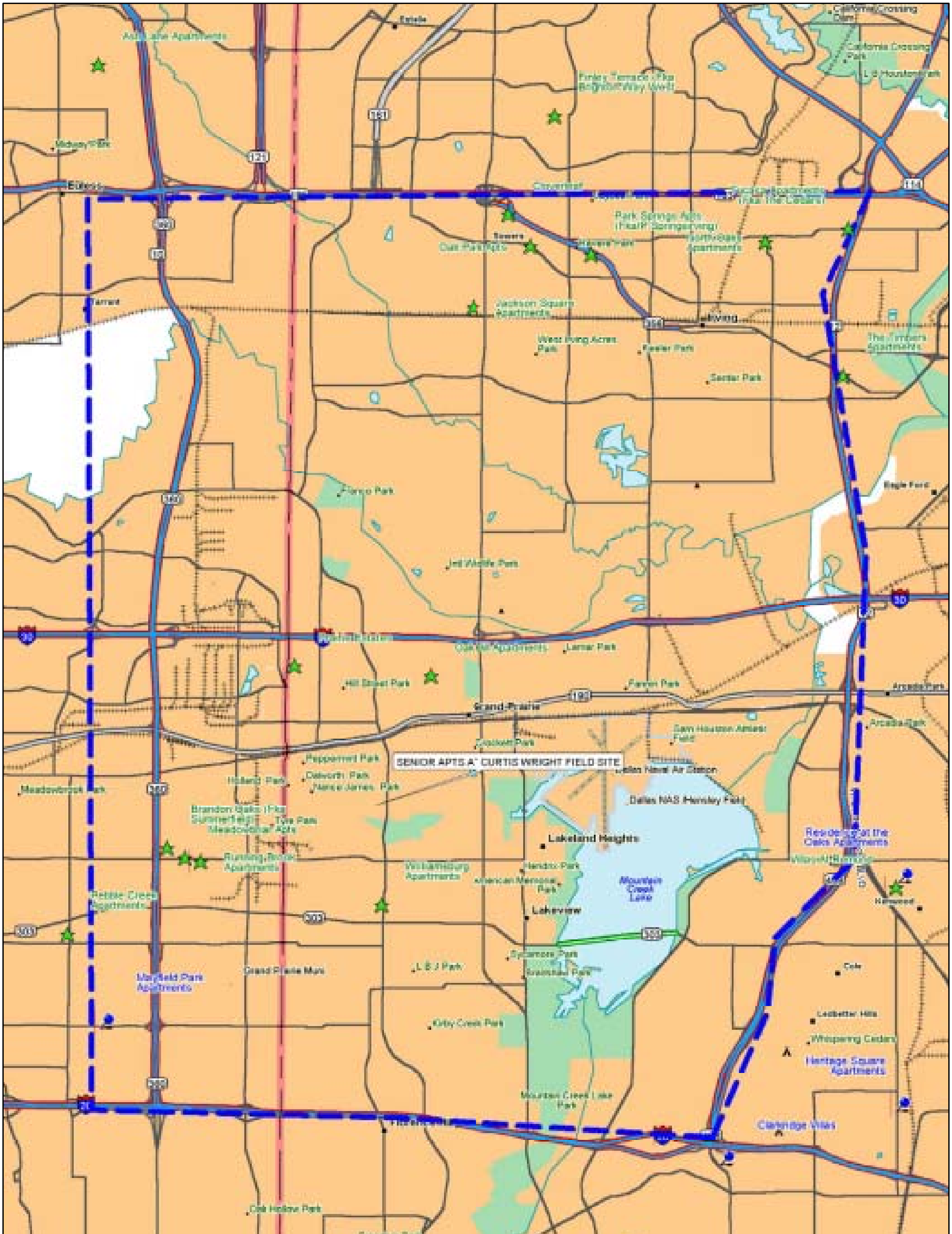
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

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	$1,010,652	$1,040,972	$1,072,201	$1,104,367	$1,137,498	$1,318,672	$1,528,702	$1,772,184	$2,381,668
Secondary Income	27,720	28,552	29,408	30,290	31,199	36,168	41,929	48,607	65,324
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,038,372	1,069,523	1,101,609	1,134,657	1,168,697	1,354,840	1,570,631	1,820,792	2,446,992
Vacancy & Collection Loss	(77,880)	(80,214)	(82,621)	(85,099)	(87,652)	(101,613)	(117,797)	(136,559)	(183,524)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$960,492	$989,309	$1,018,988	$1,049,558	$1,081,045	$1,253,227	$1,452,834	$1,684,232	$2,263,467
EXPENSES at 4.00%									
General & Administrative	$20,000	$20,800	$21,632	$22,497	$23,397	$28,466	$34,634	$42,137	$62,373
Management	48,024	49464.8281	50948.77299	52477.23618	54051.55327	62660.56438	72640.76777	84210.55881	113171.9493
Payroll & Payroll Tax	160,673	167,100	173,784	180,735	187,965	228,688	278,234	338,514	501,083
Repairs & Maintenance	77,528	80,629	83,854	87,208	90,697	110,347	134,253	163,340	241,783
Utilities	35,281	36,692	38,160	39,686	41,274	50,216	61,095	74,332	110,029
Water, Sewer & Trash	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Insurance	39,326	40,899	42,535	44,236	46,006	55,973	68,100	82,854	122,644
Property Tax	123,200	128,128	133,253	138,583	144,127	175,352	213,343	259,564	384,218
Reserve for Replacements	30,304	31,516	32,777	34,088	35,451	43,132	52,477	63,846	94,508
Other	3,595	3,739	3,888	4,044	4,206	5,117	6,225	7,574	11,212
TOTAL EXPENSES	$577,931	$600,568	$624,096	$648,551	$673,968	$816,883	$990,268	$1,200,645	$1,765,767
NET OPERATING INCOME	$382,561	$388,741	$394,892	$401,007	$407,077	$436,343	$462,565	$483,588	$497,700
DEBT SERVICE									
First Lien Financing	$322,665	$322,665	$322,665	$322,665	$322,665	$322,665	$322,665	$322,665	$322,665
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	$59,896	$66,076	$72,227	$78,343	$84,412	$113,679	$139,901	$160,923	$175,036
DEBT COVERAGE RATIO	1.19	1.20	1.22	1.24	1.26	1.35	1.43	1.50	1.54

LIHTC Allocation Calculation - The Senior Apts at Curtiss Wright Field, Grand Prairie, 9% LIHTC #03081

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	$960,000	$936,540		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$884,983	$884,983	$884,983	$884,983
Off-site improvements	$72,219	$72,219		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$4,719,459	$5,642,339	$4,719,459	$5,642,339
(4) Contractor Fees & General Requirements				
Contractor overhead	$115,569	$115,569	$112,089	$115,569
Contractor profit	$346,706	$346,706	$336,267	$346,706
General requirements	$346,706	$346,706	$336,267	$346,706
(5) Contingencies	$203,719	$203,719	$203,719	$203,719
(6) Eligible Indirect Fees	$557,233	$557,233	$557,233	$557,233
(7) Eligible Financing Fees	$453,325	$453,325	$453,325	$453,325
(8) All Ineligible Costs	$246,944	$246,944		
(9) Developer Fees			$1,140,501	
Developer overhead		$46,879		$46,879
Developer fee	$1,158,454	$1,111,575		$1,111,575
(10) Development Reserves	$258,688	$258,688		
TOTAL DEVELOPMENT COSTS	$10,324,005	$11,223,425	$8,743,842	$9,709,034

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis		$1,000	$1,000
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		$8,742,842	$9,708,034
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$11,365,695	$12,620,444
Applicable Fraction		79.82%	79.82%
TOTAL QUALIFIED BASIS		$9,072,608	$10,074,205
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$756,655	$840,189
Syndication Proceeds	**0.7799**	**$5,900,904**	**$6,552,352**
Total Credits (Eligible Basis Method)		**$756,655**	**$840,189**
Syndication Proceeds		**$5,900,904**	**$6,552,352**
Requested Credits		**$761,162**	
Syndication Proceeds		**$5,936,049**	
Gap of Syndication Proceeds Needed			**$6,895,525**
Credit Amount			**$884,193**



DELORME

Scale 1 : 100 000
1" = 1.58 mi

0 ½ 1 1½ 2 mi
0 1 2 3 4 km

TN
MN
5.4°E

Zoom Level: 11-0 Datum: WGS84

TDHCA

03159

Region 3

MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Summit Senior Village** TDHCA #: **03159**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 3 Site Address: Lawrence @ O'Neal Street
City: Gainesville County: Cooke Zip Code: 76240

☐ TTC ☐ DDA ☑ QCT Purpose / Activity: New Construction

Targeted Units: Family: 0 Elderly: 76 Handicapped/Disabled 6 Domestic Abuse: 0 Transitional: 0

Set Asides: ☐ General ☐ At-Risk ☐ Nonprofit ☑ Rural ☐ TX-USDA-RHS ☑ Elderly

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: MAEDC Gainesville Seniors, L.P.

Principal Names	Principal Contact	Percentage Ownership
MAEDC Gainesville GP, L.L.C.	Monique S. Allen	.01% of Owner
Maple Avenue Economic Development Corporation	Monique S. Allen	100% of GP
Ferndale Investments, Inc.	James R. French	.01% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$476,268** Allocation over 10 Years: $4,762,680
Credits Requested $490,662 Eligible Basis Amount: $476,268 Equity/Gap Amount $512,665

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	7	0	0	7
40%	0	0	0	0	0
50%	0	14	10	0	24
60%	0	21	16	0	37
MR	0	2	6	0	8
Total	0	44	32	0	

Total LI Units: 68
Owner/Employee Units: 0
Total Project Units: 76
Applicable Fraction: 89.00

Applicable fraction is the lesser of the unit fraction or the square foot fraction attributable to low income units.

DEVELOPMENT AMENITIES (no extra cost to tenant)

- ☐ Playground
- ☐ Computer Facility with Internet
- ☐ Recreation facilities
- ☐ Public Phones
- ☑ Perimeter Fence with Controlled Gate Access
- ☑ Community Laundry Room or Hook-Ups in Units
- ☑ On Site Day Care, Senior Center or Community Meal Room
- ☑ Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- ☑ Covered Entries
- ☑ Computer Line in all Bedrooms
- ☑ Mini Blinds
- ☑ Ceramic Tile - Entry, Kitchen, Baths
- ☑ Laundry Connections
- ☐ Storage Room
- ☐ Laundry Equipment
- ☐ 25 year Shingle Roofing
- ☐ Covered Parking
- ☑ Covered Patios or Balconies
- ☐ Garages
- ☑ Greater than 75% Masonry Exterior
- ☐ Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost:	$5,422,988
Gross Building Square Feet	66,255
Total Net Rentable Area Square Feet:	63,896
Average Square Feet/Unit	841
Cost Per Net Rentable Square Foot	$84.87
Credits per Low Income Uni	$7,004

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$427,050
Total Expenses:	$275,294
Net Operating Income	$151,756
Estimated 1st Year Debt Coverage Ratio	1.24

FINANCING

Permanent Principal Amount:	$1,425,000
Applicant Equity:	$283,840
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7798

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Ferndale Investments, Inc.	Market Analyst:	Mark C. Temple
Housing GC:	NA	Originator/UW:	NA
Engineer:	NA	Appraiser:	NA
Cost Estimator:	NA	Attorney:	Eaton, Deaguero & Bishop
Architect:	Architettura. Inc.	Accountant:	Thomas Stephen & Company, L.L.P.
Property Manager	NA	Supp Services	Maple Avenue Economic Development Corporation
Syndicator:	Lend Lease Real Estate	Permanent Lender	Bank One

6/18/2003 10:34 AM

Project Name: Summit Senior Village   Project Number: 03159

PUBLIC COMMENT SUMMARY

Note: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **0** Opposition: **0**

☐ A resolution was passed by the local government in support of the development.

Local/State/Federal Officials with Jurisdiction:		Comment from Other Public Officials:
Local Official:	Kenneth Kaden, Mayor, City of Gainsville, S	Carlos D. Vigil, Community Development Director, Gainsville, S
TX Representative:	Rick Hardcastle, District 68, S	Bill Freeman, Cook County Judge, S
TX Senator:	Craig Estes, District 30, S	Lloyd McCoy, City Council Member Ward 5, S
US Representative:	Ralph Hall, S	
US Senator:	John Cornyn, S	

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 93 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a current financial statement and authorization to release credit for Kip Platt or an additional development partner by execution of commitment.

Receipt, review and acceptance of an acceptable Phase II Environmental Site Assessment report by a third party environmental engineer or additional environmental assessments as needed, which addresses the backfill material concerns identified in the Phase I ESA and concludes that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis prior to the initial closing on the property.

Receipt, review and acceptance of a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation site work costs and building flood insurance and tenant flood insurance costs in accordance with the Department's requirements prior to the initial closing on the property.

Should the terms or rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

Alternate Recommendation: NA

RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☑ Score ☑ Meeting a Required Set Aside ☐ Meeting the Regional Allocation

☐ To serve a greater number of lower income families for fewer credits.

☐ To ensure geographic dispersion within each Uniform State Service Region.

☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan.

☐ To ensure the allocation of credits among as many different entities as practicable w/out diminishing the quality of the housing built.

☐ To give preference to a Development located in a QCT or DDA that contributes to revitalization.

☐ To provide integrated, affordable accessible housing for individuals_ families with different levels of income.

Explanation: This Development has a competitive score in the Rural Set-Aside.

Robert Onion, Manager of Awards and Allocation   Date   Brooke Boston, Director of Multifamily Finance Production   Date

Edwina Carrington, Executive Director   Date
Chairman of Executive Award and Review Advisory Committee

BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if any):

Approved Credit Amount: ______ Date of Determination: ______

Michael E. Jones, Chairman of the Board   Date

Developer Evaluation

Project ID # **03159** Name: **Summit Senior Village** City: **Gainesville**

LIHTC 9% ☑ LIHTC 4% ☐ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☐ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

Portfolio Management and Compliance

Projects in Material Noncompliance: No ☑ Yes ☐ # of Projects: 0

Total # of Projects monitored: 0 Projects grouped by score 0-9 0 10-19 0 20-29 0

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 2

Program Monitoring/Draws

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Asset Management

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Reviewed by Sara Carr Newsom Date sday, May 08, 2003

Multifamily Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by R Meyer Date 5 /28/2003

Single Family Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ______ Date ______

Community Affairs

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ______ Date ______

Office of Colonia Initiatives

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by H Cabello Date 6 /10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ______ Date ______

Loan Administration

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

Delinquencies found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Stephanie Stuntz Date 5 /6 /2003

Executive Director: Edwina Carrington **Executed:** Friday, June 13, 2003

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 15, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03159

DEVELOPMENT NAME

Summit Senior Village Apartments

APPLICANT

Name:	MAEDC Gainesville Seniors, L.P.	**Type:**	For Profit		
Address:	2828 Routh Street, Ste. 500	**City:**	Dallas	**State:**	TX
Zip:	75201 **Contact:** Monique Allen	**Phone:**	(214) 849-9809	**Fax:**	(214) 849-9830

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	MAEDC Gainesville GP, LLC	**(%):**	.01	**Title:**	Managing General Partner
Name:	Ferndale Investments, Inc.	**(%):**	.01	**Title:**	Special Limited Partner
Name:	Maple Avenue Economic Development Corp.	**(%):**	N/A	**Title:**	Sole member of MGP
Name:	James R. French	**(%):**	N/A	**Title:**	100% owner of Special LP

PROPERTY LOCATION

Location: NW Corner of Lawrence and O'Neal Streets ☒ **QCT** ☐ **DDA**

City: Gainesville **County:** Cooke **Zip:** 76240

REQUEST

Amount	Interest Rate	Amortization	Term
1) $490,662	N/A	N/A	N/A

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

Proposed Use of Funds: New Construction **Property Type:** Multifamily

Set-Aside(s): ☐ General ☒ Rural ☐ TX RD ☐ Non-Profit ☒ Elderly ☐ At Risk

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $476,268 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a current financial statement and authorization to release credit for Kip Platt or an additional development partner by execution or commitment.
2. Receipt, review, and acceptance of an acceptable Phase II Environmental Site Assessment report by a third party environmental engineer or additional environmental assessments as needed, which addresses the backfill material concerns identified in the Phase I ESA and concludes that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis prior to the initial closing on the property.
3. Receipt, review and acceptance of a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation site work costs and building flood insurance and tenant flood insurance costs in accordance with the Department's requirements prior to the initial closing on the property.
4. Should the terms or rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	76	**# Rental Buildings**	2	**# Common Area Bldgs**	1	**# of Floors**	2	**Age:**	N/A yrs

Net Rentable SF: 63,896 **Av Un SF:** 841 **Common Area SF:** 2,359 **Gross Bldg SF:** 66,255

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab, 76% brick veneer 24% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

Carpeting & ceramic 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

A 2,359-square foot community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer center, central mailroom, is located at the entrance to the property. In addition perimeter fencing with limited access gate is also planed for the site.

Uncovered Parking: 133 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Summit Senior Village Apartments is a relatively dense 17.6 units per acre new construction development of 76 units of mixed income housing located in northeast Gainesville. The development is comprised of 2 evenly distributed large elevator served low-rise residential buildings as follows:

- (I) Building Type A with twenty-two one-bedroom/ one-bath units at 748sf, four two- bedroom/ one-bath units at 949sf, and twelve two- bedroom/ two-bath units at 977sf; and
- (II) Building Type B with twenty-two one-bedroom/ one-bath units at 748sf, four two- bedroom/ one-bath units at 949sf, ten two- bedroom/ two-bath units at 977sf and two two-bedroom/ one-bath units at 949sf;

Architectural Review: The exterior elevations are functional with varied rooflines. Each unit has a semi-private entry that is off of an interior, air conditioned breezeway that is shared with other units.

Supportive Services: The Applicant indicated that supportive services will be provided, however, the service provider has yet to be determined. Also, the Applicant did not budget any funds for supportive services.

Schedule: The Applicant anticipates construction to begin in April of 2004, to be completed in April of 2005, to be placed in service in April of 2005, and to be substantially leased-up in August of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 4.318 acres 188,092 square feet **Zoning/ Permitted Uses:** LI (Light Industrial)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Gainesville is located in north central Texas on the Oklahoma border, approximately 71 miles north of Dallas in Cooke County. The site is a rectangular-shaped parcel located in the east area of Gainesville, approximately 1 mile from the central business district. The site is situated on the northwest corner of Lawrence and O'Neal Streets.

Adjacent Land Uses:

- **North:** commercial
- **South:** older single family residential
- **East:** multi-family residential
- **West:** vacant land

Site Access: Access to the property is from the north or south from Lawrence Street. The development is to have one main entry from Lawrence Street. Access to U.S. Highway 82 is 0.5 mile north of the site and is the major east-west traffic corridor serving the Gainesville area. Access to Interstate Highway 35 is 1 mile west, which provides direct access to all areas of Gainesville and connections to Dallas and Fort Worth.

Public Transportation: Public transportation services are not available in the City of Gainesville.

Shopping & Services: The site is within 1 mile of two major grocery stores 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:

- **Zoning:** A letter to the Applicant dated March 13, 2003 indicates that rezoning for the subject property is not necessary. It is currently zoned LI (Light Industrial) which allows for multifamily housing.
- **Floodplain:** The site appears to be primarily located in Zone A3 on the flood insurance rate map provided in the application and confirmed by the ESA inspector. The Applicant has indicated that they plan to comply with the recommendations included in the ESA. The Applicant's site elevations or other site engineering reflecting the plan to mitigate the flood plain issue were not provided. The Development will be required to be engineered to have finished ground floor levels at least one foot above the floodplain and all drives and parking areas not lower than six inches below the floodplain as a condition of this report. In addition, the Applicant should be required to identify and include the cost of flood insurance for the buildings and account for the cost of tenant's contents insurance. Alternatively, the Applicant must pursue and receive a letter of map amendment or letter of map revision.

Site Inspection Findings: TDHCA staff performed a site inspection on April 8, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 25, 2003 was prepared by Engineering and Fire Investigations and contained the following findings and recommendations:

Findings:

"After performing this assessment, EFI has identified two recognized environmental concerns to the Subject Property. The first environmental concern consists of the uncharacterized fill material placed on the Subject Property from the adjacent developments. There is the potential for environmental impact because no chemical testing of the soil was conducted prior to being placed on the Subject Property. Also, special considerations may need to be taken during construction of the development site because the fill material may not be suitable for site development. The second environmental concern consists of the fact that the Subject Property lies within a 100-year flood plain and has the potential of having up to one foot of water." (p.13)

Recommendations:

"This assessment has revealed evidence of recognized environmental conditions associated with the backfill material placed on the Subject Property from the adjacent land and with the fact that the Subject Property lies within a 100-year floodplain. To determine if the backfill material is contaminated, soil testing would be required to characterize the area that contains the fill material. In order to accommodate the proposed development and to counter flood risks, proper flood management during construction and development should be conducted per local, state and federal requirements. In order to determine the exact flood plain, a current flood survey would be required." (p. 13)

The Applicant submitted a letter to the Department dated April 7, 2003 indicating that MAEDC Gainesville Seniors, L.P. will comply with the recommendations made to the applicant in the ESA provided.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 76 of the units (100% of the total) will be reserved for low-income/elderly tenants. 7 of the units (9%) will be reserved for households earning 30% or less of AMGI, 24 of the units (32%) will be reserved for households earning 50% or less of AMGI, 37 units (49%) will be reserved for households earning 60% or less of AMGI, and the remaining 8 units (10%) will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$22,620	$25,860	$29,100	$32,340	$34,920	$37,500

MARKET HIGHLIGHTS

A market feasibility study dated March 27, 2003 was prepared by Mark C. Temple and highlighted the following findings:

Definition of Market/Submarket: "The primary or defined market area for the Summit Senior Village Apartments is considered Cooke County, which includes the City of Gainesville and is described by the following farthest boundaries: North- State of Oklahoma, South- Denton and Wise Counties, East- Grayson County, and West- Montague County. In addition, it is viewed a very strong secondary market exists due to the proposed site's proximity to the remaining North Central Texas area." (p. II-1) This is a large market area containing over 850 square miles but is consistent with market area designations for rural developments.

Population: The estimated 2002 population of Cooke County was 37,601 and is expected to increase by 8% to approximately 40,621 by 2007. Within the primary market area there were estimated to be 14,118 households in 2007.

Total Local/Submarket Demand for Rental Units: "The primary source for potential resident demand for the subject project will be derived from new household growth and turnover in existing older units…positive employment, population and household increases will continue to impact rental housing demand through the 2000's." (p. VI-9)

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	340	16%	17	9%
Resident Turnover	1,824	84%	167	91%
Other Sources:	N/A	N/A	N/A	N/A
TOTAL ANNUAL DEMAND	**2,164**	**100%**	**184**	**100%**

Ref: p. IV-4

Inclusive Capture Rate: Based on the information provided in market study, the Underwriter calculated an inclusive capture rate of 37% based upon a supply of unstabilized comparable affordable units of 68 (the subject) divided by a revised demand of 184. The Market Analyst's calculation of an overall capture rate of 10.5% was based upon a supply of unstabilized comparable affordable units of 76 (the subject's rent restricted + market rate units) divided by a demand of 725 which was derived by taking the total annual demand of 2,164 and multiplying it by 33.5% (income qualification factor). The Underwriter's calculation of demand and inclusive capture rate were based on demographic information provided in the report. The allowed capture rate for both elderly and rural is 100%.

Local Housing Authority Waiting List Information: "According to the Gainesville Housing Authority, the Housing Authority's four scattered sites maintain a 100 percent occupancy level with a waiting list. The Housing Authority currently has a 3 to 4 month waiting list for family and senior units." (p. IV-5)

Market Rent Comparables: The market analyst surveyed 3 comparable apartment projects totaling 172 units in the market area. (p. III-1)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%)	$243	$243	$0	$522	-$279
1-Bedroom (50%)	$546	$546	$0	$522	+$24
1-Bedroom (60%)	$546	$546	$0	$522	+$24
1-Bedroom (MR)	$600	N/A	N/A	$522	+$78
2-Bedroom (50%)	$517	$517	$0	$573	-$56
2-Bedroom (60%)	$638	$683	$0	$573	+$65
2Bedroom (MR)	$750	N/A	N/A	$573	+$177

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

Submarket Vacancy Rates: "Occupancy levels for the Gainesville Market Area are estimated to remain in the 100 percent range from 2003 through 2004." (p. VI-1)

Absorption Projections: "According to the Gainesville Area Chamber of Commerce and Claritas, Inc. present absorption trends of apartment projects located in the Gainesville, Cooke County Market Area range from 6-10 units per month…Based upon current positive multi-family indicators and present absorption levels of 6 to 10 units per month, it is estimated that a 95+ percent occupancy level can be achieved in an 8 to 12 month time frame." (p. IV-6)

Known Planned Development: The Market Analyst did not include information on known planned development. The Department's inventory reflects no new construction or elderly LIHTC developments have been funded in Gainesville.

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

OPERATING PROFORMA ANALYSIS

Income: At the time of application, the 2003 rent limits had not been released and thus the Applicant used estimated 2002 rent limits in setting rents. Based on the Applicant's intention to charge maximum program rents, the Underwriter used the 2003 maximum rents in this analysis, which results in an increase of $52,272 in potential gross rent. The rent for the 60% and market rate units were capped to the adjusted market rent of $522 and $573 for one and two-bedroom units as concluded by the Market Analyst since the maximum tax credit rent for this unit and the proposed market rent were higher. If the maximum tax credit rents could be achieved an additional $23,754 in income could be achieved and this would result in a DCR over the Department's 1.30 maximum. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $3,030 per unit is more than 5% lower than a TDHCA database-derived estimate of $3,622 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($8K lower), payroll ($25K lower), repairs and maintenance ($4K higher), utilities ($6K lower) and water, sewer, and trash ($6K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with the additional information provided by the Applicant.

Conclusion: The Applicant's estimated income 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. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 4.318 acres	$240	**Assessment for the Year of:**	2002
Building:	N/A	**Valuation by:**	Cooke County Appraisal District
Total Assessed Value:	$240	**Tax Rate:**	2.998

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Commercial Contract- Unimproved Property		
Contract Expiration Date:	10/ 15/ 2003	**Anticipated Closing Date:**	10/ 15/ 2003
Acquisition Cost:	$125,000	**Other Terms/Conditions:**	
Seller:	Jesse Cason	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $125,000 ($28,988/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction. The Cooke County tax assessment for the property indicates an agricultural market valuation of $30,000 for the site, and an assessed value of $240 after agricultural use value reductions.

Sitework Cost: The Applicant's claimed sitework costs of $6,500 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $137K or 4.8% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Ineligible Costs: The Applicant included $25,000 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.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $83K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's contingency, however, exceeds the maximum 5% allowed by LIHTC guidelines, therefore, the Applicant's eligible basis in this area has been reduced by $22,441 with the overage moved to ineligible costs. 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 be reduced by $19,570.

Conclusion: The Applicant's total development 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 $4,964,497 is used to determine a credit allocation of $476,268 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

INTERIM TO PERMANENT FINANCING

Source:	Bank One	**Contact:**	Mahesh S. Aiyer
Principal Amount:	$1,425,000	**Interest Rate:**	7.75%
Additional Information:			

Amortization:	30 yrs	**Term:**	30 yrs	**Commitment:**	☒ LOI	☐ Firm	☐ Conditional	
Annual Payment:	$122,506	**Lien Priority:**	1st	**Commitment Date**	02/	25/	2003	

LIHTC SYNDICATION

Source:	Lend Lease			**Contact:**	Marie Keutmann			
Address:	101 Arch Street			**City:**	Boston			
State:	MA	**Zip:**	02110	**Phone:**	(617) 772-0319	**Fax:**	(617) 346-7861	
Net Proceeds:	$3,826,000	**Net Syndication Rate (per $1.00 of 10-yr LIHTC)**		78¢				
Commitment	☒ LOI	☐ Firm	☐ Conditional	**Date:**	02/	25/	2003	
Additional Information:								

APPLICANT EQUITY

Amount:	$171,982	**Source:**	Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. In particular, the permanent loan will amortize over 30 years. The lender used a 7.75% interest rate to underwrite the loan and though this is at the high end based on the current rate environment the Underwriter utilized the same rate for purposes of this analysis.

LIHTC Syndication: Lend Lease has offered terms for syndication of the tax credits. The commitment letter states net proceeds are anticipated to be $3,826,000 based on a syndication factor of 78%. The Underwriter included the 99.98% acquisition percentage to anticipate a slightly higher $4,197,517 amount of syndication proceeds (it would appear that the syndicators proposed capital contribution was rounded down slightly).

Deferred Developer's Fees: The Applicant's proposed deferred developer's fee of $171,982 amounts to 26% of the total fees. Based on the Underwriter' analysis the developer's fee will decrease slightly to $171,590.

Financing Conclusions: The Applicant's total eligible basis of $4,964,497 is used to determine a credit allocation of $476,268 resulting in total syndication proceeds of $3,714,148. The resulting deferred developer fee is repayable within ten years of stabilized operation based upon the Underwriter's proforma.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Co-Developer, MAEDC Gainesville GP, is also the GP of the Applicant. These are common relationships for LIHTC-funded 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.
- The 100% Owner of General Partner-MAEDC Gainesville GP, LLC, Maple Avenue Economic Development Corporation, submitted an unaudited financial statement as of December 31, 2002 reporting total assets of $38M and consisting of $168K in cash, $723K in other current assets, $32M in fixed assets, and $4.8M in other assets. Liabilities totaled $41.3M, resulting in a negative net worth of $3.3M.
- The principal of the Developer, James R French, submitted an unaudited financial statement as of February 17, 2003. A second guarantor listed only in the syndication commitment, Kip Platt, did not submit financial statements, and receipt, review and acceptance of same 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 Owner of the General Partner Maple Avenue Economic Development Corporation has completed

two LIHTC/affordable housing developments totaling 498 units.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income and operating expenses are more than 5% outside of the Underwriter's verifiable ranges.
- The principals of the Applicant may not have the financial capacity to support the development if needed.
- Significant environmental/locational risks exist regarding the sites location in the 100-year floodplain and the unidentified backfill material on the site.
- The development could potentially achieve an excess profit level (i.e. a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.

Underwriter:	*Raquel Morales*	**Date:**	June 15, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 15, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Summit Senior Village, Gainesville, LIHTC #03159

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
TC30%	7	1	1	748	$303	$243	$1,701	$0.32	$60.00	$23.00
TC50%	14	1	1	748	505	$445	6,230	0.59	60.00	23.00
TC60%	21	1	1	748	606	$522	10,962	0.70	60.00	23.00
MR	2	1	1	748		$522	1,044	0.70	60.00	23.00
TC50%	10	2	1	949	606	$517	5,170	0.54	89.00	29.00
TC60%	16	2	2	977	727	$573	9,168	0.59	89.00	29.00
MR	6	2	2	977		$573	3,438	0.59	89.00	29.00
TOTAL:	76		**AVERAGE:**	841	$521	$496	$37,713	$0.59	$72.21	$25.53

INCOME	Total Net Rentable Sq Ft:	63,896	**TDHCA**	**APPLICANT**		USS Region	3
POTENTIAL GROSS RENT			$452,556	$400,284		IREM Region	
Secondary Income	Per Unit Per Month:	$10.00	9,120	9,120	$10.00	Per Unit Per Month	
Other Support Income: (describe)			0	0			
POTENTIAL GROSS INCOME			$461,676	$409,404			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(34,626)	(30,708)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$427,050	$378,696			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.81%	$327	0.39	$24,814	$16,400	$0.26	$216	4.33%
Management		5.00%	281	0.33	21,353	$18,546	0.29	244	4.90%
Payroll & Payroll Tax		17.65%	992	1.18	75,393	$50,324	0.79	662	13.29%
Repairs & Maintenance		6.14%	345	0.41	26,234	$30,400	0.48	400	8.03%
Utilities		3.93%	221	0.26	16,793	$11,000	0.17	145	2.90%
Water, Sewer, & Trash		5.45%	306	0.36	23,280	$17,100	0.27	225	4.52%
Property Insurance		5.03%	283	0.34	21,485	$21,660	0.34	285	5.72%
Property Tax	2.998	11.34%	637	0.76	48,443	$47,345	0.74	623	12.50%
Reserve for Replacements		3.56%	200	0.24	15,200	$15,200	0.24	200	4.01%
Other Expenses:Compliance & Cable		0.54%	30	0.04	2,300	$2,300	0.04	30	0.61%
TOTAL EXPENSES		64.46%	$3,622	$4.31	$275,294	$230,275	$3.60	$3,030	60.81%
NET OPERATING INC		35.54%	$1,997	$2.38	$151,756	$148,421	$2.32	$1,953	39.19%
DEBT SERVICE									
First Lien Mortgage		28.69%	$1,612	$1.92	$122,506	$122,506	$1.92	$1,612	32.35%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		6.85%	$385	$0.46	$29,249	$25,915	$0.41	$341	6.84%
AGGREGATE DEBT COVERAGE RATIO					1.24	1.21			
RECOMMENDED DEBT COVERAGE RATIO					1.24				

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)		2.25%	$1,645	$1.96	$125,000	$125,000	$1.96	$1,645	2.31%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.91%	6,500	7.73	494,001	494,001	7.73	6,500	9.11%
Direct Construction		51.31%	37,436	44.53	2,845,105	2,707,695	42.38	35,628	49.93%
Contingency	5.00%	3.01%	2,197	2.61	166,955	182,496	2.86	2,401	3.37%
General Req'ts	5.75%	3.46%	2,528	3.01	192,101	192,101	3.01	2,528	3.54%
Contractor's G & A	1.92%	1.15%	843	1.00	64,034	64,034	1.00	843	1.18%
Contractor's Profit	5.75%	3.46%	2,528	3.01	192,101	192,101	3.01	2,528	3.54%
Indirect Construction		5.35%	3,901	4.64	296,500	296,500	4.64	3,901	5.47%
Ineligible Costs		3.23%	2,358	2.80	179,211	179,211	2.80	2,358	3.30%
Developer's G & A	1.99%	1.60%	1,170	1.39	88,948	88,948	1.39	1,170	1.64%
Developer's Profit	12.96%	10.43%	7,607	9.05	578,165	578,165	9.05	7,607	10.66%
Interim Financing		3.80%	2,769	3.29	210,438	210,438	3.29	2,769	3.88%
Reserves		2.03%	1,478	1.76	112,299	112,299	1.76	1,478	2.07%
TOTAL COST		100.00%	$72,959	$86.78	$5,544,858	$5,422,988	$84.87	$71,355	100.00%
Recap-Hard Construction Costs		*71.31%*	***$52,030***	**$61.89**	***$3,954,298***	***$3,832,428***	**$59.98**	***$50,427***	*70.67%*

SOURCES OF FUNDS						RECOMMENDED	
First Lien Mortgage	25.70%	$18,750	$22.30	$1,425,000	$1,425,000	$1,425,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0		0	$667,113
LIHTC Syndication Proceeds	69.00%	$50,342	$59.88	3,826,000	3,826,000	3,714,148	% of Dev. Fee Deferred
Deferred Developer Fees	3.10%	$2,263	$2.69	171,982	171,982	283,840	43%
Additional (excess) Funds Required	2.20%	$1,604	$1.91	121,876	6	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$5,544,858	$5,422,988	$5,422,988	$614,025.54

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Summit Senior Village, Gainesville, LIHTC #03159

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.50	$2,651,912
Adjustments				
Exterior Wall Finish	6.32%		$2.62	$167,601
Elderly	5.00%		2.08	132,596
Roofing			0.00	0
Subfloor			(1.01)	(64,535)
Floor Cover			1.92	122,680
Porches/Balconies	$21.01	6,325	2.08	132,857
Plumbing	$615	66	0.64	40,590
Built-In Appliances	$1,625	76	1.93	123,500
Elevator	$36,000	2	1.13	72,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	93,927
Corridors	$21.01	11,358	3.73	238,575
Comm &/or Aux Bldgs	$61.22	2,359	2.26	144,410
9' Ceiling	3.00%		1.25	79,557
SUBTOTAL			61.59	3,935,669
Current Cost Multiplier	1.03		1.85	118,070
Local Multiplier	0.86		(8.62)	(550,994)
TOTAL DIRECT CONSTRUCTION COSTS			$54.82	$3,502,746
Plans, specs, survy, bld prm	3.90%		($2.14)	($136,607)
Interim Construction Interest	3.38%		(1.85)	(118,218)
Contractor's OH & Profit	11.50%		(6.30)	(402,816)
NET DIRECT CONSTRUCTION COSTS			$44.53	$2,845,105

PAYMENT COMPUTATION

Primary	$1,425,000	Term	360
Int Rate	7.75%	DCR	1.24

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.24

Additional	$3,826,000	Term	
Int Rate		Aggregate DCR	1.24

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$122,506
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$29,249

Primary	$1,425,000	Term	360
Int Rate	7.75%	DCR	1.24

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.24

Additional	$3,826,000	Term	0
Int Rate	0.00%	Aggregate DCR	1.24

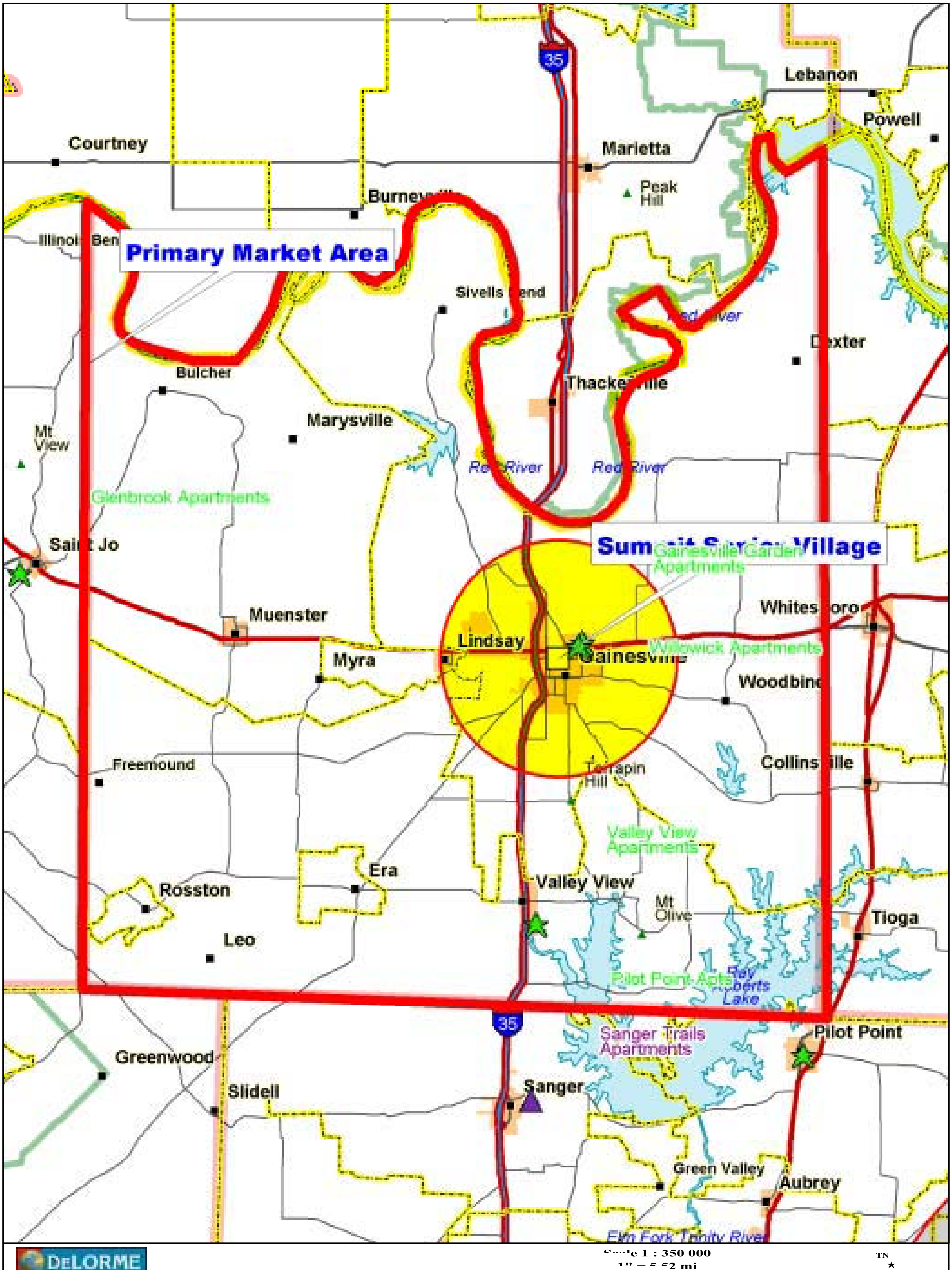
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$452,556	$466,133	$480,117	$494,520	$509,356	$590,483	$684,532	$793,560	$1,066,478
Secondary Income	9,120	9,394	9,675	9,966	10,265	11,900	13,795	15,992	21,492
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	461,676	475,526	489,792	504,486	519,620	602,382	698,326	809,552	1,087,970
Vacancy & Collection Loss	(34,626)	(35,664)	(36,734)	(37,836)	(38,972)	(45,179)	(52,374)	(60,716)	(81,598)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$427,050	$439,862	$453,058	$466,649	$480,649	$557,204	$645,952	$748,835	$1,006,372
EXPENSES at 4.00%									
General & Administrative	$24,814	$25,807	$26,839	$27,913	$29,029	$35,318	$42,970	$52,280	$77,387
Management	21,353	21,993	22,653	23,332	24,032	27,860	32,298	37,442	50,319
Payroll & Payroll Tax	75,393	78,408	81,545	84,807	88,199	107,307	130,556	158,841	235,124
Repairs & Maintenance	26,234	27,283	28,374	29,509	30,690	37,339	45,428	55,271	81,814
Utilities	16,793	17,465	18,164	18,890	19,646	23,902	29,081	35,381	52,372
Water, Sewer & Trash	23,280	24,211	25,180	26,187	27,234	33,135	40,313	49,047	72,602
Insurance	21,485	22,344	23,238	24,168	25,134	30,580	37,205	45,266	67,004
Property Tax	48,443	50,381	52,396	54,492	56,671	68,949	83,887	102,062	151,077
Reserve for Replacements	15,200	15,808	16,440	17,098	17,782	21,634	26,321	32,024	47,404
Other	2,300	2,392	2,488	2,587	2,691	3,274	3,983	4,846	7,173
TOTAL EXPENSES	$275,294	$286,093	$297,316	$308,983	$321,109	$389,299	$472,043	$572,459	$842,275
NET OPERATING INCOME	$151,756	$153,769	$155,741	$157,667	$159,540	$167,905	$173,909	$176,376	$164,097
DEBT SERVICE									
First Lien Financing	$122,506	$122,506	$122,506	$122,506	$122,506	$122,506	$122,506	$122,506	$122,506
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	$29,249	$31,263	$33,235	$35,160	$37,034	$45,399	$51,403	$53,870	$41,591
DEBT COVERAGE RATIO	1.24	1.26	1.27	1.29	1.30	1.37	1.42	1.44	1.34

LIHTC Allocation Calculation - Summit Senior Village, Gainesville, LIHTC #03159

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	$125,000	$125,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$494,001	$494,001	$494,001	$494,001
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$2,707,695	$2,845,105	$2,707,695	$2,845,105
(4) Contractor Fees & General Requirements				
Contractor overhead	$64,034	$64,034	$64,034	$64,034
Contractor profit	$192,101	$192,101	$192,101	$192,101
General requirements	$192,101	$192,101	$192,101	$192,101
(5) Contingencies	$182,496	$166,955	$160,085	$166,955
(6) Eligible Indirect Fees	$296,500	$296,500	$296,500	$296,500
(7) Eligible Financing Fees	$210,438	$210,438	$210,438	$210,438
(8) All Ineligible Costs	$179,211	$179,211		
(9) Developer Fees			$647,543	
Developer overhead	$88,948	$88,948		$88,948
Developer fee	$578,165	$578,165		$578,165
(10) Development Reserves	$112,299	$112,299		
TOTAL DEVELOPMENT COSTS	$5,422,988	$5,544,858	$4,964,497	$5,128,348

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		$4,964,497	$5,128,348
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$6,453,847	$6,666,853
Applicable Fraction		88.48%	88.48%
TOTAL QUALIFIED BASIS		$5,710,648	$5,899,125
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$476,268	$491,987
Syndication Proceeds	**0.7798**	**$3,714,148**	**$3,836,731**
Total Credits (Eligible Basis Method)		**$476,268**	**$491,987**
Syndication Proceeds		**$3,714,148**	**$3,836,731**
Requested Credits		**$490,662**	
Syndication Proceeds		**$3,826,398**	
Gap of Syndication Proceeds Needed		**$3,997,988**	
Credit Amount		**$512,665**	



Zoom Level: 9-2 Datum: WGS84

TDHCA

03163

Region 3

MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Cedar View Apartments** TDHCA #: **03163**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 3
City: Mineral Wells
Site Address: 1617 West Highway 180 at Barker St.
County: Palo Pinto Zip Code: 76067

☐ TTC ☐ DDA ☑ QCT
Purpose / Activity: New Construction

Targeted Units: Family: 72 Elderly: 0 Handicapped/Disabled 6 Domestic Abuse: 0 Transitional: 0

Set Asides: ☐ General ☐ At-Risk ☐ Nonprofit ☑ Rural ☐ TX-USDA-RHS ☐ Elderly

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: DF Cedar View Apartments, L.P.

Principal Names	Principal Contact	Percentage Ownership
DF Affordable Housing Partners, Inc	Leslie Donaldson	.01% of Owner
Leslie Donaldson	Leslie Donaldson	51% of MGP
Beverly Funderburgh	Beverly Funderburgh	49% of MGP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$560,000** Allocation over 10 Years: $5,600,000

Credits Requested $560,000 Eligible Basis Amount: $572,889 Equity/Gap Amount $563,222

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	5	4	5	14
40%	0	2	3	2	7
50%	0	4	6	5	15
60%	0	5	15	16	36
MR	0	0	0	0	0
Total	0	16	28	28	

Total LI Units: 72
Owner/Employee Units: 0
Total Project Units: 72
Applicable Fraction: 100.00

Applicable fraction is the lesser of the unit fraction or the square foot fraction attributable to low income units.

DEVELOPMENT AMENITIES (no extra cost to tenant)

- ☑ Playground
- ☐ Computer Facility with Internet
- ☐ Recreation facilities
- ☐ Public Phones
- ☑ Perimeter Fence with Controlled Gate Access
- ☑ Community Laundry Room or Hook-Ups in Units
- ☐ On Site Day Care, Senior Center or Community Meal Room
- ☑ Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- ☑ Covered Entries
- ☑ Computer Line in all Bedrooms
- ☑ Mini Blinds
- ☐ Ceramic Tile - Entry, Kitchen, Baths
- ☑ Laundry Connections
- ☑ Storage Room
- ☐ Laundry Equipment
- ☑ 25 year Shingle Roofing
- ☐ Covered Parking
- ☑ Covered Patios or Balconies
- ☐ Garages
- ☑ Greater than 75% Masonry Exterior
- ☐ Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost:	$5,632,693	Average Square Feet/Unit	1,002
Gross Building Square Feet	74,499	Cost Per Net Rentable Square Foot	$78.08
Total Net Rentable Area Square Feet:	72,140	Credits per Low Income Uni	$7,778

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$345,565
Total Expenses:	$234,025
Net Operating Income	$111,540
Estimated 1st Year Debt Coverage Ratio	1.10

FINANCING

Permanent Principal Amount:	$1,240,000
Applicant Equity:	$25,130
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7799

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	DFAHP Development, L.P.	Market Analyst:	Mark C. Temple
Housing GC:	Alpha Construction Company	Originator/UW:	NA
Engineer:	NA	Appraiser:	NA
Cost Estimator:	NA	Attorney:	NA
Architect:	Architettura, Inc.	Accountant:	Thomas Stephen & Company, L.L.P.
Property Manager	UAH Property Management, L.P.	Supp Services	NA
Syndicator:	Lend Lease Real Estate Investments, Inc.	Permanent Lender	Bank One, NA

Project Name: Cedar View Apartments Project Number: 03163

PUBLIC COMMENT SUMMARY

Note: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **2** Opposition: **0**

☐ A resolution was passed by the local government in support of the development.

Local/State/Federal Officials with Jurisdiction:		Comment from Other Public Officials:
Local Official:	Clarance Holliman, Mayor of Mineral Wells, S	Jeanette Ender, President of Chamber of Commerce, S
TX Representative:	Jim Keffer, District 60, S	Lance Howerton, City Manager, S
TX Senator:	Craig Estes, District 30, S	Mickey D. West, County Judge Palo Pinto, S
US Representative:	Charles Stenholm, S	
US Senator:		

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 89 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of documentation verifying the rezoning of the site to a conforming use prior to execution of commitment.

Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

Alternate Recommendation: NA

RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☑ Score ☑ Meeting a Required Set Aside ☐ Meeting the Regional Allocation

☐ To serve a greater number of lower income families for fewer credits.

☐ To ensure geographic dispersion within each Uniform State Service Region.

☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan.

☐ To ensure the allocation of credits among as many different entities as practicable w/out diminishing the quality of the housing built.

☐ To give preference to a Development located in a QCT or DDA that contributes to revitalization.

☐ To provide integrated, affordable accessible housing for individuals_ families with different levels of income.

Explanation: **This Development has a competitive score in the Rural Set-Aside.**

Robert Onion, Manager of Awards and Allocation Date

Brooke Boston, Director of Multifamily Finance Production Date

Edwina Carrington, Executive Director Date

Chairman of Executive Award and Review Advisory Committee

BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if any):

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

Developer Evaluation

Project ID # **03163/03830** Name: **Cedar View Apartments** City: **Mineral Wel**

LIHTC 9% ☑ LIHTC 4% ☐ HOME ☐ BOND ☐ HTF ☑ SECO ☐ ESGP ☐ Other ☐

☐ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

Portfolio Management and Compliance

Projects in Material Noncompliance: No ☑ Yes ☐ # of Projects: 0

Total # of Projects monitored: 0 Projects grouped by score 0-9 0 10-19 0 20-29 0

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 2

Program Monitoring/Draws

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Asset Management

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Reviewed by Sara Carr Newsom Date ·iday, May 23, 2003

Multifamily Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by R Meyer Date 5 /28/2003

Single Family Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ________ Date ________

Community Affairs

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by EEF Date 5 /16/2003

Office of Colonia Initiatives

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by H Cabello Date 6 /10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ________ Date ________

Loan Administration

Not applicable ☐ No delinquencies found ☐ Delinquencies found ☐

Delinquencies found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Stephanie Stuntz Date 5 /23/2003

Executive Director: Edwina Carrington **Executed:** Friday, June 13, 2003

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE:	June 9, 2003	**PROGRAM:**	9% LIHTC Housing Trust Fund	**FILE NUMBER:**	03163 03830

DEVELOPMENT NAME

Cedar View Apartments

APPLICANT

Name:	DF Cedar View Apartments, L.P.			**Type:**	For Profit		
Address:	4640 FM 3021			**City:**	Brownwood	**State:**	TX
Zip:	76801	**Contact:**	Leslie Donaldson	**Phone:**	(915) 784-9797	**Fax:**	(915) 784-9777

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	DF Affordable Housing Partners, Inc.	**(%):**	0.01	**Title:**	Managing General Partner
Name:	DFAHP Development, L.P.	**(%):**	N/A	**Title:**	Developer
Name:	Leslie Donaldson Holleman	**(%):**	N/A	**Title:**	President & 51% owner of MGP, 50.01% owner of Developer
Name:	Beverly Funderburgh	**(%):**	N/A	**Title:**	Secretary/treasurer & 49% owner of MGP, 49.99% owner of Developer

PROPERTY LOCATION

Location:	1617 West Highway 180 at Barker Street			☒ **QCT**	☐ **DDA**
City:	Mineral Wells	**County:**	Palo Pinto	**Zip:**	76067

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
1) $560,000	N/A	N/A	N/A
2) $140,000	3%	30 yrs	30 yrs

Other Requested Terms: 1) Annual ten-year allocation of low-income housing tax credits (based on gap method)
2) Housing Trust Fund loan

Proposed Use of Funds: New construction **Property Type:** Multifamily

Set-Aside(s): ☐ General ☒ Rural ☐ TX RD ☐ Non-Profit ☐ Elderly ☐ At Risk

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $560,000 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A HTF AWARD NOT TO EXCEED $140,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 3% INTEREST.

CONDITIONS

1. Receipt, review, and acceptance of documentation verifying the rezoning of the site to a conforming use prior to execution of commitment; and,
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-

evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

Cedar View Apartments was submitted and underwritten in the 2002 9% LIHTC and Housing Trust Fund cycles, but with 64 units and a different site in Mineral Wells. The underwriting analysis concluded the development was not recommended due to financial infeasibility caused by the following factors:

- Insufficient projected cash flow to repay the anticipated deferred developer fee within 15 years.
- Projected net operating income was insufficient to service the proposed permanent debt, and no feasible alternative source of financing was indicated by the Applicant.

The development did not receive an allocation in the 2002 year cycle.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	72	# Rental Buildings	18	# Common Area Bldgs	1	# of Floors	1	Age:	0 yrs	Vacant:	N/A at / /
Net Rentable SF:	72,140	Av Un SF:	1,002	Common Area SF:	2,359	Gross Bldg SF:	74,499				

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 76% masonry/brick veneer 24% 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

A 2,359-SF community building with activity room, management offices, fitness and laundry facilities, kitchen, restrooms, and computer/business center is located at the entrance to the site. There is also to be a children's playground in the center of the site and perimeter fencing with a limited access gate.

Uncovered Parking: 138 spaces **Carports:** 36 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Cedar View Apartments is a moderately dense (seven units per acre) new construction development of 72 units of affordable housing located in far west Mineral Wells. The development is comprised of 18 evenly spaced fourplex residential buildings as follows:

- Eight Building Type I with two each one-bedroom/one-bath and two-bedroom/two-bath units;
- Three Building Type II with four two-bedroom/ one-bath units; and
- Seven Building Type III with four three-bedroom/two-bath units.

Architectural Review: The residential buildings are all one-story fourplexes, with pitched roofs and mixed brick veneer and cement fiber exterior wall finish. The community building features extensive fenestration, a standing seam metal roof, decorative dormer windows, and is designed to present the appearance of a two-story building.

Supportive Services: The Applicant did not specify a supportive services provider but committed to providing at least three of the services from the TDHCA list and estimated annual expenses at $2,500.

Schedule: The Applicant anticipates construction to begin in April of 2004, to be completed and placed in service in Aprilof 2005, and to be substantially leased-up in August of 2005.

SITE ISSUES

SITE DESCRIPTION

Size:	21.77 acres 948,301 square feet	Zoning/ Permitted Uses:	Commercial & SF-9, Single Family, rezoning application submitted
Flood Zone Designation:	Zone X	Status of Off-Sites:	Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Mineral Wells is located in north central Texas, approximately 35 miles west of Fort Worth in Palo Pinto County. The site is a nearly rectangularly-shaped parcel located in the far western area of the city, approximately 1.5 miles from the central business district. The site is situated on the east side of Barker Road.

Adjacent Land Uses:

- **North:** vacant land followed by U.S. Highway 180
- **South:** vacant land and single-family residential
- **East:** single-family residential and an athletic stadium
- **West:** Barker Road with a convenience store and single-family residential beyond

Site Access: Access to the property is from the north or south from Barker Road. The development is to have a single main entry from Barker Road. Access to U.S. Highway 180 is adjacent to the site, which provides connections to all other major roads serving the Mineral Wells area as well as the DFW Metroplex to the east.

Public Transportation: Public transportation to the area is not available in Mineral Wells.

Shopping & Services: The site is within three miles of two major grocery/pharmacies, neighborhood 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 site is currently zoned for commercial and single-family residential uses and will require rezoning. A rezoning application has been submitted and the Applicant indicated that the rezoning is pending notification of an LIHTC allocation. Receipt, review, and acceptance of documentation verifying the rezoning of the site to a conforming use is a condition of this report.
- There is a dilapidated 42-year-old house and garage on the northeast corner of the site fronting Highway 180 which will be removed during site clearance.

Site Inspection Findings: TDHCA staff performed a site inspection on April 7, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 25, 2003 was prepared by Barnett Engineering, Inc. and contained the following findings: "…we believe that significant surface or subsurface contamination on the subject property is unlikely. A Level II survey to further examine this area for contamination is not warranted." (p. 1)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units will be reserved for low-income tenants. Fourteen of the units (19%) will be reserved for households earning 30% or less of AMGI, seven units (10%) will be reserved for households earning 40% or less of AMGI, 15 units (21%) will be reserved for households earning 50% or less of AMGI, and the remaining 36 units (50%) will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$17,250	$20,040	$22,500	$25,020	$27,000	$29,040

MARKET HIGHLIGHTS

A market feasibility study dated February 28,2003, 2003 was prepared by Mark Temple and highlighted the following findings:

Definition of Market/Submarket: "The primary or defined market area for the Cedar View apartments is considered Palo Pinto County which includes the city of Mineral Wells…In addition, it is viewed a very strong secondary market exists due to the proposed site's proximity to the Parker County area." (p. II-1)

Population: The estimated 2002 population of the primary market area was 27,716 and is expected to increase by 5.8% to approximately 29,312 by 2007. Within the primary market area there were estimated to be 10,899 households in 2002.

Total Local/Submarket Demand for Rental Units: "Between 2003 and 2007, it is projected there will be a total demand of 719 household units in the Mineral Wells market area [216 of which will be renter households]." (p. IV-2)

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	26	4%	12	2%
Resident Turnover	673	96%	629	98%
Other Sources:	0	0%	0	0%
TOTAL ANNUAL DEMAND	**699**	**100%**	**641**	**100%**

Ref: Demand Summary

Inclusive Capture Rate: "Based upon the income qualification banding methodology, the 72 LIHTC units of the apartment project represent a 10.3% capture rate of all income-appropriate rental households within the market area, depending on management's criteria for qualifying potential renters." (p. IV-3) The Underwriter calculated an inclusive capture rate of 11.2% based upon the Market Analyst's demographics which yielded a revised demand of 641 units.

Local Housing Authority Waiting List Information: "The Mineral Wells Housing Authority currently has a waiting list of approximately 150 persons." (p. IV-5)

Market Rent Comparables: The Market Analyst surveyed two comparable apartment projects totaling 134 units in the market area. Although the Analyst stated, "The projected initial rents are well within and below the rental range for comparable projects within the market area" (certificate p. 2), in fact the 60% AMI rents for all unit types exceed the highest existing market rents.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Est. Market**	**Differential**
1-Bedroom (30%)	$188	$188	$0	$463	-$275
1-Bedroom (40%)	$267	$267	$0	$463	-$196
1-Bedroom (50%)	$345	$345	$0	$463	-$118
1-Bedroom (60%)	$423	$423	-$0	$463	-$40
2-Bedroom (30%)	$221	$222	-$1	$558	-$337
2-Bedroom (40%)	$315	$316	-$1	$558	-$243
2-Bedroom (50%)	$408	$409	-$1	$558	-$150
2-Bedroom (60%)	$502	$503	-$1	$558	-$56
3-Bedroom (30%)	$255	$255	$0	$613	-$358
3-Bedroom (40%)	$363	$363	$0	$613	-$250
3-Bedroom (50%)	$471	$471	$0	$613	-$142
3-Bedroom (60%)	$580	$580	$0	$613	-$33

(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 Analyst quoted two slightly different overall occupancy rates of 100% (p. III-1) and 98.5%. (certificate p. 2)

Absorption Projections/Known Planned Development: "Based on the current positive multifamily indicators and present absorption levels of five to ten units per month, it is estimated that a 95+% occupancy level can be achieved in a seven to 14 month time frame." (p. IV-7) The analyst quoted absorption of 32-46 units annually from 1998-2002 (p. III-17) but also indicated that no multifamily building permits had been issued for the years 1998-2002 (p. III-15).

Effect on Existing Housing Stock: "Presently the two competitive/market rate apartments of the market area have an occupancy level of 98.5%. In addition, the three subsidized apartment [complexes] in the market area have 100% occupancy levels. Because of these strong trends, is viewed that the subject project will not create any adverse effects on the existing comparable units in the market area." (certificate p. 2)

Although the Underwriter was able to use the market study's demographic data to make a funding recommendation, the Underwriter found the report to be of poor quality overall and to contain numerous errors and contradictions. In addition to the issues mentioned above, the Analyst initially concluded lower estimated market rents for the proposed three-bedroom units than the two-bedroom units, indicated that the site was located in east (instead of far west) Mineral Wells, and stated that the site was (p. I-1) and was not (p. II-1) located in a QCT. This error rate and lack of attention to detail is unacceptable and brings all of the Market Analyst's data and conclusions into question.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under LIHTC guidelines, and are achievable according to the market analyst. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result the Applicant's effective gross income estimate agrees with the Underwriter's.

Expenses: The Applicant's estimate of total operating expense is 4% lower than the Underwriter's database-derived estimate, an acceptable deviation. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($4.4K lower) Payroll, ($701K lower) water, sewer, and trash ($6.3K lower), and insurance ($7.5K higher). The Underwriter discussed these differences with the Applicant but was unable to fully reconcile them with additional information provided by the Applicant.

Conclusion: Although the Applicant's estimated income and total estimated operating expense is consistent with the Underwriter's expectations, the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 21.77 acres	$60,802	**Assessment for the Year of:**	2002
Buildings:	$18,090	**Valuation by:**	Palo Pinto County Appraisal District
Total Assessed Value:	$78,892	**Tax Rate:**	3.1

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved property contract		
Contract Expiration Date:	10/ 1/ 2003	**Anticipated Closing Date:**	10/ 1/ 2003
Acquisition Cost:	$110,000	**Other Terms/Conditions:**	$5,000 earnest money

Seller: RWS Family Properties, LLC **Related to Development Team Member:** No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $110,000 ($0.12/SF or $5,053/acre) is substantiated by the appraisal/tax assessed value of $60,802 and is assumed to be reasonable since the acquisition is an arm's-length transaction. The development as depicted on the site plan appears to occupy only the southern ten acres of the 21.77-acre parcel, except for the access road which will traverse the northern portion from Barker Road. The Applicant indicated that the seller's were unwilling to subdivide or sell a smaller portion. The Applicant also stated that the entire tract will be fenced, deed-restricted, and that a walking trail and picnic pavilion may be placed in the northern portion (as has been done at previous properties). The entire site acquisition cost has therefore been included in the development costs.

Sitework Cost: The Applicant's claimed sitework costs of $6,145 per unit are considered reasonable compared to historical sitework costs for multifamily projects. The Applicant included no cost for demolition of the existing house and garage due to their poor condition and ease of removal. Any such cost, however, would typically be ineligible.

Direct Construction Cost: The Applicant's direct construction cost estimate is $95K or 3% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted. The Applicant removed the cost of the 36 rental carports from eligible basis in order to be able to collect rent above the housing unit rent limits. This may be possible as long as the tenants have reasonable alternative parking available to them. The Underwriter treated these costs in a likewise manner.

Ineligible Costs: The Applicant included $1,500 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.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $23,750 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Other: The Applicant's contingency allowance exceeds the TDHCA 5% guideline by $26,645, and therefore the Applicant's eligible basis is reduced by a similar amount.

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 by $5,640 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 are set at the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above they now exceed the maximum by $5,067.

Conclusion: The Applicant's total development 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 $5,283,982 is used to determine a credit allocation of $572,889 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: Bank One, N.A. **Contact:** Mahesh Aiyer

Principal Amount: $1,500,000 **Interest Rate:** Prime + .75%, floating

Additional Information: Interest-only payments

Amortization: N/A yrs **Term:** 2 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

LONG TERM/PERMANENT FINANCING

Source: Bank One, N.A. **Contact:** Mahesh Aiyer

Principal Amount: $1,100,000 **Interest Rate:** Ten-year U.S. Treasury rate + 270 basis points, estimated & underwritten at 7.75%

Additional Information:

Amortization: 30 yrs **Term:** 18 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $94,566 **Lien Priority:** 1st **Commitment Date** 2/ 25/ 2003

LIHTC SYNDICATION

Source: Lend Lease Real Estate Investments **Contact:** Korbin Heiss

Address: 101 Arch Street **City:** Boston

State: MA **Zip:** 02110 **Phone:** (617) 772-0319 **Fax:** (617) 346-7861

Net Proceeds: $4,368,000 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 78¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 2/ 24/ 2003

Additional Information: The syndication amount appears to be derrived from 100% rather than the 99.99% being acquired.

APPLICANT EQUITY

Amount: $24,687 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

The Housing Trust Fund loan of $140,000 is recommended to be structured as requested, with a 3% interest rate and a 30-year term and amortization schedule.

LIHTC Syndication: The LIHTC syndication commitment is generally consistent with the terms reflected in the sources and uses of funds listed in the application except for the slight difference in an acquisition percentage which results in a $437 reduction in proceeds.

Deferred Developer's Fees: The Applicant's deferred developer's fees amount to 4% of the total eligible fee. The reduction in proceeds will be absorbed by deferred developer fees without changing the percentage deferred.

Financing Conclusions:

Since the Applicant's total development costs were within 5% of the Underwriter's estimate, the Applicant's adjusted development costs were used to determine an eligible basis of $5,283,982, yielding a recommended tax credit allocation of $572,889 per year. This amount, however, exceeds the gap-based allocation of $563,222 and the Applicant's requested allocation of $560,000, which will be used to determine the LIHTC allocation. The Housing Trust Fund loan of $140,000 is recommended to be structured as requested, with a 3% interest rate and a 30-year term and amortization schedule. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased slightly to $25,130, which represents approximately 4% of the eligible fee and which should be repayable from cash flow within three 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.

The development remains feasible without the HTF loan, and the Applicant's requested LIHTC allocation remains the recommended amount. Based on the underwriting analysis, the Applicant's deferred developer fee without the HTF Loan would be increased by the amount of the HTF loan to $165,130, which represents approximately 24% of the eligible fee and which should be repayable from cash flow within ten years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

Leslie Donaldson Holleman and Beverly Funderburgh are principals of the General Partner and the Developer. These are common relationships for LIHTC-funded developments.

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 statement.

∉ The General Partner, DF Affordable Housing Partners, Inc., submitted an unaudited financial statement as of December 31, 2002 reporting total assets of $260, partners' capital of $1,000, and retained earnings of ($740).

∉ The Developer, DFAHP Development, L.P., submitted an unaudited financial statement as of February 1, 2003 reporting total assets of $457K and consisting of $33K in cash, $777K in receivables, and $16K in other assets. Partners' capital totaled $1K, resulting in net retained earnings of $824K.

∉ The principals of the General Partner and Developer, Leslie Donaldson Holleman and Beverly Funderburgh, submitted unaudited financial statements as of February 2003 and are anticipated to be guarantors of the development.

Background & Experience:

∉ The Applicant is to be a new entity formed for the purpose of developing the project.

∉ Leslie Donaldson Holleman and Beverly Funderburgh listed participation in two previous LIHTC and Housing Trust Fund housing developments totaling 104 units since 2001.

SUMMARY OF SALIENT RISKS AND ISSUES

∉ The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.

Underwriter:	*Jim Anderson*	**Date:**	June 9, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 9, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Cedar View Apartments, Mineral Wells, 9% LIHTC #03163

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 (30%)	5	1	1	748	$234	$188	$940	$0.25	$45.62	$34.76
TC (40%)	2	1	1	748	313	267	534	0.36	45.62	34.76
TC (50%)	4	1	1	748	391	345	1,380	0.46	45.62	34.76
TC (60%)	5	1	1	748	469	423	2,115	0.57	45.62	34.76
TC (30%)	4	2	1	949	281	221	884	0.23	59.35	37.72
TC (40%)	3	2	1	949	375	315	945	0.33	59.35	37.72
TC (50%)	5	2	1	949	468	408	2,040	0.43	59.35	37.72
TC (50%)	1	2	2	977	468	408	408	0.42	59.35	37.72
TC (60%)	15	2	2	977	562	502	7,530	0.51	59.35	37.72
TC (30%)	5	3	2	1,184	325	255	1,275	0.22	69.56	40.66
TC (40%)	2	3	2	1,184	433	363	726	0.31	69.56	40.66
TC (50%)	5	3	2	1,184	541	471	2,355	0.40	69.56	40.66
TC (60%)	16	3	2	1,184	650	580	9,280	0.49	69.56	40.66
TOTAL:	72		**AVERAGE:**	1,002	$483	$422	$30,412	$0.42	$60.27	$38.21

INCOME	Total Net Rentable Sq Ft:	72,140		TDHCA	APPLICANT		USS Region	3
POTENTIAL GROSS RENT				$364,944	$364,944		IREM Region	
Secondary Income		Per Unit Per Month:	$10.00	8,640	8,640	$10.00	Per Unit Per Month	
Other Support Income:				0	0			
POTENTIAL GROSS INCOME				$373,584	$373,584			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(28,019)	(28,020)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$345,565	$345,564			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.10%	$245	0.24	$17,613	$13,200	$0.18	$183	3.82%
Management		5.00%	240	0.24	17,278	$17,278	0.24	240	5.00%
Payroll & Payroll Tax		15.94%	765	0.76	55,069	$48,000	0.67	667	13.89%
Repairs & Maintenance		7.90%	379	0.38	27,295	$30,300	0.42	421	8.77%
Utilities		3.84%	184	0.18	13,279	$10,600	0.15	147	3.07%
Water, Sewer, & Trash		7.62%	366	0.37	26,345	$20,000	0.28	278	5.79%
Property Insurance		4.59%	220	0.22	15,871	$23,040	0.32	320	6.67%
Property Tax	3.1	11.63%	558	0.56	40,176	$41,796	0.58	581	12.10%
Reserve for Replacements		4.17%	200	0.20	14,400	$14,400	0.20	200	4.17%
Other: spt svcs, compl fees, sec		1.94%	93	0.09	6,700	$6,700	0.09	93	1.94%
TOTAL EXPENSES		67.72%	$3,250	$3.24	$234,025	$225,314	$3.12	$3,129	65.20%
NET OPERATING INC		32.28%	$1,549	$1.55	$111,540	$120,250	$1.67	$1,670	34.80%
DEBT SERVICE									
Bank One		27.37%	$1,313	$1.31	$94,566	$94,566	$1.31	$1,313	27.37%
Housing Trust Fund Loan		2.05%	$98	$0.10	7,083	7,083	$0.10	$98	2.05%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		2.86%	$137	$0.14	$9,891	$18,601	$0.26	$258	5.38%
AGGREGATE DEBT COVERAGE RATIO					1.10	1.18			
RECOMMENDED 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)		2.01%	$1,528	$1.52	$110,000	$110,000	$1.52	$1,528	1.95%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.07%	6,145	6.13	442,467	442,467	6.13	6,145	7.86%
Direct Construction		54.06%	41,147	41.07	2,962,559	3,036,035	42.09	42,167	53.90%
Contingency	5.00%	3.11%	2,365	2.36	170,251	200,570	2.78	2,786	3.56%
General Req'ts	6.00%	3.73%	2,838	2.83	204,302	211,127	2.93	2,932	3.75%
Contractor's G & A	2.00%	1.24%	946	0.94	68,101	70,376	0.98	977	1.25%
Contractor's Profit	6.00%	3.73%	2,838	2.83	204,302	211,127	2.93	2,932	3.75%
Indirect Construction		4.20%	3,199	3.19	230,350	230,350	3.19	3,199	4.09%
Ineligible Costs		1.73%	1,315	1.31	94,709	109,618	1.52	1,522	1.95%
Developer's G & A	2.00%	1.65%	1,252	1.25	90,147	92,571	1.28	1,286	1.64%
Developer's Profit	13.00%	10.69%	8,138	8.12	585,953	601,711	8.34	8,357	10.68%
Interim Financing		4.11%	3,125	3.12	225,000	225,000	3.12	3,125	3.99%
Reserves		1.67%	1,274	1.27	91,741	91,741	1.27	1,274	1.63%
TOTAL COST		100.00%	$76,109	$75.96	$5,479,881	$5,632,693	$78.08	$78,232	100.00%
Recap-Hard Construction Costs		*73.94%*	***$56,278***	***$56.17***	***$4,051,981***	***$4,171,702***	***$57.83***	***$57,940***	*74.06%*
					$76.56				

SOURCES OF FUNDS						RECOMMENDED	
Bank One	20.07%	$15,278	$15.25	$1,100,000	$1,100,000	$1,100,000	Developer Fee Available
Housing Trust Fund Loan	2.55%	$1,944	$1.94	140,000	140,000	140,000	$676,100
LIHTC Syndication Proceeds	79.71%	$60,667	$60.55	4,368,000	4,368,000	4,367,563	% of Dev. Fee Deferred
Deferred Developer Fees	0.45%	$343	$0.34	24,687	24,687	25,130	4%
Additional (excess) Funds Required	-2.79%	($2,122)	($2.12)	(152,806)	6	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$5,479,881	$5,632,693	$5,632,693	$236,307.15

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Cedar View Apartments, Mineral Wells, 9% LIHTC #03163

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$42.61	$3,074,232
Adjustments				
Exterior Wall Finish	6.32%		$2.69	$194,291
9-Ft. Ceilings	3.76%		1.60	115,591
Roofing			0.00	0
Subfloor			(2.02)	(145,723)
Floor Cover			1.92	138,509
Porches/Balconies	$15.97	6,328	1.40	101,058
Plumbing	$615	132	1.13	81,180
Built-In Appliances	$1,625	72	1.62	117,000
Fireplaces	$2,200	1	0.03	2,200
Floor Insulation			0.00	0
Heating/Cooling			1.47	106,046
Carports	$7.83	3,240	0.35	25,369
Comm &/or Aux Bldgs	$61.77	2,359	2.02	145,711
Other:			0.00	0
SUBTOTAL			54.83	3,955,465
Current Cost Multiplier	1.03		1.64	118,664
Local Multiplier	0.90		(5.48)	(395,546)
TOTAL DIRECT CONSTRUCTION COSTS			$50.99	$3,678,582
Plans, specs, survy, bld prm	3.90%		($1.99)	($143,465)
Interim Construction Interes	3.38%		(1.72)	(124,152)
Contractor's OH & Profit	11.50%		(5.86)	(423,037)
NET DIRECT CONSTRUCTION COSTS			$41.42	$2,987,928

PAYMENT COMPUTATION

Primary	$1,100,000	Term	360
Int Rate	7.75%	DCR	1.18

Secondary	$140,000	Term	360
Int Rate	3.00%	Subtotal DCR	1.10

Additional		Term	
Int Rate		Aggregate DCR	1.10

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$94,566
Secondary Debt Service	7,083
Additional Debt Service	0
NET CASH FLOW	$9,891

Primary	$1,100,000	Term	360
Int Rate	7.75%	DCR	1.18

Secondary	$140,000	Term	360
Int Rate	3.00%	Subtotal DCR	1.10

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

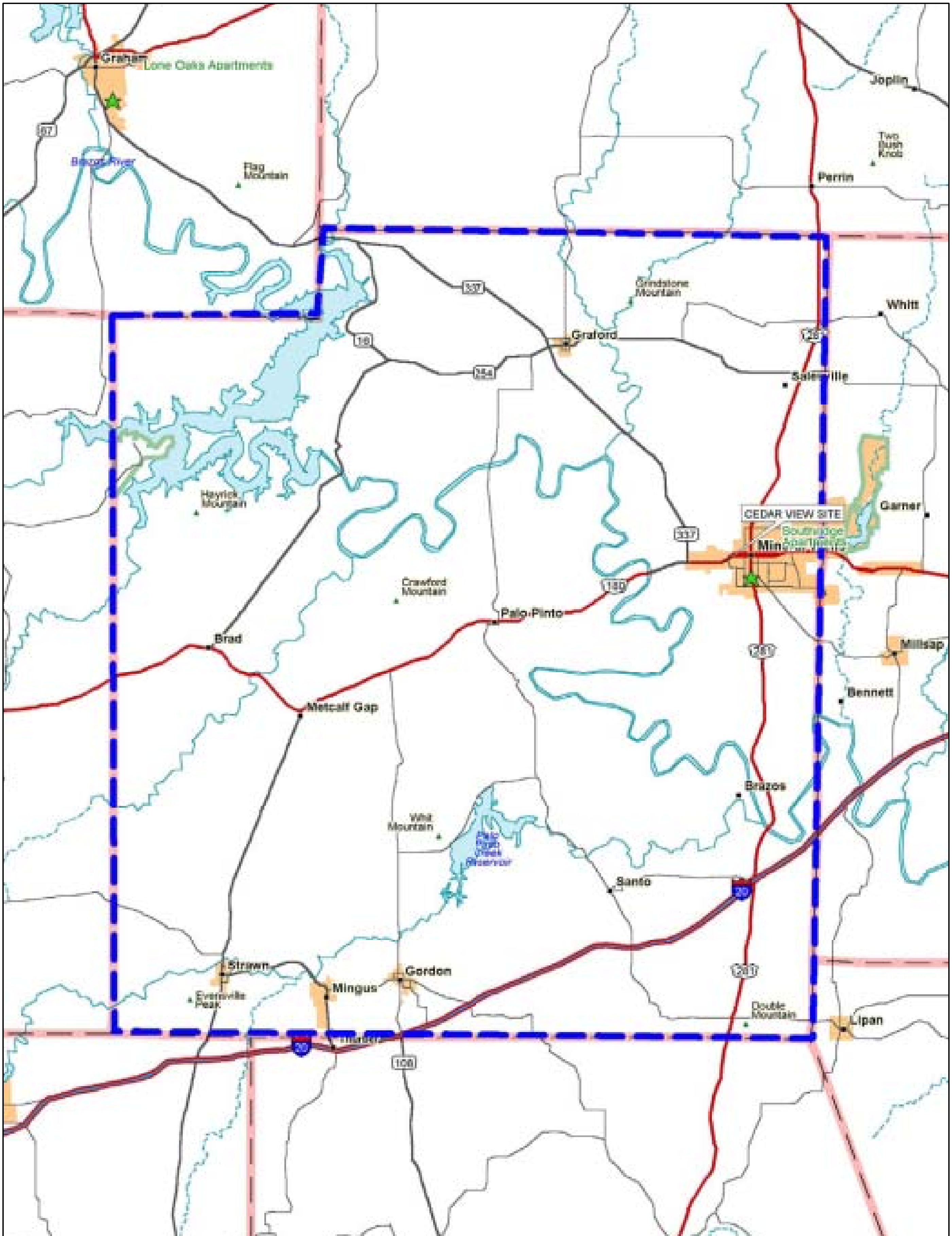
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$364,944	$375,892	$387,169	$398,784	$410,748	$476,169	$552,011	$639,932	$860,014
Secondary Income	8,640	8,899	9,166	9,441	9,724	11,273	13,069	15,150	20,361
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	373,584	384,792	396,335	408,225	420,472	487,442	565,079	655,082	880,375
Vacancy & Collection Loss	(28,019)	(28,859)	(29,725)	(30,617)	(31,535)	(36,558)	(42,381)	(49,131)	(66,028)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$345,565	$355,932	$366,610	$377,608	$388,937	$450,884	$522,698	$605,951	$814,347
EXPENSES at 4.00%									
General & Administrative	$17,613	$18,318	$19,050	$19,812	$20,605	$25,069	$30,500	$37,108	$54,929
Management	17,278	17,797	18,331	18,880	19,447	22,544	26,135	30,298	40,717
Payroll & Payroll Tax	55,069	57,271	59,562	61,945	64,422	78,380	95,361	116,021	171,740
Repairs & Maintenance	27,295	28,387	29,522	30,703	31,931	38,849	47,266	57,506	85,123
Utilities	13,279	13,810	14,362	14,937	15,534	18,900	22,994	27,976	41,411
Water, Sewer & Trash	26,345	27,398	28,494	29,634	30,820	37,497	45,620	55,504	82,160
Insurance	15,871	16,506	17,166	17,852	18,567	22,589	27,483	33,437	49,495
Property Tax	40,176	41,783	43,454	45,193	47,000	57,183	69,572	84,645	125,295
Reserve for Replacements	14,400	14,976	15,575	16,198	16,846	20,496	24,936	30,339	44,909
Other	6,700	6,968	7,247	7,537	7,838	9,536	11,602	14,116	20,895
TOTAL EXPENSES	$234,025	$243,213	$252,764	$262,691	$273,010	$331,042	$401,470	$486,950	$716,675
NET OPERATING INCOME	$111,540	$112,719	$113,846	$114,917	$115,927	$119,842	$121,228	$119,001	$97,672
DEBT SERVICE									
First Lien Financing	$94,566	$94,566	$94,566	$94,566	$94,566	$94,566	$94,566	$94,566	$94,566
Second Lien	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$9,891	$11,070	$12,197	$13,268	$14,278	$18,193	$19,579	$17,351	($3,977)
DEBT COVERAGE RATIO	1.10	1.11	1.12	1.13	1.14	1.18	1.19	1.17	0.96

LIHTC Allocation Calculation - Cedar View Apartments, Mineral Wells, 9% LIHTC #03163

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	$110,000	$110,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$442,467	$442,467	$442,467	$442,467
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$3,036,035	$2,962,559	$3,036,035	$2,962,559
(4) Contractor Fees & General Requirements				
Contractor overhead	$70,376	$68,101	$69,570	$68,101
Contractor profit	$211,127	$204,302	$208,710	$204,302
General requirements	$211,127	$204,302	$208,710	$204,302
(5) Contingencies	$200,570	$170,251	$173,925	$170,251
(6) Eligible Indirect Fees	$230,350	$230,350	$230,350	$230,350
(7) Eligible Financing Fees	$225,000	$225,000	$225,000	$225,000
(8) All Ineligible Costs	$109,618	$94,709		
(9) Developer Fees			$689,215	
Developer overhead	$92,571	$90,147		$90,147
Developer fee	$601,711	$585,953		$585,953
(10) Development Reserves	$91,741	$91,741		
TOTAL DEVELOPMENT COSTS	$5,632,693	$5,479,881	$5,283,982	$5,183,431

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		$5,283,982	$5,183,431
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$6,869,177	$6,738,460
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$6,869,177	$6,738,460
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$572,889	$561,988
Syndication Proceeds	**0.7799**	**$4,468,090**	**$4,383,065**
Total Credits (Eligible Basis Method)		**$572,889**	**$561,988**
Syndication Proceeds		**$4,468,090**	**$4,383,065**
Requested Credits		**$560,000**	
Syndication Proceeds		**$4,367,563**	
Gap of Syndication Proceeds Needed		**$4,392,693**	
Credit Amount		**$563,222**	



DELORME

Scale 1 : 350 000

0 2 4 6 8 10 mi

0 3 6 9 12 15 km

TN

MN 6.2°E

Zoom Level: 9-2 Datum: WGS84

TDHCA #

03184

Region 3

Development Name: **The Pegasus** TDHCA #: **03184**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 3 Site Address: 7200 North Stemmon Fwy.
City: Dallas County: Dallas Zip Code: 75247

☐ TTC ☐ DDA ☑ QCT Purpose / Activity: Acquisition/Rehab

Targeted Units: Family: 0 Elderly: 124 Handicapped/Disabled 9 Domestic Abuse: 0 Transitional: 0

Set Asides: ☑ General ☐ At-Risk ☑ Nonprofit ☐ Rural ☐ TX-USDA-RHS ☑ Elderly

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Pegasus Villas Ltd.

Principal Names	Principal Contact	Percentage Ownership
Pegasus Stemmons Development, Inc.	Sherman Roberts & Glen W. Ly	50.5% of Owner
GLC Stemmons Development, Inc.	Glenn W. Lynch	49.5% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$1,153,613** Allocation over 10 Years: $11,536,130

Credits Requested $1,156,172 Eligible Basis Amount: $1,153,613 Equity/Gap Amount $1,251,031

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	14	11	0	25
40%	0	7	6	0	13
50%	0	14	11	0	25
60%	0	34	27	0	61
MR	0	18	14	0	32
Total	0	87	69	0	

Total LI Units: 124
Owner/Employee Units: 0
Total Project Units: 156
Applicable Fraction: 79.00

Applicable fraction is the lesser of the unit fraction or the square foot fraction attributable to low income units.

DEVELOPMENT AMENITIES (no extra cost to tenant)

- ☐ Playground
- ☐ Computer Facility with Internet
- ☑ Recreation facilities
- ☑ Public Phones
- ☐ Perimeter Fence with Controlled Gate Access
- ☑ Community Laundry Room or Hook-Ups in Units
- ☑ On Site Day Care, Senior Center or Community Meal Room
- ☑ Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- ☑ Covered Entries
- ☑ Computer Line in all Bedrooms
- ☐ Mini Blinds
- ☑ Ceramic Tile - Entry, Kitchen, Baths
- ☑ Laundry Connections
- ☐ Storage Room
- ☐ Laundry Equipment
- ☐ 25 year Shingle Roofing
- ☐ Covered Parking
- ☐ Covered Patios or Balconies
- ☐ Garages
- ☑ Greater than 75% Masonry Exterior
- ☐ Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost:	$16,802,259
Gross Building Square Feet	191,340
Total Net Rentable Area Square Feet:	142,642
Average Square Feet/Unit	914
Cost Per Net Rentable Square Foot	$117.79
Credits per Low Income Uni	$9,303

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$1,205,976
Total Expenses:	$595,130
Net Operating Income	$610,846
Estimated 1st Year Debt Coverage Ratio	1.15

FINANCING

Permanent Principal Amount:	$6,678,000
Applicant Equity:	$780,932
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.8099

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Operation Relief Center, Inc.	Market Analyst:	Apt. Market Data Research Svc. LLC
Housing GC:	Glenn Lynch Companies	Originator/UW:	NA
Engineer:	Dunaway Associates, Inc.	Appraiser:	Advanced Evaluation Systems, Inc
Cost Estimator:	Glenn W. Lynch	Attorney:	Shackelford, Melton, & McKinley
Architect:	Humphries & Partners Architects, LP	Accountant:	Novogradac & Company, LLC
Property Manager	Innovation Mgmt. Services, Inc.	Supp Services	Beacon Endeavors
Syndicator:	Key Investment Fund, LP	Permanent Lender	Key Bank

Project Name: The Pegasus   Project Number: 03184

PUBLIC COMMENT SUMMARY

Note: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **2** Opposition: **0**

☐ A resolution was passed by the local government in support of the development.

Local/State/Federal Officials with Jurisdiction:		Comment from Other Public Officials:
Local Official:	Leo V. Chany Jr., Dallas City Council, S	Ed Oakley, Council Member, S
TX Representative:	Steve Wolens, District 103, S	Terri Hodge, State Representative, S
TX Senator:	Royce West, District 23 , S	Jerry Killingsworth, Director Housing Department City of Dallas, S
US Representative:	Eddie Bernice Johnson, S	Ann Lott, Dallas Housing Authority, S
US Senator:		Veletta Forsythe Lill, Council Member, S

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 104 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of verification by the City of Dallas as to the terms of the HOME program forgivable loan and its associated use restrictions.

Receipt, review and acceptance of a plan of abatement for the asbestos, lead and mold in the building by a qualified professional and implemented in accordance with appropriate local, state and federal regulations.

Should the terms or rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

Alternate Recommendation: NA

RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☑ Score ☑ Meeting a Required Set Aside ☐ Meeting the Regional Allocation

☐ To serve a greater number of lower income families for fewer credits.

☐ To ensure geographic dispersion within each Uniform State Service Region.

☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan.

☐ To ensure the allocation of credits among as many different entities as practicable w/out diminishing the quality of the housing built.

☐ To give preference to a Development located in a QCT or DDA that contributes to revitalization.

☐ To provide integrated, affordable accessible housing for individuals families with different levels of income.

Explanation: **This Development has a competitive score in the Elderly and Nonprofit Set-Asides.**

Robert Onion, Manager of Awards and Allocation   Date

Brooke Boston, Director of Multifamily Finance Production   Date

Edwina Carrington, Executive Director   Date
Chairman of Executive Award and Review Advisory Committee

BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if any):

Approved Credit Amount: ____ Date of Determination: ____

Michael E. Jones, Chairman of the Board   Date

Developer Evaluation

Project ID # **03184** Name: **The Pegasus** City: **Dallas**

LIHTC 9% ☑ LIHTC 4% ☐ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☐ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

Portfolio Management and Compliance

Projects in Material Noncompliance: No ☑ Yes ☐ # of Projects: 0

Total # of Projects monitored: 5 Projects grouped by score 0-9 5 10-19 0 20-29 0

Total # monitored with a score less than 30: 5 # not yet monitored or pending review: 4

Program Monitoring/Draws

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Asset Management

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Reviewed by Sara Carr Newsom Date iday, May 23, 2003

Multifamily Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by R Meyer Date 5 /28/2003

Single Family Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ________ Date ________

Community Affairs

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by EEF Date 5 /16/2003

Office of Colonia Initiatives

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by H Cabello Date 6 /10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ________ Date ________

Loan Administration

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

Delinquencies found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Stephanie Stuntz Date 5 /23/2003

Executive Director: Edwina Carrington **Executed:** Friday, June 13, 2003

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 16, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03184

DEVELOPMENT NAME

The Pegasus

APPLICANT

Name:	Pegasus Villas, Ltd.			**Type:**	For Profit		
Address:	1675 Fort Worth Highway			**City:**	Weatherford	**State:**	Texas
Zip:	76086	**Contact:**	Glenn Lynch	**Phone:**	(817) 341-1378	**Fax:**	(817) 341-1391

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Pegasus Stemmons Development, Inc.	**(%):**	50.50	**Title:**	Managing General Partner
Name:	GLC Stemmons Development, Inc.	**(%):**	49.50	**Title:**	Co-General Partner
Name:	Operation Relief Center, Inc.	**(%):**	N/A	**Title:**	100% Owner Of MGP
Name:	Sherman Roberts	**(%):**	N/A	**Title:**	President of Operation Relief Center

PROPERTY LOCATION

Location:	7200 North Stemmon Freeway		☒ **QCT**		☐ **DDA**
City:	Dallas	**County:**	Dallas	**Zip:**	75247

REQUEST

Amount	Interest Rate	Amortization	Term
$1,156,172	N/A	N/A	15 years

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

Proposed Use of Funds: New Construction **Property Type:** Multifamily

Set-Aside(s): ☒ General ☐ Rural ☐ TX RD ☐ Non-Profit ☒ Elderly ☐ At Risk

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $1,153,613 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of verification by the City of Dallas as to the terms of the HOME program forgivable loan and its associated use restrictions;
2. Receipt, review, and acceptance of a plan of abatement for the asbestos, lead and mold in the building by a qualified professional and implemented in accordance with appropriate local state and federal regulations;
3. Should the terms or rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

The Pegasus Apartments was originally submitted and underwritten during the 2002 LIHTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:

1. Receipt, review, and acceptance of an acceptable Phase II Environmental Site Assessment report by a third party environmental engineer that reports findings with respect to lead based paint;
2. Receipt, review, and acceptance of an acceptable Operation and Maintenance Plan and an estimate of the current cost of abatement for asbestos by a third party environmental engineer;
3. Receipt, review, and acceptance of an acceptable mold assessment by a third party environmental engineer;
4. Review of the scoring points for deep income targeting as the deferred developer fee as determined by the Underwriter exceeds 50% of the eligible developer fee.
5. Receipt, review, and acceptance of a revised Permanent Loan Commitment reflecting debt services and to exceed $495,016
6. Should the terms of the proposed debt be altered, the previous condition should be re-evaluated.

The project did not receive an allocation in the 2002 cycle due to score reductions.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 156 **# Rental Buildings** 1 **# Common Area Bldgs** 0 **# of Floors** 16 **Age:** N/A yrs **Vacant:** Yes at 02/ 21/ 2003

Net Rentable SF: 142,642 **Av Un SF:** 914 **Common Area SF:** 48,698 **Gross Bldg SF:** 191,340

STRUCTURAL MATERIALS

Steel frame on a concrete slab, 34% glass 66% prefinished exposed aggregate masonry exterior wall covering, drywall and plaster interior wall surfaces, built-up and galvanized metal roofing. Twelve foot (12') ceiling height.

APPLIANCES AND INTERIOR FEATURES

Carpet & ceramic tile flooring, range & oven, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters.

ON-SITE AMENITIES

Management offices, furnished community room, residential kitchen, community laundry room, senior center with arts and crafts, wellness center, computer room/facilities, indoor swimming pool, picnic area, community garden/walk trail, fitness facilities and jacuzzi, public restrooms, monitored unit security, car wash area.

Uncovered Parking: 350 spaces **Carports:** N/A spaces **Garages:** N/A Spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Pegasus is a proposed acquisition, conversion and rehabilitation of an office building built in 1969 and abandoned in the mid-1980s. The application proposes 156 units of mixed income senior housing, comprised of 87 one bedroom/one bath units and 69 two bedroom/two bath units. The variation in size among units with the same number of bedrooms is unusually great. The 16-story building is located about 4.5 miles northwest of downtown Dallas.

Development Plan: The Applicant intends to remove all interior walls and completely renovate the building. Site Work is to include the upgrade of the utility lines, installation of an indoor swimming pool and deck and to perform landscaping around the site. The pool will actually be on the first floor of the building and though it is included in site work costs rather than considered a direct cost by the Applicant. Direct construction costs will consists of creating 156 multi-family units from the existing building. The main costs will be for carpentry, mechanical, electrical & plumbing, new windows, drywall and to install four new elevators. Asbestos is known to be present in the building. An unidentified type of mold was observed by the environmental inspector in areas exposed to the elements because of broken windows. Because the building was constructed in 1969, there is a high likelihood that lead-based paint is present.

Architectural Review: A letter from Preservation Dallas, dated December 14, 2001, explains the architectural and historical significance of the building, having been designed by Paul Rudolph, former Dean of the School of Architecture of Yale University, and a leader of the "Brutalist" style in which the building was designed. Characterized by its exposed concrete, and rough texture, the building is the only major accomplishment in the Brutalist style in Dallas, and one of only a few in Texas. It was commissioned by Texas Industries (TXI), a concrete company, to promote its then new Span-Deck floor system made of pre-cast, pre-stressed, hollow core, concrete planks separating each floor. Constructed of long, preformed concrete exterior wall sections, which are in appearance stacked horizontally across each other in alternate levels with glazed windows for sixteen stories, the building has been described by the architect as, "in essence a big log cabin." The building was originally intended to be one in a complex of four towers, the original design envisioning a "city within a city," with a collection of shops, restaurants, pedestrian's areas and offices around a mall. However only the single structure was ever built. In 1969, the Yale School of Art and Architecture building which was designed in the same style by the same architect was stormed and burned by a group of students, criticizing the interior space as unworkable, awkward, and unforgiving. For two decades to follow, Randolph fell out of popularity and was forced to design mostly outside of the United States. Shortly after construction of the subject building, TXI realized some difficulties leasing the office space, finding that the interior spaces were similarly somewhat inflexible and constraining as those of the Yale School of Art and Architecture. The building was eventually leased. The primary tenants, however, departed in the mid 1980s, and the building was soon after left vacant.

The proposed unit floor plans do a good job of utilizing the existing spaces in the building. However the constraints of having to work with an existing structure are evident in the occasional trapezoid shaped bedroom, triangular walk-in closet, or longer-than-normal hallway to a bedroom.

Supportive Services: The Applicant certifies that it will coordinate its tenant services with those provided through state workforce development and welfare programs, and will provide at least three of the tenant services named as options by TDHCA.

Schedule: The Applicant anticipates construction to begin in November of 2003, to be completed in Septemberof 2004, to be placed in service in September of 2004, and to be substantially leased-up in May of 2005.

SITE ISSUES

SITE DESCRIPTION

Size:	4.963 acres	216,188 square feet	**Zoning/ Permitted Uses:**	Mixed Use	
Flood Zone Designation:	Zone B		**Status of Off-Sites:**	Fully Improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly shaped parcel located approximately 4.5 miles northwest of the central business district. The site has frontage on the south side of Mockingbird Lane and the east frontage road of Stemmons Freeway and has excellent visibility.

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

- **North:** Mockingbird Lane and offices beyond
- **South:** Hotels and industries with single family residential beyond
- **East:** Offices
- **West:** Stemmons Freeway with industries beyond

Site Access: The development has one main entry driveway from the Stemmons Freeway frontage road and an existing entry driveway that is a proposed access easement (according to the site plan) from Mockingbird Lane to the north. Access to Interstate Highway 35 is adjacent to the property, which provides connections to all other major roads serving the Dallas area.

Public Transportation: Public transportation to the area is provided by Dallas Area Rapid Transit (DART).

Shopping & Services: The site is within two miles of a supermarket and pharmacies, five miles from a major (regional) shopping center with a multi-screen theater. Restaurants, schools and churches are within easy driving distance. Hospitals and health care facilities are located within a very short driving distance of the site.

Special Adverse Site Characteristics: The primary conditions of concern are the presence of asbestos containing materials and unidentified molds, and the likely presence of lead based paint as discussed below.

Site Inspection Findings: TDHCA staff performed a site inspection on May 6, 2002 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment (ESA) was performed on November 19, 2001, and was updated on February 27, 2003. A Phase II Asbestos Survey Report dated December 27, 2001 were performed HBC Engineering, Inc. The reports contained the following findings and recommendations:

Findings:

Mold: The Phase I states that suspect mold stains were observed on the walls of the upper floors, primarily in the stairwells. Identification and evaluation of suspect mold, however, is an issue beyond the scope of the assessment.

Asbestos-Containing Materials (ACM): An asbestos survey report (Phase II ESA) of the property, dated December 27, 2001, was prepared by HBC. The report details the existence of asbestos-containing materials, including some that may have been damaged.

Lead-Based Paint (LBP): Although no survey of LBP was performed, it is likely that the building contains LBP because of the year of construction (1970).

Radon: The Phase I ESA states that the site has a low potential for the presence of elevated levels of radon gas.

Noise: No findings were made in the environmental reports with respect to noise. Although the site is adjacent to an interstate highway, the location is typical of many offices and hotels.

Floodplain: The site is within the floodplain of the Trinity River and is protected from flooding by the levee.

Recommendations: The original Phase I ESA recommended removing a 55-gallon drum and disposing of it in compliance with state and local regulations. At the time of the update to the Phase I ESA, the drum was reported to have been removed, and is not a condition of the updated Phase I ESA. In view of the findings of the Phase II ESA, an Operations and Maintenance Plan for the asbestos should be formulated by a qualified professional and implemented in accordance with the appropriate regulations. An investigation for lead-based paint should be conducted prior to demolition and any necessary abatement should be implemented in compliance with applicable regulations. Although the ESAs did not make such a recommendation, the mold found to exist within the building should be tested and an appropriate plan for abatement administered in compliance with applicable regulations.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. There will be 124 units (79% of the total) reserved for low-income/elderly tenants, of which 25 of the units (16%) will be reserved for households earning 30% or less of AMGI, 13 of the units (8%) will be reserved for households earning 40% or less of AMGI, 25 of the units (16%) will be reserved for households earning 50% or less of AMGI, and 61 units (39%) will be reserved for households earning 60% or less of AMGI. The remaining 32 units (21%) will be offered at market rents.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$27,960	$31,920	$35,940	$39,900	$43,080	$46,260

MARKET HIGHLIGHTS

A market feasibility study dated March 11, 2003 was prepared by Apartment Market Data Research

Services, L.L.C. Information from the study follows:

Definition of Market/Submarket: The primary market area (PMA) is designated as the area bounded by Loop 635 to the north, I-30 to the south, the Dallas North Tollway to the east and MacArthur Boulevard to the west, effectively the northwest quadrant of Dallas (page 3).

Population: The estimated 2002 population of the PMA was 246,354 and is expected to increase by 1.7% annually to approximately 266,847 by 2007. Within the primary market area there were estimated to be 79,732 households in 2002.

Total Local/Submarket Demand for Rental Units:

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	11	0.7%		%
Resident Turnover	1,598	95.9%		%
Other Sources: 10 yrs pent-up demand	57	3.4%		%
TOTAL ANNUAL DEMAND	1,666	**100%**		**100%**

Ref: p. 10

Inclusive Capture Rate: "The Market Analyst concluded a capture rate of 7.4% under the assumption that there were no other unstabilized elderly developments in the primary market area." (p. 11) The Underwriter calculated a capture rate of 16%.

Local Housing Authority Waiting List Information: "There are approximately 16,000 households on the combined waiting lists for Public Housing and Section 8 Housing." (p. 88)

Market Rent Comparables: The Market Analyst never explicitly states the potential market rents which could be achieved by the subject property. In one section the Analyst indicates that rents in the market area average $1.14 per square foot for one-bedroom units, and $1.03 for two-bedroom units, which for the subject would yield rents between $616 and $975 for one-bedroom units and rents between $842 and $1,443 for two-bedroom units (p. 112). In another section of the report, the analyst compares market rents of $865 for one-bedroom units and $1,146 for two-bedroom units to the proposed rents of the subject (p. 98). However in yet another section of the report the analyst uses $700 for one-bedroom units and $1,130 for two-bedroom units (p. 100). The Applicant proposes market rents of $825 for one-bedroom units and $999 for two-bedroom units, which would generally seem to be supported by data from the market study.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Proposed Max**	**Differential**
1-Bedroom (30%)	$314	$314	$0	$825	-$511
1-Bedroom (40%)	$440	$440	$0	$825	-$385
1-Bedroom (50%)	$564	$564	$0	$825	-$261
1-Bedroom (60%)	$689	$689	$0	$825	-$136
1-Bedroom (MR)	$825	N/A		$825	$0
2-Bedroom (30%)	$373	$373	$0	$999	-$626
2-Bedroom (40%)	$524	$524	$0	$999	-$475
2-Bedroom (50%)	$673	$673	$0	$999	-$326
2-Bedroom (60%)	$823	$823	$0	$999	-$176
2-Bedroom (MR)	$999	N/A		$999	$0

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

Submarket Vacancy Rates: "The current occupancy of the market area is 92.1%. Newer projects constructed since 1990 average 93.5%, comparable market rate projects in the trade area average 93.4%, while rent restricted communities average 93.5%. There are no elderly projects in the trade area, but elderly projects throughout Dallas average 97% to 100% occupancy. Demand for new elderly rental apartment units is considered to be very high" (p. 12).

Absorption Projections: "Absorption over the previous twelve years is estimated to be 579 units per year. We expect this pace to continue as the number of new elderly households continues to grow, and as additional rental units become available." (p. 13)

"We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction. It is important to note that two other elderly developments that opened in the Dallas area in 2001 experienced an average monthly lease rate of 13% (33 units per month)." An 8% monthly lease-up rate would result in an 18-month stabilization period (page 87).

Known Planned Development: According to the market study, there are no senior's developments in the submarket that are now in lease-up or planned for construction (p. 79). The Underwriter is aware of one other elderly development proposed nearby Churchill at Brookehaven at 6839 Harry Hines but it is not likely that this development will be awarded credits this year due to $1.6M limitations. Two other elderly developments are being considered for Grand Prairie just outside the primary market area.

Effect on Existing Housing Stock: "The subject should not have a detrimental effect on any existing projects, as occupancies are strong at quality affordable housing communities in the northwestern portion of Dallas, and especially at elderly projects throughout Dallas." (p. 88)

The Underwriter found the market study to provide sufficient information to make an informed underwriting recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are in accordance with the maximum rents allowed under LIHTC guidelines, and estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. The development will receive other non-rental income in the form of a billboard lease, expiring in 2008, for $20,000 annually. With the view that the income from the billboard lease is not subject to the same vacancy and collection losses which apply to residential rental income, the applicant increased the proforma income from this source by $1,624 so that the original contract amount of $20,000 would net into the effective gross income. However, on reviewing the terms under which the lease may be discontinued, and the conditions for renewal of the lease or possible sale of the billboard, the underwriter cannot identify any cause to inflate the non-rental income in order to avoid allowances for vacancy and collection losses. This results in a difference of $1,495 between the applicant's and the underwriter's estimates of effective gross income.

Expenses: The Applicant's total expense estimate of $3,815 per unit is within 3% of a TDHCA database-derived estimate of $3,922 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly payroll ($17,815 lower), water, sewer, and trash ($11,942 lower), and property tax ($24,645 higher).

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations and total operating expenses are within 5% of the database-derived estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 4.963 acres	$1,725,000	**Date of Valuation:**	02/ 21/ 2003
Existing Building(s): "as is"	$2,117,355	**Date of Valuation:**	02/ 21/ 2003
Total Development: "as is"	$3,700,000	**Date of Valuation:**	02/ 21/ 2003

Appraiser: Stephen B. Spraberry **City:** Dallas **Phone:** (972) 490-4554

APPRAISED ANALYSIS/CONCLUSIONS

Analysis:

Conclusion:

ASSESSED VALUE

Land: 4.963 acres	$1,846,510	**Assessment for the Year of:**	2002
Building:	$1,103,490	**Valuation by:**	Dallas County Appraisal District
Total Assessed Value:	$2,950,000	**Tax Rate:**	$2.80

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Special Warranty Deed

Contract Expiration Date:	/ /	**Anticipated Closing Date:**	/ /
Acquisition Cost:	$3,150,000	**Other Terms/Conditions:**	Seller's Note

Seller: Stemmons Plaza Acquisition, L.P. **Related to Development Team Member:** Yes

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: When the transaction was presented in 2002, the application included a purchase contract for the sale of the property for $3,500,000. When a tax-credit allocation was not received in 2002, the applicant retained a business associate, Bobby Cox, who is otherwise uninvolved in the transaction to negotiate the purchase of the property before the contract expired. According to the applicant, Mr. Cox negotiated the purchase of the partnership owning the property, and once the applicant was able to arrange for interim financing to purchase the property, sold it to the applicant for $3,150,000. As required by the Department's Underwriting Guidelines, the Applicant submitted documentation supporting its acquisition and holding costs of $3,236,925. Based on this documentation the underwriter can substantiate as much as approximately $2,908,000. An appraisal performed by Stephen B. Spraberry on February 26, 2003, concluded that the potential market value of the property, as is, would be $3,700,000, with the land valued at $1,725,000. The value of the property for tax-assessment purposes for 2002 was appraised at $2,950,000, with $1,846,510 attributable to the land. In the applicant's cost schedule, $3,000,000 is stated for acquisition costs with $1,681,470 being allocation for land. The Underwriter used the $2,908,000 in substantial acquisition and holding costs as the acquisition and included the pro-rated portion attributable to buildings based on the value of the appraisal. This resulted in the underwriter's estimate of eligible basis of $1,552,243, compared to the Applicant's estimate of $1,318,530.

Off-Site Costs: The Applicant's off-sites of $27,000 are reasonable and are as a result of replacing asphalt paving on an adjacent access easement.

Sitework Cost: The Applicant's claimed site work costs of $700,349 or $4,489 per unit are reasonable. The costs are supported by the work write-up of the Development's architect.

Demolition Cost: Demolition costs are included in the hard costs. According to the development CPA, the inclusion of demolition is acceptable under the Internal Revenue Code because they are part of the building that will remain in place; moreover they are incidental to the actual rehabilitation. The asbestos abatement costs could be considered in a similar fashion.

Direct Construction Cost: Rehabilitation of the subject building is an expensive proposal. The Applicant estimates a direct construction cost of $7,788,097. The Applicant also provided a work write-up signed by the Architect that accounted for the same sitework and direct cost. The underwriting analysis uses the Applicant's estimate of direct costs.

Ineligible Costs: The Applicant included $90,000 in marketing costs as an eligible cost; the Underwriter moved this 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.

Conclusion: The Applicant's total development 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, and the Underwriter's cost reflect the Applicant's total cost breakdown as adjusted, it is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $14,568,609 is used to determine a credit allocation of $1,153,613 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's total costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: Key Bank National Association **Contact:** Dan Kierce

Principal Amount: $7,095,284 **Interest Rate:** Prime rate plus 1.00%

Additional Information:

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

LONG TERM/PERMANENT FINANCING

Source: Key Bank **Contact:** Dan Kierce

Principal Amount: $6,328,000 **Interest Rate:** 300 basis points above 15-year U.S. Treasury

Additional Information:

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

Annual Payment: $531,000 **Lien Priority:** 1st **Commitment Date** 02/ 26/ 2003

LONG TERM/PERMANENT FINANCING

Source: City of Dallas **Contact:** Jerry Killingsworth

Principal Amount: $350,000 **Interest Rate:** Unknown

Additional Information: Forgivable loan over ten years. Terms unknown.

Amortization: 10 yrs **Term:** 10 yrs **Commitment:** ☐ LOI ☐ Firm ☐ Conditional

Annual Payment: $ **Lien Priority:** 2nd **Commitment Date** / /

LIHTC SYNDICATION

Source: Key Investment Fund Limited Partnership XII **Contact:** Dan Kierce

Address: 127 Public Square **City:** Cleveland

State: Ohio **Zip:** 44114 **Phone:** (216) 689-0201 **Fax:** (216) 689-4025

Net Proceeds: $9,355,628 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 81¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 02/ 26/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $773,708 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: Interim and permanent financing will be provided by Key Bank. The interim loan, in an amount of $7,095,284 will be partially replaced by the permanent loan of $6,328,000 in conjunction with tax-credit proceeds. The primary loan will carry an interest rate of 300 basis points above U.S. 15-year treasuries, and will be amortized over 30 years. Debt service is estimated to be $531,000 annually for underwriting purposes.

The Applicant has also received a HOME award from the City of Dallas. While a letter from the City was provided confirming approval of a forgivable loan in the amount of $350,000, the letter does not precisely state what the terms of the loan are to be. In the application, the applicant indicates that the loan is forgivable over a ten year period, which the underwriter interprets to mean that as long as the project remains in compliance with certain use restrictions over a ten-year period, then no payments of the loan will become due. Use restrictions which are expected to accompany the loan were likewise not stated in the application. Verification by the City of Dallas as to the loan terms and the expected use restrictions should be provided as a condition of approval.

LIHTC Syndication: Key Investment Fund has offered to purchase 99.99% of the ownership interest in Pegasus Villas, Ltd., providing approximately $9,355,628 in equity at a rate of $0.81 per dollar of tax-credits.

Deferred Developer's Fees: Per the applicant's estimate, up to $776,708 in developer's fees may need to be deferred in order to match financing sources to the costs of the project.

Financing Conclusions: Subject to verification of the terms and restrictions associated with the HOME loan from the City of Dallas, the financing proposed by the applicant is acceptable as submitted. The slight reduction in recommended tax credits to $1,153,613 results in syndication proceeds of $9,343,327 and increased deferred developer fee by $4,224 to $780,932 deferred developer fee in this amount if repayable in less than ten years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Property Manager and Supportive Services provider are all related entities. These are common relationships for LIHTC-funded developments. These types of relationships are common for LIHTC transactions. For the acquisition of the property, Bobby Cox who is a business associate in other ventures with the developer, Glenn Lynch, acted as an intermediary between the original seller of the property, and the Applicant as the final purchaser. While this relationship appears to be acceptable and not trigger additional development interest concerns.

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

Financial Highlights:

- The Applicant and General Partners are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Operation Relief Center submitted an unaudited financial statement as of 12/31/2002 reporting total assets of $1,928,756 and consisting of $9,341 in cash, receivables and employee advances, $1,587,728 in property, plant, and equipment, and $331,687 in other assets. Liabilities totaled $1,405,039, resulting in a net worth of $523,716.
- Glenn Lynch Companies, Inc. submitted an unaudited financial statement as of 12/31/2003 reporting total assets of $38,091,263 and consisting of $482,272 in cash, $35,819,793 in construction in progress, $758,439 in receivables, $723,589 in fixed assets, and $307,168 in investments and other assets. Liabilities totaled $37,888,686, resulting in a net worth of $202,577.

Background & Experience:

- The Applicant and General Partners are new entities formed for the purpose of developing the project.
- Operation Relief Center has completed one (1) LIHTC housing developments totaling 30 units since 1999.
- Glenn Lynch has completed seven (7) LIHTC housing developments totaling 1,206 units since 1997.

SUMMARY OF SALIENT RISKS AND ISSUES
Significant environmental risks exist regarding asbestos in particular and possibly lead based paint and mold.

Underwriter:	*Stephen Apple*	**Date:**	June 16, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 16, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

The Pegasus, Dallas, LIHTC #03184

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
TC30%	1	1	1	540	$373	$314	$314	$0.58	$59.00	$46.00
TC30%	1	1	1	580	373	314	314	0.54	59.00	46.00
TC30%	12	1	1	591	373	314	3,768	0.53	59.00	46.00
TC40%	5	1	1	591	499	440	2,200	0.74	59.00	46.00
Market	5	1	1	591	825	825	4,125	1.40	59.00	46.00
TC40%	2	1	1	616	499	440	880	0.71	59.00	46.00
TC50%	5	1	1	616	623	564	2,820	0.92	59.00	46.00
Market	4	1	1	616	825	825	3,300	1.34	59.00	46.00
TC50%	1	1	1	618	623	564	564	0.91	59.00	46.00
TC50%	8	1	1	632	623	564	4,512	0.89	59.00	46.00
TC60%	13	1	1	632	748	689	8,957	1.09	59.00	46.00
Market	2	1	1	632	825	825	1,650	1.31	59.00	46.00
TC60%	17	1	1	674	748	689	11,713	1.02	59.00	46.00
Market	6	1	1	674	825	825	4,950	1.22	59.00	46.00
Market	1	1	1	721	825	825	825	1.14	59.00	46.00
TC60%	1	1	1	727	748	689	689	0.95	59.00	46.00
TC60%	3	1	1	855	748	689	2,067	0.81	59.00	46.00
TC30%	11	2	2	820	448	373	4,103	0.45	75.00	52.00
Market	1	2	2	820	999	999	999	1.22	75.00	52.00
Market	1	2	2	873	999	999	999	1.14	75.00	52.00
TC40%	1	2	2	910	599	524	524	0.58	75.00	52.00
Market	1	2	2	910	999	999	999	1.10	75.00	52.00
TC40%	1	2	2	1,073	599	524	524	0.49	75.00	52.00
TC40%	1	2	2	1,115	599	524	524	0.47	75.00	52.00
TC40%	3	2	2	1,285	599	524	1,572	0.41	75.00	52.00
TC50%	1	2	2	1,285	748	673	673	0.52	75.00	52.00
Market	2	2	2	1,285	999	999	1,998	0.78	75.00	52.00
TC50%	10	2	2	1,405	748	673	6,730	0.48	75.00	52.00
TC60%	27	2	2	1,405	898	823	22,221	0.59	75.00	52.00
Market	9	2	2	1,405	999	999	8,991	0.71	75.00	52.00
TOTAL:	156		**AVERAGE:**	914	$710	$670	$104,505	$0.73	$56.87	$41.68

MULTIFAMILY COMPARATIVE ANALYSIS

The Pegasus, Dallas, LIHTC #03184

INCOME	Total Net Rentable Sq Ft:	142,628		TDHCA	APPLICANT		USS Region	3
POTENTIAL GROSS RENT				$1,254,060	$1,254,060		IREM Region	Dallas
Secondary Income	Per Unit Per Month:		$15.00	28,080	28,080	$15.00	Per Unit Per Month	
Other Support Income: (Billboard lease)				20,000	21,624			
POTENTIAL GROSS INCOME				$1,302,140	$1,303,764			
Vacancy & Collection Loss	% of Potential Gross Income:		-7.50%	(97,661)	(97,788)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,204,480	$1,205,976			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.41%	$341	0.37	$53,133	$53,900	$0.38	$346	4.47%
Management		5.00%	386	0.42	60,224	$54,269	0.38	348	4.50%
Payroll & Payroll Tax		11.50%	888	0.97	138,528	$120,713	0.85	774	10.01%
Repairs & Maintenance		4.43%	342	0.37	53,356	$49,012	0.34	314	4.06%
Utilities		4.42%	341	0.37	53,196	$49,561	0.35	318	4.11%
Water, Sewer, & Trash		3.30%	255	0.28	39,780	$27,838	0.20	178	2.31%
Property Insurance		2.25%	174	0.19	27,099	$28,750	0.20	184	2.38%
Property Tax	2.79733	11.59%	895	0.98	139,643	$164,287	1.15	1,053	13.62%
Reserve for Replacements		3.89%	300	0.33	46,800	$46,800	0.33	300	3.88%
Other Expenses:		0.00%	0	0.00	0	$0	0.00	0	0.00%
TOTAL EXPENSES		50.79%	$3,922	$4.29	$611,759	$595,130	$4.17	$3,815	49.35%
NET OPERATING INC		49.21%	$3,799	$4.16	$592,721	$610,846	$4.28	$3,916	50.65%
DEBT SERVICE									
First Lien Mortgage		44.08%	$3,404	$3.72	$530,956	$531,000	$3.72	$3,404	44.03%
Cityof Dallas HOME		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		5.13%	$396	$0.43	$61,765	$79,846	$0.56	$512	6.62%
AGGREGATE DEBT COVERAGE RATIO					1.12	1.15			
RECOMMENDED DEBT COVERAGE RATIO						1.15			

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)		17.31%	$18,641	$20.39	$2,908,000	$3,000,000	$21.03	$19,231	17.85%
Off-Sites		0.16%	173	0.19	27,000	27,000	0.19	173	0.16%
Sitework		4.17%	4,489	4.91	700,349	700,349	4.91	4,489	4.17%
Direct Construction		46.35%	49,924	54.60	7,788,097	7,788,097	54.60	49,924	46.33%
Contingency	7.73%	3.90%	4,204	4.60	655,772	655,772	4.60	4,204	3.90%
General Req'ts	6.00%	3.03%	3,265	3.57	509,306	509,306	3.57	3,265	3.03%
Contractor's G & A	2.00%	1.01%	1,088	1.19	169,768	169,768	1.19	1,088	1.01%
Contractor's Profit	6.00%	3.03%	3,265	3.57	509,306	509,306	3.57	3,265	3.03%
Indirect Construction		3.26%	3,515	3.84	548,360	638,360	4.48	4,092	3.80%
Ineligible Costs		1.44%	1,551	1.70	241,971	151,971	1.07	974	0.90%
Developer's G & A	3.85%	2.99%	3,216	3.52	501,773	501,773	3.52	3,216	2.98%
Developer's Profit	10.58%	8.21%	8,838	9.67	1,378,777	1,378,777	9.67	8,838	8.20%
Interim Financing		3.60%	3,877	4.24	604,857	604,857	4.24	3,877	3.60%
Reserves		1.54%	1,660	1.82	258,923	175,000	1.23	1,122	1.04%
TOTAL COST		100.00%	$107,707	$117.80	$16,802,259	$16,810,336	$117.86	$107,759	100.00%
Recap-Hard Construction Costs		*61.50%*	***$66,235***	***$72.44***	***$10,332,598***	***$10,332,598***	***$72.44***	***$66,235***	*61.47%*

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	37.66%	$40,564	$44.37	$6,328,000	$6,328,000	$6,328,000	Developer Fee Available
Cityof Dallas HOME	2.08%	$2,244	$2.45	350,000	350,000	350,000	$1,880,550
LIHTC Syndication Proceeds	55.68%	$59,972	$65.59	9,355,628	9,355,628	9,343,327	% of Dev. Fee Deferred
Deferred Developer Fees	4.62%	$4,979	$5.45	776,708	776,708	780,932	42%
Additional (excess) Funds Required	-0.05%	($52)	($0.06)	(8,077)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$16,802,259	$16,810,336	$16,802,259	$2,557,830.03

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

The Pegasus, Dallas, LIHTC #03184

PAYMENT COMPUTATION

Primary	$6,328,000	Term	360
Int Rate	7.50%	DCR	1.12

Secondary	$350,000	Term	
Int Rate	0.00%	Subtotal DCR	1.12

Additional	$9,355,628	Term	
Int Rate		Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$530,956
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$79,890

Primary	$6,328,000	Term	360
Int Rate	7.50%	DCR	1.15

Secondary	$350,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	$9,355,628	Term	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

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	$1,254,060	$1,291,682	$1,330,432	$1,370,345	$1,411,456	$1,636,264	$1,896,878	$2,199,002	$2,955,275
Secondary Income	28,080	28,922	29,790	30,684	31,604	36,638	42,474	49,238	66,172
Contractor's Profit	21,624	22,273	22,941	23,629	24,338	28,214	32,708	37,918	50,958
POTENTIAL GROSS INCOME	1,303,764	1,342,877	1,383,163	1,424,658	1,467,398	1,701,116	1,972,060	2,286,158	3,072,405
Vacancy & Collection Loss	(97,788)	(100,716)	(103,737)	(106,849)	(110,055)	(127,584)	(147,905)	(171,462)	(230,430)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,205,976	$1,242,161	$1,279,426	$1,317,809	$1,357,343	$1,573,533	$1,824,156	$2,114,696	$2,841,975
EXPENSES at 4.00%									
General & Administrative	$53,900	$56,056	$58,298	$60,630	$63,055	$76,717	$93,337	$113,559	$168,095
Management	54,269	55897.334	57574.25422	59301.48185	61080.5263	70809.07059	82087.11976	95161.46977	127889.0579
Payroll & Payroll Tax	120,713	125,542	130,563	135,786	141,217	171,812	209,036	254,324	376,462
Repairs & Maintenance	49,012	50,972	53,011	55,132	57,337	69,759	84,873	103,261	152,851
Utilities	49,561	51,543	53,605	55,749	57,979	70,541	85,824	104,418	154,563
Water, Sewer & Trash	27,838	28,952	30,110	31,314	32,567	39,622	48,206	58,650	86,817
Insurance	28,750	29,900	31,096	32,340	33,633	40,920	49,786	60,572	89,661
Property Tax	164,287	170,859	177,693	184,801	192,193	233,832	284,493	346,129	512,355
Reserve for Replacements	46,800	48,672	50,619	52,644	54,749	66,611	81,042	98,601	145,953
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$595,130	$618,393	$642,570	$667,697	$693,812	$840,624	$1,018,684	$1,234,675	$1,814,647
NET OPERATING INCOME	$610,846	$623,768	$636,856	$650,112	$663,531	$732,909	$805,471	$880,021	$1,027,327
DEBT SERVICE									
First Lien Financing	$530,956	$530,956	$530,956	$530,956	$530,956	$530,956	$530,956	$530,956	$530,956
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	$79,890	$92,812	$105,900	$119,156	$132,576	$201,953	$274,516	$349,066	$496,372
DEBT COVERAGE RATIO	1.15	1.17	1.20	1.22	1.25	1.38	1.52	1.66	1.93

LIHTC Allocation Calculation - The Pegasus, Dallas, LIHTC #03184

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	$1,681,470	$1,355,757				
Purchase of buildings	$1,318,530	$1,552,243	$1,318,530	$1,552,243		
(2) Rehabilitation/New Construction Cost						
On-site work	$700,349	$700,349			$700,349	$700,349
Off-site improvements	$27,000	$27,000				
(3) Construction Hard Costs						
New structures/rehabilitation ha	$7,788,097	$7,788,097			$7,788,097	$7,788,097
(4) Contractor Fees & General Requirements						
Contractor overhead	$169,768	$169,768			$169,768	$169,768
Contractor profit	$509,306	$509,306			$509,306	$509,306
General requirements	$509,306	$509,306			$509,306	$509,306
(5) Contingencies	$655,772	$655,772			$655,772	$655,772
(6) Eligible Indirect Fees	$638,360	$548,360			$638,360	$548,360
(7) Eligible Financing Fees	$604,857	$604,857			$604,857	$604,857
(8) All Ineligible Costs	$151,971	$241,971				
(9) Developer Fees						
Developer overhead	$501,773	$501,773	$51,310	$59,738	$450,463	$442,035
Developer fee	$1,378,777	$1,378,777	$140,989	$164,150	$1,237,788	$1,214,627
(10) Development Reserves	$175,000	$258,923				
TOTAL DEVELOPMENT COSTS	$16,810,336	$16,802,259	$1,510,828	$1,776,132	$13,264,067	$13,142,477

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis					$350,000	$350,000
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			$1,510,828	$1,776,132	$12,914,067	$12,792,477
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			$1,510,828	$1,776,132	$16,788,287	$16,630,219
Applicable Fraction			79%	79%	79.48%	79.48%
TOTAL QUALIFIED BASIS			$1,200,820	$1,411,685	$13,343,479	$13,217,846
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			$43,590	$51,244	$1,112,846	$1,102,368
Syndication Proceeds		**0.8099**	**$353,042**	**$415,036**	**$9,013,153**	**$8,928,291**
Total Credits (Eligible Basis Method)					**$1,156,436**	**$1,153,613**
Syndication Proceeds					**$9,366,194**	**$9,343,327**
Requested Credits					**$1,156,172**	
Syndication Proceeds					**$9,364,057**	
Gap of Syndication Proceeds Needed					**$10,132,336**	
Credit Amount					**$1,251,031**	

DeLORME

© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001
Zoom Level: 11-0 Datum: WGS84

Scale 1 : 100 000
1" = 1.58 mi

0	½	1	1½	2	mi
0	1	2	3	4	km

TN
MN
5.3°E

TDHCA

03212

Region 3

MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Village of Kaufman** TDHCA #: **03212**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 3 Site Address: 421 East 7th Street
City: Kaufman County: Kaufman Zip Code: 75142

[ ] TTC [ ] DDA [ ] QCT Purpose / Activity: Acquisition/Rehab

Targeted Units: Family: 67 Elderly: 0 Handicapped/Disabled 5 Domestic Abuse: 0 Transitional: 0

Set Asides: [x] General [x] At-Risk [ ] Nonprofit [ ] Rural [ ] TX-USDA-RHS [ ] Elderly

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: VK Affordable Housing, L.P.

Principal Names	Principal Contact	Percentage Ownership
Delphi Housing of Kaufman	Daniel O'Dea	.01% of Owner

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$193,806** Allocation over 10 Years: $1,938,060
Credits Requested $203,150 Eligible Basis Amount: $193,806 Equity/Gap Amount $249,024

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	1	0	0	1
40%	0	7	6	2	15
50%	0	8	7	3	18
60%	0	16	12	5	33
MR	0	0	0	0	0
Total	0	32	25	10	

Total LI Units: 68
Owner/Employee Units: 1
Total Project Units: 68
Applicable Fraction: 100.00

Applicable fraction is the lesser of the unit fraction or the square foot fraction attributable to low income units.

DEVELOPMENT AMENITIES (no extra cost to tenant)

- [x] Playground
- [x] Computer Facility with Internet
- [ ] Recreation facilities
- [ ] Public Phones
- [ ] Perimeter Fence with Controlled Gate Access
- [x] Community Laundry Room or Hook-Ups in Units
- [ ] On Site Day Care, Senior Center or Community Meal Room
- [x] Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- [x] Covered Entries
- [ ] Computer Line in all Bedrooms
- [x] Mini Blinds
- [ ] Ceramic Tile - Entry, Kitchen, Baths
- [x] Laundry Connections
- [x] Storage Room
- [ ] Laundry Equipment
- [x] 25 year Shingle Roofing
- [ ] Covered Parking
- [ ] Covered Patios or Balconies
- [ ] Garages
- [ ] Greater than 75% Masonry Exterior
- [ ] Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost:	$3,821,050
Gross Building Square Feet	50,525
Total Net Rentable Area Square Feet:	48,354
Average Square Feet/Unit	711
Cost Per Net Rentable Square Foot	$79.02
Credits per Low Income Uni	$2,850

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$366,744
Total Expenses:	$264,644
Net Operating Income	$102,100
Estimated 1st Year Debt Coverage Ratio	1.62

FINANCING

Permanent Principal Amount:	$1,835,933
Applicant Equity:	$436,219
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7992

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Delphi Community Housing III, Inc.	Market Analyst:	Vogt, Williams and Bowen
Housing GC:	NA	Originator/UW:	NA
Engineer:	NA	Appraiser:	Crown Appraisal Group
Cost Estimator:	NA	Attorney:	Nixon Peabody
Architect:	NA	Accountant:	Thomas Stephen & Company, L.L.P.
Property Manager	NA	Supp Services	Texas Inter-Faith Housing Co.
Syndicator:	Paramount Financial Group	Permanent Lender	Davis-Penn Mortgage Co.

Project Name: Village of Kaufman | Project Number: 03212

PUBLIC COMMENT SUMMARY

Note: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **0** Opposition: **0**

☐ A resolution was passed by the local government in support of the development.

Local/State/Federal Officials with Jurisdiction:

Local Official: Dennis Berry, Mayor City of Kaufman, S

TX Representative: Betty Brown, District 4, S

TX Senator: Dr. Bob Deuell, District 2, N

US Representative: Ralph M. Hall, Member of Congress, S

US Senator: John Cornyn, NC

Comment from Other Public Officials:

Wayne Gent, Community Judge, Kaufman County, S

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 64 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of the final market to market rents by construction loan closing as approved by the PAE and/or HUD OHMAR.

Receipt, review and acceptance of the final financing structure by construction loan closing as approved by the PAE and/or HUD OHMAR.

Should the rates or terms of the proposed debt or syndication be altered, a re-evaluation of this transaction should be conducted.

Alternate Recommendation: NA

RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☐ Score ☑ Meeting a Required Set Aside ☐ Meeting the Regional Allocation

☐ To serve a greater number of lower income families for fewer credits.

☐ To ensure geographic dispersion within each Uniform State Service Region.

☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan.

☐ To ensure the allocation of credits among as many different entities as practicable w/out diminishing the quality of the housing built.

☐ To give preference to a Development located in a QCT or DDA that contributes to revitalization.

☐ To provide integrated, affordable accessible housing for individuals families with different levels of income.

Explanation: This Development is needed to meet the At-Risk Set-Aside.

Robert Onion, Manager of Awards and Allocation Date

Brooke Boston, Director of Multifamily Finance Production Date

Edwina Carrington, Executive Director Date
Chairman of Executive Award and Review Advisory Committee

BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if any):

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

Developer Evaluation

Project ID # **03212** Name: **Village of Kaufman Apartmen** City: **Kaufman**

LIHTC 9% [x] LIHTC 4% [ ] HOME [ ] BOND [ ] HTF [ ] SECO [ ] ESGP [ ] Other [ ]

[ ] No Previous Participation in Texas [ ] Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: [ ] N/A [x] Yes [ ] No

Noncompliance Reported on National Previous Participation Certification: [ ] Yes [x] No

Portfolio Management and Compliance

Projects in Material Noncompliance: No [x] Yes [ ] # of Projects: 0

Total # of Projects monitored: 0 Projects grouped by score 0-9 0 10-19 0 20-29 0

Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 6

Program Monitoring/Draws

Not applicable [x] Review pending [ ] No unresolved issues [ ] Unresolved issues found [ ]

Unresolved issues found that warrant disqualification (Additional information/comments must be attached [ ]

Asset Management

Not applicable [ ] Review pending [ ] No unresolved issues [x] Unresolved issues found [ ]

Unresolved issues found that warrant disqualification (Additional information/comments must be attached [ ]

Reviewed by Sara Carr Newsom Date sday, May 08, 2003

Multifamily Finance Production

Not applicable [ ] Review pending [ ] No unresolved issues [x] Unresolved issues found [ ]

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) [ ]

Reviewed by R Meyer Date 5 /28/2003

Single Family Finance Production

Not applicable [ ] Review pending [ ] No unresolved issues [ ] Unresolved issues found [ ]

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) [ ]

Reviewed by ________ Date ________

Community Affairs

Not applicable [x] Review pending [ ] No unresolved issues [ ] Unresolved issues found [ ]

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) [ ]

Reviewed by Eddie Fariss Date 5 /5 /2003

Office of Colonia Initiatives

Not applicable [x] Review pending [ ] No unresolved issues [ ] Unresolved issues found [ ]

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) [ ]

Reviewed by H Cabello Date 6 /10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable [ ] Review pending [ ] No unresolved issues [ ] Unresolved issues found [ ]

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) [ ]

Reviewed by ________ Date ________

Loan Administration

Not applicable [ ] No delinquencies found [x] Delinquencies found [ ]

Delinquencies found that warrant disqualification (Additional information/comments must be attached) [ ]

Reviewed by Stephanie Stuntz Date 5 /6 /2003

Executive Director: Edwina Carrington **Executed:** Friday, June 13, 2003

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: June 17, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03212

DEVELOPMENT NAME

Village of Kaufman

APPLICANT

Name:	VK Affordable Housing, L.P.			**Type:**	For Profit		
Address:	204 East 8th Street			**City:**	Georgetown	**State:**	TX
Zip:	78626	**Contact:**	Daniel O'Dea	**Phone:**	(512) 863-7666	**Fax:**	(512) 863-8656

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Delphi Housing of Kaufman, Inc.	**(%):**	.01	**Title:**	Managing General Partner
Name:	Daniel F. O'Dea			**Title:**	75% Owner of MGP
Name:	Michelle Grandt			**Title:**	25% Owner of MGP

PROPERTY LOCATION

Location:	Site 1: 421 East 7th Street / Site 2: 101 Village Drive		☐ **QCT**		☐ **DDA**
City:	Kaufman	**County:**	Kaufman	**Zip:**	75142

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
$203,150	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 **Property Type:** Multifamily

Set-Aside(s): ☒ General ☐ Rural ☐ TX RD ☐ Non-Profit ☐ Elderly ☒ At Risk

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $193,806 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS

CONDITIONS

1. Receipt, review, and acceptance of the final mark to market rents by construction loan closing as approved by the PAE and/or HUD OHMAR;
2. Receipt, review and acceptance of the final financing structure by construction loan closing as approved by the PAE and/or HUD OHMAR; and
3. Should the rates or terms of the proposed debt or syndication be altered, a reevaluation of this transaction should be conducted

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	68	**# Rental Buildings**	26	**# Common Area Bldngs**	1	**# of Floors**	1	**Age:**	21 yrs

Net Rentable SF:	48,354	**Av Un SF:**	711	**Common Area SF:**	2,171	**Gross Bldg SF:**	50,525

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 50% brick veneer/50% plywood siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

2,171 SF community building with community room, management offices, laundry facilities, kitchen, restrooms, central mailroom, equipped children's play area

Uncovered Parking:	85 spaces	**Carports:**	n/a spaces	**Garages:**	n/a spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Village of Kaufman is a proposed acquisition and rehabilitation development of 68 units of affordable housing consisting of two sites, one mile apart. Site 1 is an existing property located at 421 East 7th Street located in the central part of Kaufman. Site 2 is an existing property located at Village Drive off Old Kemp Highway in the south Central portion of Kaufman. The development was built in 1982 and is comprised of 26 residential buildings as follows:

- (8) Building Style A with 4 one-bedroom/ one-bath units;
- (13) Building Style B with 2 two-bedroom/ one-bath units;
- (5) Building Style C with 2 three-bedroom/ one-bath units

Existing subsides: The project is currently receiving Section 8 rents greatly in excess of market. In addition, the project is in need of significant rehabilitation. The plan is to enter the mark to market restructuring program through HUD OHMAR. In this program HUD will mark down the rents and restructure the loan. The Participating Administrative Entity (PAE) on the project will determine the market rents. Then they will write down the first mortgage to a 1.20 DCR based upon these new rents and estimated expenses. The remaining mortgage and an amount necessary to cover the transaction expenses will be structured into soft second and third loans, which HUD OHMAR will hold. Seventy five percent of cash flow will be used to pay these notes. The exact structure will be worked out and finalized pending an allocation of tax credits. The existing loan is in place with Davis Penn mortgage. The Section 8 contracts will be continued at the new rents.

Supportive Services: Texas Inter-Faith Housing Corporation will provide supportive services that will consist of: education programs, personal growth and family skill development. The services will be optional and the cost of the services will be free to the tenant.

Schedule: The Applicant anticipates construction to begin in October of 2003, to be completed in September of 2004, to be placed in service in January of 2004, and to be substantially leased-up in December of 2004.

SITE ISSUES

SITE DESCRIPTION

Size: 8.497 acres 370,129 square feet **Zoning/ Permitted Uses:** MF-1

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Kaufman is located approximately 30 miles southeast from Dallas in Kaufman County. The site consists of two sites, one mile apart. Site 1 is an existing property consisting of nine residential structures and one community building located at 421 East 7th Street in the Central portion of Kaufman. Site 2 is also an exiting property consisting of seventeen residential structures located at Village Drive off Old Kemp Highway in the south central portion of Kaufman.

Adjacent Land Uses: (Site 1)

- **North:** apartments and single-family homes
- **South:** single-family homes
- **East:** elementary school
- **West:** single-family homes

Adjacent Land Uses: (Site 2)

- **North:** vacant land
- **South:** apartments
- **East:** vacant land
- **West:** grocery store, retail and post office

Site 1 Access: Access to the property is from the west along 7th street. The development is actually the east end of seventh street which is a cul-de-sac.
Site 2 Access: Access to the property is from the east along Old Kemp Highway. The development is on Village Drive which is also a cul-de-sac.
Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The surrounding land uses to the sites will have a positive impact on the marketability of the units. Visibility and access for both sites are considered good. The sites are within close proximity to shopping, employment, and recreation, entertainment, and education opportunities.

Site Inspection Findings: The site was inspected by a TDHCA staff member on May 13, 2003 and found to be acceptable.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 28, 2003 was prepared by Astex Environmental Services, Inc. and contained the following findings and recommendations:

Findings:

- **Asbestos-Containing Materials (ACM):** An investigation and laboratory analysis of suspect building materials was conducted for the presence of asbestos containing materials and identified the original cream color 12” floor tile and associated black adhesive throughout the subject property as ACM. These materials can be managed in place through implementation of an Operations and Maintenance Plan (O&M) however, if they are to be disturbed during repair or renovation activities, a Texas licensed asbestos contractor must be called in under the direction of a Texas licensed asbestos consultant.

Recommendations: The environmental risk associated with this property, both locations, either emanating from or migrating to the subject sites, would be considered low. Based on a review of local, State, and Federal environmental databases, there are no indications of facilities, incidents, or problems that would pose a significant environmental impact on either of the subject properties.

A copy of the O & M Plan was provided.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income. While all of the units will be considered tax credit units, 67 of the units (100% of the total) will be reserved for low-income tenants. One of the units (1%) will be reserved for households earning 30% or less of AMGI, 15 of the units (22%) will be reserved for households earning 40% or less of AMGI, 18 of the units (26%) will be reserved for households earning 50% or less of AMGI, 33 units (50%) will be reserved for households earning 60% or less of AMGI, and the remaining one unit will be employee occupied.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$27,960	$31,920	$35,940	$39,900	$43,080	$46,260

MARKET HIGHLIGHTS

A market feasibility study dated March 24, 2003 was prepared by Vogt, Williams & Bowen, LLC and highlighted the following findings:

Definition of Market/Submarket : "The Kaufman PMA includes the town of Kaufman and the immediate surrounding area. A small portion of support may originate from some of the outlying smaller communities in the area; however, we have not considered any secondary market area." (p. IV-6)

Population: The estimated 2002 population of Kaufman PMA was 15,406 and is expected to increase by 11% to approximately 17,100 by 2007. Within the primary market area there were estimated to be 5,207 households in 2002.

Given that the proposed project will retain its HUD Section 8 subsidy, even after renovations, we do not anticipate the subject property impacting the occupancy rates of existing rentals in the market" (p. VII-5)

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	9	2%	9	3%
Resident Turnover	411	98%	267	97%
TOTAL ANNUAL DEMAND	420	**100%**	276	**100%**

Ref: p. Summary Sheet

Inclusive Capture Rate: "The proposed 67 units at the subject site, once renovated, will represent a capture rate of 22.6% of the 297 net income-eligible households within the PMA. The Underwriter calculated an inclusive capture rate of 25% based upon a revised demand of 276 units. The capture rate for an existing stabilized property is not a significant concern.

Local Housing Authority Waiting List Information: "There are no vacancies among the 154 Federally subsidized units in the market. Most of the Federally subsidized projects maintain waiting lists." (p. II-2)

Market Rent Comparables: The market analyst surveyed three comparable apartment projects totaling 84 units in the market area. (p. VI-1)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (30%)	$341	$340	+$1	$491	-$150
1-Bedroom (40%)	$430	$466	-$36	$491	-$61
1-Bedroom (50%)	$430	$590	-$160	$491	-$61
1-Bedroom (60%)	$430	$715	-285	$491	-$61
2-Bedroom (40%)	$500	$552	-$52	$606	-$106
2-Bedroom (50%)	$500	$701	-$201	$606	-$106
2-Bedroom (60%)	$500	$851	-351	$606	-$106
2-Bedroom (EO)	$0	$0	0	$0	$0
3-Bedroom (40%)	$560	$638	-$78	$666	-$106
3-Bedroom (50%)	$560	$811	-$251	$666	-$106
3-Bedroom (60%)	$560	$984	-424	$666	-$106

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

(NOTE: The Program Max Limits as shown above are not being used due to the fact that HUD limits were lower)

Submarket Vacancy Rates: "Based on the 2000 Census, of the 5,311 total housing units in the PMA 6.1% were vacant" (p. V-1)

Known Planned Development: "Based on our interviews with local building and planning representatives, it was determined that there are no new multifamily projects are planned for the area." (p. II-2)

The Underwriter found the market study to provide sufficient information to make a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The PAE's preliminary rent limits were used by the Applicant in setting the rents. The Applicant listed one unit as employee occupied but still included rent for this unit. Typically employee units are provided as part of the employees compensation. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. There is the potential for additional income if the Applicant chooses to increase rents to the maximum LIHTC amount allowed, though the market study information suggests that the market could not support rents at the rent limit maximums. In this case the below LIHTC and below market rents are restricted via the HUD Section 8 contracts.

Expenses: The Applicant's total expense estimate of $4,108 per unit is $15K (6%) higher than the TDHCA database-derived estimate of $3,892 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, that deviate significantly when compared to the database and historical averages, particularly general and administrative ($5.6K higher), payroll ($7.6K higher) and repairs and maintenance ($16K higher).

Conclusion: 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. Even though the Underwriter's DCR exceeds the program maximums standard of 1.30 we have elected to leave it at 1.43 due to the fact that there are two soft second liens that have no debt service being accounted for in the calculations as they are not payable until there is a positive cash flow from the development. In this instance the DCR translates to a modest cash flow of $39.256 per year which will first be used to pay off the deferred developer fee.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 8.497 acres	$180,000	**Date of Valuation:**	2/ 27/ 2003
Existing Building(s): "as is"	$820,000	**Date of Valuation:**	2/ 27/ 2003
Total Development: "as is"	$1,000,000	**Date of Valuation:**	2/ 27/ 2003

Appraiser: Crown Appraisal Group **City:** Columbus, OH **Phone:** (614) 431-3332

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The highest and best use of the subject if vacant is for development with an intensive residential use. The highest and best use as improved is with its current improvements. (p. 26)

Conclusion: Primary emphasis was placed on the income capitalization approach for a point estimate of market value. (p. 46)

ASSESSED VALUE

Land: 8.497 acres	$343,260	**Assessment for the Year of:**	2002
Building:	$1,436,270	**Valuation by:**	Kaufman County Appraisal District
Total Assessed Value:	$1,779,530	**Tax Rate:**	2.972175

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Purchase And Sale Agreement		
Contract Expiration Date:	12/ 31/ 2003	**Anticipated Closing Date:**	10/ 1/ 2003
Acquisition Cost:	$1,927,528	**Other Terms/Conditions:**	
Seller:	The Village of Kaufman, LTD	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The Applicant had ascribed a land cost of $192,753 and the building cost of $1,734,775 totaling $ 1,927,528. The acquisition cost is made up of $310,000 cash plus all outstanding debt. According to the PAE, the existing loan out study is 1,612,445, this amounts to $5,083 less than the amount indicated by the Applicant. The Underwriter based the building portion of the acquisition on the Appraisers building to lane value. The Appraiser said the buildings were worth 82% of the total value or $1,576,405 or 158,370 less than requested. The acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $1,201 per unit are considered reasonable compared to historical sitework costs for multifamily projects. No demolition costs are included in cost schedule.

Direct Construction Cost: The Applicant's direct construction cost estimate is $11,127 per unit.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $2K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Fees: The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible potion of the Applicant's developer fee must be reduced by $2.8K.

Conclusion: The Applicant's total development cost estimate is not within 5% of the Underwriter's verifiable estimate, however, all of the Underwriter's estimates are based upon self disclosure by the Applicant. Since the Underwriter has only recalculated the Applicant's projected costs, the Underwriter's total cost breakdown is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $3,347,627 is used to determine a credit allocation of $193,806 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

INTERIM/LONG TERM/PERMANENT FINANCING

Source:	Davis-Penn Mortgage Co.	**Contact:**	Ray Landry
Principal Amount:	$731,000	**Interest Rate:**	7.75%
Additional Information:			

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

Annual Payment: $65,909 **Lien Priority:** 1st **Commitment Date** 2/ 27/ 2003

ASSUMPTION OF LONG TERM/PERMANENT FINANCING

Source: Davis-Penn/OHMAR **Contact:** Ray Landry

Principal Amount: $881,445 **Interest Rate:** 3%

Additional Information: 75% of cash flow after 1st lien

Amortization: 0 yrs **Term:** 30 yrs **Commitment:** ☐ None ☐ Firm ☐ Conditional

Annual Payment: $TBD **Lien Priority:** 2nd **Commitment Date** / /

ASSUMPTION OF LONG TERM/PERMANENT FINANCING

Source: Davis-Penn/OHMAR **Contact:** Ray Landry

Principal Amount: $223,488 **Interest Rate:** 3%

Additional Information: 75% of cash flow after 2nd lien

Amortization: 0 yrs **Term:** 30 yrs **Commitment:** ☐ None ☐ Firm ☐ Conditional

Annual Payment: $TBD **Lien Priority:** 3rd **Commitment Date** / /

LIHTC SYNDICATION

Source: Paramount Financial Group **Contact:** Dale Cook

Address: 150 East Main Street **City:** Fredicksburt

State: TX **Zip:** 78624 **Phone:** (830) 997-6960 **Fax:** (830) 997-5939

Net Proceeds: $1,623,572 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 80¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 27/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $366,629 **Source:** Defered Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application.

LIHTC Syndication: Paramount Financial Group has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $1,623,572 based on a syndication factor of 80%. The funds would be disbursed in a 6-phased pay-in schedule:

1. 50% upon the closing of the construction loan;
2. 25% upon the construction completion and conversion to permanent loan;
3. 25% upon receipt of 8609's;

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $366,629 amounts to 79% of the total fees.

Financing Conclusions: Based on TDHCA's estimate of eligible basis, the LIHTC allocation should not exceed $193,806 annually for ten years, resulting in syndication proceeds of approximately $1,548,898. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to $436,219 which should be repayable from cash flow in more than 10 but within 15 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 will be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, developer, and general contractor are related entities. These are common identities of interest for LIHTC developments.

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.
- Mr. Dan O'Dea and Ms. Michelle Gradt provided personal financial statements.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The General Partner has completed six LIHTC/affordable housing developments totaling 735 units.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- Significant environmental risks exist regarding asbestos containing building materials.
- The significant financing structure changes being proposed have not been accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Carl Hoover*	**Date:**	June 17, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 17, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Village of Kaufman, Kaufman, LIHTC #03212

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 (30%)	1	1	1	582	$373	$430	$430	$0.74	$33.00	$30.00
<LIHTC (40%)	7	1	1	582	499	430	3,010	0.74	33.00	30.00
<LIHTC (50%)	8	1	1	582	623	430	3,440	0.74	33.00	30.00
<LIHTC (60%)	16	1	1	582	748	430	6,880	0.74	33.00	30.00
<LIHTC (40%)	6	2	1	780	599	500	3,000	0.64	47.00	42.00
<LIHTC (50%)	7	2	1	780	748	500	3,500	0.64	47.00	42.00
<LIHTC (60%)	12	2	1	780	898	500	6,000	0.64	47.00	42.00
EO	1	2	1	780	898	500	500	0.64	47.00	42.00
<LIHTC (40%)	2	3	1	945	691	560	1,120	0.59	53.00	47.00
<LIHTC (50%)	3	3	1	945	864	560	1,680	0.59	53.00	47.00
<LIHTC (60%)	5	3	1	945	1,037	560	2,800	0.59	53.00	47.00
TOTAL:	68		**AVERAGE:**	711	$742	$476	$32,360	$0.67	$41.29	$37.09

				TDHCA	APPLICANT			
INCOME	Total Net Rentable Sq Ft:	48,354					USS Region	3
POTENTIAL GROSS RENT				$388,320	$387,252		IREM Region	Dallas
Secondary Income		Per Unit Per Month:	$10.00	8,160	6,936	$8.50	Per Unit Per Month	
Other Support Income:				0				
POTENTIAL GROSS INCOME				$396,480	$394,188			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(29,736)	(29,568)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	(6,000)			
EFFECTIVE GROSS INCOME				$366,744	$358,620			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.84%	$369	0.52	25,081	$19,477	$0.40	$286	5.43%
Management	5.94%	320	0.45	21,767	$19,730	0.41	290	5.50%
Payroll & Payroll Tax	16.46%	888	1.25	60,384	$68,024	1.41	1,000	18.97%
Repairs & Maintenance	6.34%	342	0.48	23,258	$39,251	0.81	577	10.95%
Utilities	2.34%	126	0.18	8,592	$7,988	0.17	117	2.23%
Water, Sewer, & Trash	7.88%	425	0.60	28,882	$26,200	0.54	385	7.31%
Property Insurance	3.30%	178	0.25	12,089	$17,500	0.36	257	4.88%
Property Tax 2.972175	14.42%	778	1.09	52,891	$52,891	1.09	778	14.75%
Reserve for Replacements	5.56%	300	0.42	20,400	$17,000	0.35	250	4.74%
Other Expenses: Supp.Serv., Comp	3.08%	166	0.23	11,300	$11,300	0.23	166	3.15%
TOTAL EXPENSES	72.16%	$3,892	$5.47	$264,644	$279,361	$5.78	$4,108	77.90%
NET OPERATING INC	27.84%	$1,501	$2.11	$102,100	$79,259	$1.64	$1,166	22.10%
DEBT SERVICE								
Davis-Penn Mortgage Co.	17.14%	$924	$1.30	$62,844	$65,909	$1.36	$969	18.38%
Davis-Penn / OHMAR	0.00%	$0	$0.00	0		$0.00	$0	0.00%
Davis-Penn / OHMAR	0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW	10.70%	$577	$0.81	$39,256	$13,350	$0.28	$196	3.72%
AGGREGATE DEBT COVERAGE RATIO				1.62	1.20			
RECOMMENDED DEBT COVERAGE RATIO				1.62				

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)		50.31%	$28,271	$39.76	$1,922,445	$1,927,528	$39.86	$28,346	50.38%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		2.14%	1,201	1.69	81,700	81,700	1.69	1,201	2.14%
Direct Construction		19.80%	11,127	15.65	756,602	756,602	15.65	11,127	19.77%
Contingency	10.00%	2.19%	1,233	1.73	83,830	100,596	2.08	1,479	2.63%
General Req'ts	6.00%	1.32%	740	1.04	50,298	50,298	1.04	740	1.31%
Contractor's G & A	2.00%	0.44%	247	0.35	16,766	16,766	0.35	247	0.44%
Contractor's Profit	6.00%	1.32%	740	1.04	50,298	50,298	1.04	740	1.31%
Indirect Construction		4.85%	2,725	3.83	185,280	185,280	3.83	2,725	4.84%
Ineligible Costs		1.50%	844	1.19	57,383	14,050	0.29	207	0.37%
Developer's G & A	2.00%	1.52%	856	1.20	58,220	61,762	1.28	908	1.61%
Developer's Profit	13.00%	9.90%	5,565	7.83	378,427	401,453	8.30	5,904	10.49%
Interim Financing		2.87%	1,615	2.27	109,800	109,800	2.27	1,615	2.87%
Reserves		1.83%	1,029	1.45	70,000	70,000	1.45	1,029	1.83%
TOTAL COST		100.00%	$56,192	$79.02	$3,821,050	$3,826,133	$79.13	$56,267	100.00%
Recap-Hard Construction Costs		*27.20%*	***$15,287***	***$21.50***	***$1,039,494***	***$1,056,260***	***$21.84***	***$15,533***	*27.61%*

SOURCES OF FUNDS

	%	Per Unit	Per SF	TDHCA	APPLICANT	RECOMMENDED	
Davis-Penn Mortgage Co.	19.13%	$10,750	$15.12	$731,000	$731,000	$731,000	
Davis-Penn / OHMAR	23.07%	$12,962	$18.23	881,445	881,445	881,445	Developer fee Avalable
Davis-Penn / OHMAR	5.85%	$3,287	$4.62	223,488	223,488	223,488	$436,647
LIHTC Syndication Proceeds	42.49%	$23,876	$33.58	1,623,572	1,623,572	1,548,898	% of Dev. Fee Deferred
Deferred Developer Fees	9.59%	$5,392	$7.58	366,629	366,629	436,219	100%
Additional (excess) Funds Required	-0.13%	($75)	($0.11)	(5,084)	(1)	0	Dev Fee Repayable in 15 yrs
TOTAL SOURCES				$3,821,050	$3,826,133	$3,821,050	$608,923.94

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Village of Kaufman, Kaufman, LIHTC #03212

PAYMENT COMPUTATION

Primary	$731,000	Term	360
Int Rate	7.75%	DCR	1.62

Secondary	$881,445	Term	0
Int Rate	3.00%	Subtotal DCR	1.62

Additional	$223,488	Term	0
Int Rate	3.00%	Aggregate DCR	1.62

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$62,844
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$39,256

Primary	$731,000	Term	360
Int Rate	7.75%	DCR	1.62

Secondary	$881,445	Term	
Int Rate	3.00%	Subtotal DCR	1.62

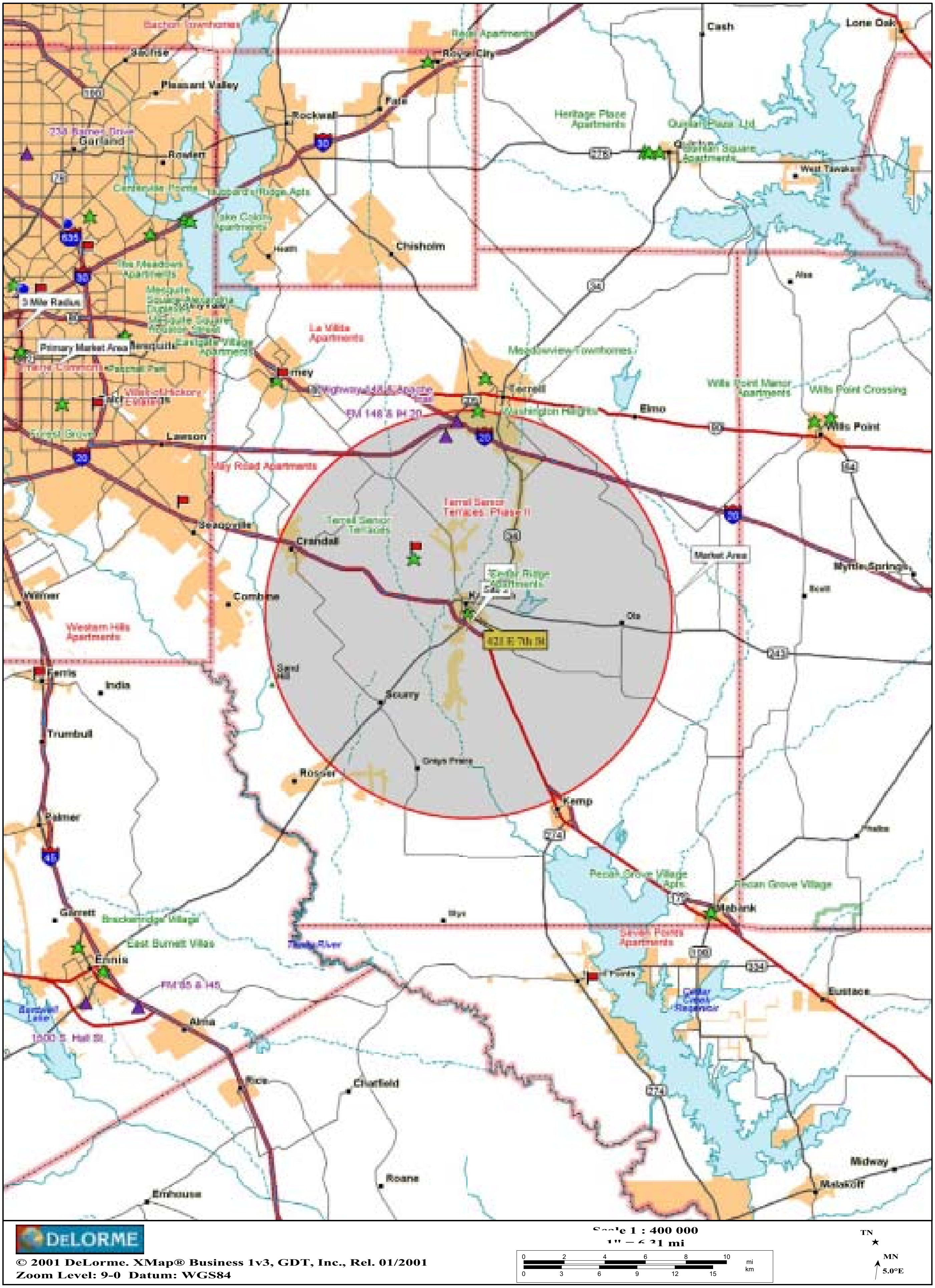
Additional	$223,488	Term	
Int Rate	3.00%	Aggregate DCR	1.62

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	$388,320	$399,970	$411,969	$424,328	$437,058	$506,670	$587,369	$680,921	$915,102
Secondary Income	8,160	8,405	8,657	8,917	9,184	10,647	12,343	14,309	19,230
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	396,480	408,374	420,626	433,244	446,242	517,316	599,712	695,230	934,331
Vacancy & Collection Loss	(29,736)	(30,628)	(31,547)	(32,493)	(33,468)	(38,799)	(44,978)	(52,142)	(70,075)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$366,744	$377,746	$389,079	$400,751	$412,774	$478,518	$554,733	$643,088	$864,256
EXPENSES at 4.00%									
General & Administrative	$25,081	$26,085	$27,128	$28,213	$29,342	$35,699	$43,433	$52,843	$78,220
Management	21,767	22,420	23,093	23,786	24,499	28,401	32,925	38,169	51,296
Payroll & Payroll Tax	60,384	62,799	65,311	67,924	70,641	85,945	104,566	127,220	188,317
Repairs & Maintenance	23,258	24,188	25,156	26,162	27,208	33,103	40,275	49,001	72,533
Utilities	8,592	8,936	9,294	9,665	10,052	12,230	14,879	18,103	26,797
Water, Sewer & Trash	28,882	30,037	31,239	32,488	33,788	41,108	50,014	60,850	90,073
Insurance	12,089	12,572	13,075	13,598	14,142	17,206	20,933	25,469	37,700
Property Tax	52,891	55,006	57,207	59,495	61,875	75,280	91,590	111,433	164,948
Reserve for Replacements	20,400	21,216	22,065	22,947	23,865	29,036	35,326	42,980	63,620
Other	11,300	11,752	12,222	12,711	13,219	16,083	19,568	23,807	35,241
TOTAL EXPENSES	$264,644	$275,012	$285,789	$296,989	$308,631	$374,091	$453,509	$549,874	$808,744
NET OPERATING INCOME	$102,100	$102,734	$103,290	$103,762	$104,143	$104,427	$101,224	$93,214	$55,512
DEBT SERVICE									
First Lien Financing	$62,844	$62,844	$62,844	$62,844	$62,844	$62,844	$62,844	$62,844	$62,844
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	$39,256	$39,890	$40,446	$40,918	$41,299	$41,583	$38,380	$30,370	($7,332)
DEBT COVERAGE RATIO	1.62	1.63	1.64	1.65	1.66	1.66	1.61	1.48	0.88

LIHTC Allocation Calculation - Village of Kaufman, Kaufman, LIHTC #03212						
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	$192,753	$346,040				
Purchase of buildings	$1,734,775	$1,576,405	$1,734,775	$1,576,405		
(2) Rehabilitation/New Construction Cost						
On-site work	$81,700	$81,700			$81,700	$81,700
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	$756,602	$756,602			$756,602	$756,602
(4) Contractor Fees & General Requirements						
Contractor overhead	$16,766	$16,766			$16,766	$16,766
Contractor profit	$50,298	$50,298			$50,298	$50,298
General requirements	$50,298	$50,298			$50,298	$50,298
(5) Contingencies	$100,596	$83,830			$83,830	$83,830
(6) Eligible Indirect Fees	$185,280	$185,280			$185,280	$185,280
(7) Eligible Financing Fees	$109,800	$109,800			$109,800	$109,800
(8) All Ineligible Costs	$14,050	$57,383				
(9) Developer Fees			$260,216	$236,461	$200,186	$200,186
Developer overhead	$61,762	$58,220				
Developer fee	$401,453	$378,427				
(10) Development Reserves	$70,000	$70,000				
TOTAL DEVELOPMENT COSTS	$3,826,133	$3,821,050	$1,994,991	$1,812,866	$1,534,761	$1,534,761

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		$1,994,991	$1,812,866	$1,534,761	$1,534,761
High Cost Area Adjustment				100%	100%
TOTAL ADJUSTED BASIS		$1,994,991	$1,812,866	$1,534,761	$1,534,761
Applicable Fraction		100%	100%	100%	100%
TOTAL QUALIFIED BASIS		$1,994,991	$1,812,866	$1,534,761	$1,534,761
Applicable Percentage		3.63%	3.63%	8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$72,418	$65,807	$127,999	$127,999
Syndication Proceeds	**0.7992**	**$578,766**	**$525,930**	**$1,022,968**	**$1,022,968**
Total Credits (Eligible Basis Method)				**$200,417**	**$193,806**
Syndication Proceeds				**$1,601,735**	**$1,548,898**
Requested Credits				**$203,150**	
Syndication Proceeds				**$1,623,575**	
Gap of Syndication Proceeds Needed				**$1,990,200**	
Credit Amount				**$249,024**	


Cash
Lone Oak
Royse City
Rockwall
Fate
Garland
Rowlett
Pleasant Valley
Heritage Place Apartments
Quinlan
Lakeview Townhomes
Chisholm
3 Mile Radius
Primary Market Area
Terrell
Elmo
Wills Point Manor Apartments
Wills Point Crossing
Wills Point
Meadowview Townhomes
Washington Heights
FM 148 & IH 20
Lawson
Seagoville
Crandall
Combine
Terrell Senior Terraces
Terrell Senior Terraces, Phase II
Market Area
Myrtle Springs
Western Hills Apartments
Ferris
India
Trumbull
Scurry
Rosser
Kemp
Palmer
Garrett
Ennis
Alma
Brackenridge Village
East Burnett Villas
Pecan Grove Village
Mabank
Seven Points Apartments
Eustace
Cedar Creek Reservoir
Trinity River
Chatfield
Rice
Roane
Ennhouse
Midway
Malakoff
1500 S. Hall St.
FM 85 & I45
423 E 7th St
Scale 1 : 400 000
mi
km
TN
MN
5.0°E

TDHCA

03250

Region 3

MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENT PROFILE AND BOARD SUMMARY FOR RECOMMENDED LIHTC APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Pine Run Apartments** TDHCA #: **03250**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 3 Site Address: 700 Piner
City: Honey Grove County: Fannin Zip Code: 75446

☐ TTC ☐ DDA ☐ QCT Purpose / Activity: Acquisition/Rehab

Targeted Units: Family: 32 Elderly: 0 Handicapped/Disabled 3 Domestic Abuse: 0 Transitional: 0

Set Asides: ☐ General ☑ At-Risk ☐ Nonprofit ☑ Rural ☑ TX-USDA-RHS ☐ Elderly

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: HVM Honey Grove, Ltd.

Principal Names	Principal Contact	Percentage Ownership
HVM Housing, LLC	Dennis Hoover	5% of Owner
Dennis Hoover	Denins Hoover	95% of Initial LP

TAX CREDIT ALLOCATION INFORMATION

Annual Credit Allocation Recommendatio **$62,784** Allocation over 10 Years: $627,840
Credits Requested $62,925 Eligible Basis Amount: $62,784 Equity/Gap Amount $63,943

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	Total
30%	0	0	0	0	0
40%	0	0	0	0	0
50%	0	0	0	0	0
60%	0	16	16	0	32
MR	0	0	0	0	0
Total	0	16	16	0	

Total LI Units: 32
Owner/Employee Units: 0
Total Project Units: 32
Applicable Fraction: 100.00

Applicable fraction is the lesser of the unit fraction or the square foot fraction attributable to low income units.

DEVELOPMENT AMENITIES (no extra cost to tenant)

- ☑ Playground
- ☐ Computer Facility with Internet
- ☐ Recreation facilities
- ☐ Public Phones
- ☐ Perimeter Fence with Controlled Gate Access
- ☑ Community Laundry Room or Hook-Ups in Units
- ☐ On Site Day Care, Senior Center or Community Meal Room
- ☐ Furnished Community Room

UNIT AMENITIES (no extra cost to tenant)

- ☑ Covered Entries
- ☑ Computer Line in all Bedrooms
- ☑ Mini Blinds
- ☐ Ceramic Tile - Entry, Kitchen, Baths
- ☐ Laundry Connections
- ☐ Storage Room
- ☐ Laundry Equipment
- ☑ 25 year Shingle Roofing
- ☐ Covered Parking
- ☑ Covered Patios or Balconies
- ☐ Garages
- ☑ Greater than 75% Masonry Exterior
- ☑ Use of Energy Efficient Alternative Construction Materials

BUILDING INFORMATION

Total Development Cost:	$954,915
Gross Building Square Feet	25,183
Total Net Rentable Area Square Feet:	24,320
Average Square Feet/Unit	760
Cost Per Net Rentable Square Foot	$39.26
Credits per Low Income Uni	$1,962

INCOME AND EXPENSE INFORMATION

Effective Gross Income	$126,096
Total Expenses:	$99,419
Net Operating Income	$26,677
Estimated 1st Year Debt Coverage Ratio	1.47

FINANCING

Permanent Principal Amount:	$469,000
Applicant Equity:	$97,676
Equity Source:	Deferred Developer Fee
Syndication Rate:	$0.7599

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Dennis Hoover	Market Analyst:	NA
Housing GC:	Hoover Construction Company, Inc.	Originator/UW:	NA
Engineer:	NA	Appraiser:	NA
Cost Estimator:	NA	Attorney:	Alvin Nored
Architect:	W.S. Allen & Associates	Accountant:	Lou Ann Monty & Associates
Property Manager	Hamilton Valley Management	Supp Services	NA
Syndicator:	NA	Permanent Lender	U.S. Department of Agriculture (RHS)

Project Name: Pine Run Apartments Project Number: 03250

PUBLIC COMMENT SUMMARY Note: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

# of Letters, Petitions, or Witness Affirmation Forms (not from Officials): Support: **0** Opposition: **0**

☑ A resolution was passed by the local government in support of the development.

Local/State/Federal Officials with Jurisdiction:		Comment from Other Public Officials:
Local Official:	Fred Siebenthall, Mayor, City of Honey Grove, S	Glenn A. Hegar, Jr. State Representative, District 28, S
TX Representative:	Larry Phillips, District 62 , N	Don Morrison, City Administrator of Honey Grove, S
TX Senator:	Dr. Bob Deuell, District 2 , S	
US Representative:		
US Senator:		

General Summary of Comment: Broad Support

DEPARTMENT EVALUATION

Points Awarded: 59 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a flood plain map or documentation indicating that the site is located entirely outside the 100-year flood plain prior to execution of tax credit commitment.

Receipt, review, and acceptance of a third party scope of rehabilitation and scope of work/needs assessment prior to execution of tax credit commitment.

Receipt, review, and acceptance of a tax opinion from the syndicator's or investor's tax counsel regarding the acceptance of the value of the acquisition in eligible basis and the proposed value of the subsidy being included in the eligible acquisition basis. In addition the opinions should address and support the development's ability to claim the 9% rehabilitation credit despite the potential interpretation that the USDA loan resulting from the credit sale is a new below market rate federal loan that should de reduced from basis.

Receipt, review, and acceptance of a satisfactory rental agreement from USDA Rural Development prior to cost certification that reflects support for the Basic Rents as proposed by the Applicant.

Should the terms of the proposed debt or syndication be altered, the recommendation and conditions of this report should be re-evaluated.

Alternate Recommendation: NA

RECOMMENDATION BY THE PROGRAM MANAGER, THE DIRECTOR OF MULTIFAMILY FINANCE PRODUCTION AND THE THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☐ Score ☑ Meeting a Required Set Aside ☐ Meeting the Regional Allocation

☐ To serve a greater number of lower income families for fewer credits.

☐ To ensure geographic dispersion within each Uniform State Service Region.

☐ To ensure the Development's consistency with local needs or its impact as part of a revitalization or preservation plan.

☐ To ensure the allocation of credits among as many different entities as practicable w/out diminishing the quality of the housing built.

☐ To give preference to a Development located in a QCT or DDA that contributes to revitalization.

☐ To provide integrated, affordable accessible housing for individuals families with different levels of income.

Explanation: **This Development is needed to meet the USDA and At-Risk Set-Asides.**

Robert Onion, Manager of Awards and Allocation Date Brooke Boston, Director of Multifamily Finance Production Date

Edwina Carrington, Executive Director Date
Chairman of Executive Award and Review Advisory Committee

BOARD OF DIRECTOR'S APPROVAL AND DESCRIPTION OF DISCRETIONARY FACTORS (if any):

Approved Credit Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

Developer Evaluation

Project ID # **03250** Name: **Pine Run Apartments** City: **Honey Grove**

LIHTC 9% ☑ LIHTC 4% ☐ HOME ☐ BOND ☐ HTF ☐ SECO ☐ ESGP ☐ Other ☐

☐ No Previous Participation in Texas ☐ Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: ☑ N/A ☐ Yes ☐ No

Noncompliance Reported on National Previous Participation Certification: ☐ Yes ☐ No

Portfolio Management and Compliance

Projects in Material Noncompliance: No ☑ Yes ☐ # of Projects: 0

Total # of Projects monitored: 48 Projects grouped by score 0-9 46 10-19 1 20-29 1

Total # monitored with a score less than 30: 48 # not yet monitored or pending review: 12

Program Monitoring/Draws

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Asset Management

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached ☐

Reviewed by Sara Carr Newsom Date sday, May 08, 2003

Multifamily Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☑ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by R Meyer Date 5 /28/2003

Single Family Finance Production

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ____________ Date ____________

Community Affairs

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Eddie Fariss Date 5 /5 /2003

Office of Colonia Initiatives

Not applicable ☑ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by H Cabello Date 6 /10/2003

Real Estate Analysis (Cost Certification and Workout)

Not applicable ☐ Review pending ☐ No unresolved issues ☐ Unresolved issues found ☐

Unresolved issues found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by ____________ Date ____________

Loan Administration

Not applicable ☐ No delinquencies found ☑ Delinquencies found ☐

Delinquencies found that warrant disqualification (Additional information/comments must be attached) ☐

Reviewed by Stephanie Stuntz Date 5 /6 /2003

Executive Director: Edwina Carrington **Executed:** Friday, June 13, 2003

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: May 27, 2003 **PROGRAM:** 9% LIHTC **FILE NUMBER:** 03250

DEVELOPMENT NAME

Pine Run Apartments

APPLICANT

Name:	HVM Honey Grove, Ltd.			**Type:**	For Profit		
Address:	209 South West Street			**City:**	Burnet	**State:**	Texas
Zip:	78611	**Contact:**	Denis Hoover	**Phone:**	(512) 756-6809	**Fax:**	(512) 756-9885

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	HVM Housing, LLC	**(%):**	5%	**Title:**	Managing General Partner
Name:	Dennis Hoover	**(%):**	95%	**Title:**	Initial Limited Partner
Name:	Dixie Farmer	**(%):**	n/a	**Title:**	51% Owner of G.P.
Name:	Dennis Hoover	**(%):**	n/a	**Title:**	24.5% Owner of G.P.
Name:	Danna Hoover	**(%):**	n/a	**Title:**	24.5% Owner of G.P.

PROPERTY LOCATION

Location:	700 Piner			☐ **QCT**	☐ **DDA**
City:	Honey Grove	**County:**	Fannin	**Zip:**	75446

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
$62,925	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 **Property Type:** Multifamily

Set-Aside(s): ☐ General ☒ Rural ☒ TX RD ☐ Non-Profit ☐ Elderly ☒ At Risk

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $62,784 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a flood plain map or documentation indicating that the site is located entirely outside the 100-year flood plain prior to execution of tax credit commitment.
2. Receipt, review, and acceptance of a third party scope of rehabilitation scope of work/needs assessment prior to the initial closing on the property.
3. Receipt, review, and acceptance of a tax opinion from the syndicator's or investor's tax counsel regarding the acceptance of the value of the acquisition in eligible basis and the proposed value of the subsidy being included in the eligible acquisition basis. In addition the opinions should address and support the development's ability to claim the 9% rehabilitation credit despite the potential interpretation that the USDA loan resulting from the credit sale is a new below market rate federal loan that should be reduced from basis.
4. Receipt, review, and acceptance of a satisfactory rental assistance agreement from USDA Rural

Development prior to cost certification that reflects support for the Basic Rents as proposed by the Applicant.

5. Should the terms of the proposed debt or syndication be altered, the recommendations and conditions of this report should be re-evaluated.

REVIEW of PREVIOUS UNDERWRITING REPORTS

The development was previously underwritten in 1999 and was not recommended for funding. At that time another Applicant and General Partner (the former owner) was attempting to secure $500,000 from the Housing Trust Fund program. None of the issues effecting TDHCA's failure to recommend the development in 1999 currently exist.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	32	**# Rental Buildings**	6	**# Common Area Bldgs**	1	**# of Floors**	2	**Age:**	17 yrs	**Vacant:**	6%	at	1/ 1/ 2003

Net Rentable SF: 24,320 **Av Un SF:** 760 **Common Area SF:** 863 **Gross Bldg SF:** 25,183

STRUCTURAL MATERIALS

Wood frame on concrete slab on grade, 90% brick veneer 10% wood trim exterior, 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, laminated counter tops, individual water heaters.

ON-SITE AMENITIES

An 863 SF community building with management offices, laundry facilities, restrooms, and children's play area.

Uncovered Parking: 50 spaces **Carports:** n/a spaces **Garages:** n/a Spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Pine Run is a proposed acquisition and rehabilitation development of 32 units of affordable housing located in west Honey Grove. The development was built in 1986 and is comprised of six residential buildings as follows:

- (2) Building Type A with six one-bedroom/ one-bath units;
- (1) Building Type B with four one-bedroom/ one-bath units;
- (2) Building Type C with six two- bedroom/ one-bath units; and
- (1) Building Type D with four two- bedroom/ one-bath units;

Existing Subsidies: The development currently has no project based subsidy but is operated by USDA as a foreclosed property. However, according to the rent roll dated January 1, 2003, 13 units have tenants utilizing HUD Vouchers and one unit classified as HUD Section 8/515. The Applicant indicates that all 32 units will have USDA rental assistance upon acquisition.

Development Plan: On October 16, 2003 the General Contractor outlined the scope of work for the 32-unit project. Following is a summary.

- Provide handicap accessible parking stalls, curb ramps, etc.
- Provide drainage away from site, check all buildings for foundation movement.
- Cracked and broken masonry will be replaced on the buildings. All damaged fascia material will be replaced.
- Replace damaged screens and windows, replace damaged glass stops. Also caulk around existing doors and windows.
- Repair and paint all existing doors. Replace all weather stripping.
- Replace damaged interior doors, frames and trim as necessary. Repair gypsum board, remove nails,

hooks, etc. as needed. Paint all gypsum board and ceilings. Replace selected carpet and flooring.

- Replace kitchen cabinets as needed and recondition all that remain. Replace damaged counter tops. Replace selected ranges, refrigerators and vent hoods. Replace selected sinks. Provide fluorescent lighting in kitchen.
- Replace selected lavatories and vanities. Replace all seats and caulk around all fixtures. Repair damaged tubs.
- Install R-15 insulation in attics.
- Replace or repair damaged lights, install GFI outlets in kitchen and bathroom. Clean air ducts.
- Provide mechanical and plumbing inspections.
- Make two units handicap accessible.

The rehabilitation will be phased to avoid displacement of current residents. The applicant has indicated that the scope of work can be completed without relocating the tenants. Before repairs on each apartment unit are started, details preparations will be discussed with each tenant. All utility services will be available to each tenant every night.

Architectural Review: The photos provided did not show the elevations of the buildings, however the buildings appear to be functional with pitched roofs. The units are two-story walk-up structures and appear to be of average size. The photos do indicate that the property has deteriorated and that renovation is required.

Supportive Services: The Applicant did not indicate any supportive services.

Schedule: The Applicant anticipates construction to begin in January of 2004, to be completed in June of 2004, to be placed in service in June of 2004, and to be substantially leased-up in August of 2004.

SITE ISSUES

SITE DESCRIPTION

Size: 2.705 acres 117,830 **Zoning/ Permitted Uses:** Multi-family

Flood Zone Designation: Zone C (Not verified) **Status of Off-Sites:** Partially Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Honey Grove is located in northeast region of the State, approximately 75 miles northeast of Dallas in Fannin County. The site is a rectangular-shaped parcel located in the western area, approximately 0.5 miles from the central business district. The site is situated on the northeast corner of Piner and Highway 56.

Adjacent Land Uses: The site is in a suburban area which is predominated by vacant land and commercial use. The property is within 0.5 miles of the Central Business District.

Site Access: Access to the property is from the east or west along Highway 56 from the north or south on Piner Street. The development has two main entries, both from Piner.

Public Transportation: Public transportation to the area is provided 0.5 miles away.

Shopping & Services: The site is within 0.5 miles of grocery/pharmacies, with a grammar school 0.4 miles away. The Fire Department, Police and City Hall and Business District are all less than 0.5 miles away.

Special Adverse Site Characteristics:

- **Flood Plain:** The Applicant indicated that the site is located entirely outside the 100 year flood plain. However, no map or documentation was provided to support this claim. Receipt, review and acceptance of documentation indicated that the site is located outside the 100-year flood plain is a condition of the report.

Site Inspection Findings: ORCA staff performed a site inspection on May 6, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All the units will be set-aside for households earning 60% of the AMGI. As a USDA section 515 development, the property will be required to give priority to the lowest income earning tenants.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$20,100	$22,920	$25,800	$28,680	$30,960	$33,240

MARKET HIGHLIGHTS

A market feasibility study was not provided as USDA developments are allowed to submit an appraisal in lieu of a market analysis. The Applicant provided an appraisal performed by Sherrill & Associates on May 24, 2002.

Population: The estimated 2002 population of Fannin County was 26,937 and is expected to increase by 1% yearly.

Market Rent Comparables: The appraiser surveyed three comparable apartment projects in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (60%)	$333	$479	-$146	$270	+$63
2-Bedroom (60%)	$416	$556	-$140	$365	+$51

(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 Appraisal failed to determine a market area or discuss supply and demand of affordable housing in this submarket. While the appraisal in this case clearly does not meet the content requirements of the Department's market study guidelines, the demand and inclusive capture rate that is typically derived from demand are of limited relevance given that the development is 94% occupied at the current time. The nearest known tax credit developments that are not yet stabilized are 20 miles north east of Honey Grove in Paris and would not be impacted by this rehabilitation development.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's net rent projections for the one-bedroom units are $333 and $416 for the two-bedroom units. The Underwriter used these rent projections because these are the rents the Applicant submitted for approval from USDA-RD. These rent estimates are far below the tax credit rent limits of $479 and $556, based on a utility allowance of $58 and $79, as provided by USDA-RD. However, according to the appraiser, the market rents are between $250 and $350 for the one-bedrooms and between $300 and $400 for the two-bedrooms. Because USDA-RD controls the rent limits, while subsidizing the interest rate on the loan, the Applicant will be limited to the rents they can charge and will not be able to incur a large profit. Moreover, USDA is anticipated to provide rental assistance so that the proposed rents can be achieved. Failure to provide such rental assistance would likely cause the property to once again produce insufficient net operating income and cause the property to go into default. Therefore, receipt review and acceptance of a satisfactory rental assistance agreement from USDA rural development that reflects basic rents as proposed by the Applicant is a condition of this report. Although the Applicant assumed a lower secondary income amount than the property's historical figures or the Underwriting guideline of $5.00 per unit per month, the Applicant's overall income amount is less than 1% of the Underwriter's estimate.

Expenses: The Applicant's estimate of total operating expense is 2% higher than the Underwriter's TDHCA database-derived estimate, an acceptable deviation. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general & administrative and reserves for replacements. Although, these differences are more than the allowable tolerances, on a percentage basis the differences are all 3K or less. As a result, they do not constitute a vital difference.

Conclusion: The Applicant's estimated net operating income is more than 5% lower than the Underwriter's database-derived estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates, there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within an acceptable range of TDHCA underwriting guidelines of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 2.705 acres	$40,500	**Date of Valuation:**	5/ 24/ 2002
Existing Building(s): "as is"	$714,500 ($428,500 w/out subsidy)	**Date of Valuation:**	5/ 24/ 2002
Value of Subsidy	$286,000	**Date of Valuation:**	5/ 24/ 2002
Total Development: "as is"	$755,000	**Date of Valuation:**	5/ 24/ 2002

Appraiser: Jerry Sherrill **City:** Fort Worth **Phone:** (817) 557-1791

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The appraiser is estimating a value of $803,000 utilizing the cost approach, $790,000 utilizing the market approach and $755,000 using the income approach. Due to the lack of comparable sales, the sales approach was given the least amount of weight in the final determination. The appraised values took the USDA-RD subsidy into account. The implied building value is $714,500 (95% of total) with the subsidy but only $428,500, (57% of total) when the subsidy is accounted for independently.

Although, the appraisal was limited in scope, it did provide enough information as to the viability of the development to continue serving low income tenants.

ASSESSED VALUE

Land: 2.705 acres	$3,030	**Assessment for the Year of:**	2002
Building:	$364,416 (99% of total value)	**Valuation by:**	Fannin County Appraisal District
Total Assessed Value:	$367,446	**Tax Rate:**	2.8945

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Standard Sales Contract (USDA)		
Contract Date:	09/ 17/ 2002	**Anticipated Closing Date:**	/ /
Acquisition Cost:	$755,000	**Other Terms/Conditions:**	To close within 30 days of notice by seller of rediness to close.
Seller:	United States through Rural Housing Services	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition and Land Value: The property is being purchased for $755,000, and is an arm's length transaction. An appraisal performed by Sherrill & Associates estimated a land value of $40,500 leaving $714,500 for the building and subsidy acquisition value. The argument could be made that the sales price is equivalent cash sales price if the property were sold out of the program however, this would be a weak argument since the market rents appear to be lower than the currently proposed basic rents which are needed to make the current structure feasible. In a sense, the sale is an identity of interest transaction in that the sales and price will be paid by a seller note at a significantly reduced interest rate to support an overstated sales price. The seller in this case is the US Government which mitigates the identity of interest concern though a deeper write down of this debt may have been warranted in order for the rents to be marked closer to market. This would have also resulted in a reduction in credits. By avoiding the additional write down from the USDA the government is effectively shifting that cost to the LIHTC program. Nevertheless the Underwriter used the sales price and utilized the Appraiser's value for the building and land to tentatively accept the Applicant's eligible basis of $714,500 for the acquisition, however, this report is conditioned upon the Applicant receiving a tax opinion from the Syndicator's or investors tax counsel regarding the acceptance of the value of the subsidy being included in the eligible acquisition basis.

Sitework Cost: The Applicant is estimating site costs to be $2,671 per unit. While this is a low amount for a typical new construction project, this development is an acquisition/rehab project and therefore it will not incur all of the same costs associated with new development.

Direct Construction Cost: The Applicant intends to spend $163,650 on direct construction costs. This totals to $249,124, or $7,785 per unit, in site work and direct construction combined. The project architect, who is related to the Applicant, has completed a detailed scope of work that is consistent with the Applicant's cost breakdown. Receipt, review, and acceptance of a third party scope of rehabilitation scope of work/needs assessment prior to the initial closing on the property.

Ineligible Costs: The Applicant assumed more than the 10% limit in direct construction contingency for acquisition/rehabilitation developments by over 3K. This difference was removed from 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.

Conclusion: The Applicant's total development 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 cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result, an eligible basis of $396,558 for the rehabilitation and $818,495 for the building acquisition, with the caution described above, is used to determine a credit allocation of $62,784 from this method. Further as a result of the below market rate federal financing that is being offered to support the acquisition of the property, the Underwriter is concerned that such financing could be considered to disallow the development from accessing the 9% credit and force either a reduction from eligible basis or the use of the 4% credit. Therefore, the Syndicator's or investor's tax counsel should address and support the Applicant's proposed treatment of the USDA funds as a condition of this report.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: First State Bank **Contact:** Cary Johnson

Principal Amount: $349,660 **Interest Rate:** 6.5%

Additional Information: Not to exceed 80% of appraised value

Amortization: n/a yrs **Term:** 1 yr **Commitment:** ☐ None ☐ Firm ☒ Conditional

LONG TERM/PERMANENT FINANCING

Source: USDA-RD **Contact:** Susan Stoneham

Principal Amount: $755,000 **Interest Rate:** 6.75%, Underwritten at 1%

Additional Information:

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

Annual Payment: $14,064 **Lien Priority:** First **Commitment Date** 9/ 17/ 2002

LIHTC SYNDICATION

Source: Raymond James **Contact:** Terrance Coyne

Address: 880 Carillion Parkway **City:** St. Petersburg

State: FL **Zip:** 33716 **Phone:** (800) 438-8088 **Fax:** (727) 567-8455

Net Proceeds: $478,182 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 76¢

Commitment ☐ None ☐ Firm ☒ Conditional **Date:** 2/ 14/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $46,508 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. USDA-RD will be funding the loan based on a term of 30 years ad an interest rate of 6.5%. However the interest rate will be reduced to 1% provided the Applicant complies with the USDA-RD rent limits.

Financing Conclusions: Based on the Applicant's estimate of eligible basis and subject to the opinion of investor's tax counsel, the LIHTC allocation should not exceed $62,784 annually for ten years, resulting in syndication proceeds of approximately $477,113. The permanent financing estimate provided by the Applicant of $755,000 appears to be reasonable provided that USDA will provide rental assistance to support the rents for the one-bedroom units at $333 and the two-bedroom units at $416. The result is a deferral of $47,577 in developer fee, which is repayable out of cash flow in less than 10 years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

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

Financial Highlights:

- The Applicant submitted an unaudited financial statement as of February 19, 2003 reporting total assets of $15,100. Liabilities totaled $15,100, resulting in no net worth.
- The General Partner submitted an unaudited financial statement as of February 19, 2003 reporting total assets of $24,158. Liabilities totaled $24,158, resulting in no net worth.
- Dixie Farmer, Dennis Hoover and Danna Hoover, submitted unaudited financial statements as of February 19, 2003 and are anticipated to be guarantors of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Dixie Farmer, Dennis Hoover and Danna Hoover have completed numerous multi-family developments throughout Texas.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.

Underwriter:	*Mark Fugina*	**Date:**	May 27, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	May 27, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Pine Run, Honey Grove, LIHTC #03250

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
<TC60%	16	1	1	676	$537	$300	$4,800	$0.44	$58.00	
<TC60%	16	2	1	844	645	400	6,400	0.47	79.00	
TOTAL:	32		**AVERAGE:**	760	$591	$350	$11,200	$0.46	$68.50	$0.00

INCOME	Total Net Rentable Sq Ft:	24,320		**TDHCA**	**APPLICANT**		USS Region	3
POTENTIAL GROSS RENT				$134,400	$143,808		IREM Region	
Secondary Income		Per Unit Per Month:	$5.00	1,920	1,800	$4.69	Per Unit Per Month	
Other Support Income: (describe)				0				
POTENTIAL GROSS INCOME				$136,320	$145,608			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(10,224)	(10,920)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$126,096	$134,688			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.37%	$211	0.28	$6,767	$5,300	$0.22	$166	3.94%
Management		8.39%	331	0.44	10,584	$10,650	0.44	333	7.91%
Payroll & Payroll Tax		14.91%	588	0.77	18,805	$19,450	0.80	608	14.44%
Repairs & Maintenance		15.45%	609	0.80	19,478	$21,000	0.86	656	15.59%
Utilities		4.45%	175	0.23	5,613	$4,300	0.18	134	3.19%
Water, Sewer, & Trash		8.03%	316	0.42	10,122	$10,100	0.42	316	7.50%
Property Insurance		4.72%	186	0.24	5,946	$7,300	0.30	228	5.42%
Property Tax	2.8945	9.92%	391	0.51	12,504	$11,500	0.47	359	8.54%
Reserve for Replacements		7.61%	300	0.39	9,600	$12,000	0.49	375	8.91%
Other Expenses:		0.00%	0	0.00	0		0.00	0	0.00%
TOTAL EXPENSES		78.84%	$3,107	$4.09	$99,419	$101,600	$4.18	$3,175	75.43%
NET OPERATING INC		21.16%	$834	$1.10	$26,677	$33,088	$1.36	$1,034	24.57%
DEBT SERVICE									
USDA-RD Loan		23.11%	$911	$1.20	$29,141	$29,140	$1.20	$911	21.64%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		-1.95%	($77)	($0.10)	($2,463)	$3,948	$0.16	$123	2.93%
AGGREGATE DEBT COVERAGE RATIO					0.92	1.14			
RECOMMENDED DEBT COVERAGE RATIO					1.47				

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)		49.11%	$14,656	$19.28	$469,000	$755,000	$31.04	$23,594	59.00%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		8.95%	2,671	3.51	85,475	85,474	3.51	2,671	6.68%
Direct Construction		17.14%	5,114	6.73	163,650	163,650	6.73	5,114	12.79%
Contingency	10.00%	2.61%	779	1.02	24,913	28,400	1.17	888	2.22%
General Req'ts	6.00%	1.57%	467	0.61	14,947	14,947	0.61	467	1.17%
Contractor's G & A	2.00%	0.52%	156	0.20	4,982	4,982	0.20	156	0.39%
Contractor's Profit	6.00%	1.57%	467	0.61	14,947	14,947	0.61	467	1.17%
Indirect Construction		2.08%	622	0.82	19,900	19,900	0.82	622	1.56%
Ineligible Costs		0.58%	173	0.23	5,550	5,550	0.23	173	0.43%
Developer's G & A	2.00%	1.62%	484	0.64	15,493		0.00	0	0.00%
Developer's Profit	13.00%	10.55%	3,147	4.14	100,708	154,380	6.35	4,824	12.06%
Interim Financing		1.82%	543	0.71	17,360	17,360	0.71	543	1.36%
Reserves		1.88%	562	0.74	17,990	15,100	0.62	472	1.18%
TOTAL COST		100.00%	$29,841	$39.26	$954,915	$1,279,690	$52.62	$39,990	100.00%
Recap-Hard Construction Costs		32.35%	***$9,654***	***$12.70***	***$308,914***	***$312,400***	***$12.85***	***$9,763***	24.41%

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
USDA-RD Loan	79.06%	$23,594	$31.04	$755,000	$755,000	$469,000	Developer fee Available
Additional Financing	0.00%	$0	$0.00	0		0	$116,201
LIHTC Syndication Proceeds	50.08%	$14,943	$19.66	478,182	478,182	388,239	% of Dev. Fee Deferred
Deferred Developer Fees	4.87%	$1,453	$1.91	46,508	46,508	97,676	84%
Additional (excess) Funds Required	-34.01%	($10,149)	($13.35)	(324,775)	0	(0)	Dev Fee Repayable in 15 yrs
TOTAL SOURCES				$954,915	$1,279,690	$954,915	$99,406.96

Pine Run, Honey Grove, LIHTC #03250

PAYMENT COMPUTATION

Primary	$755,000	Term	360
Int Rate	1.00%	DCR	0.92

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	0.92

Additional	$478,182	Term	
Int Rate		Aggregate DCR	0.92

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$18,102
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$8,575

Primary	$469,000	Term	360
Int Rate	1.00%	DCR	1.47

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.47

Additional	$478,182	Term	0
Int Rate	0.00%	Aggregate DCR	1.47

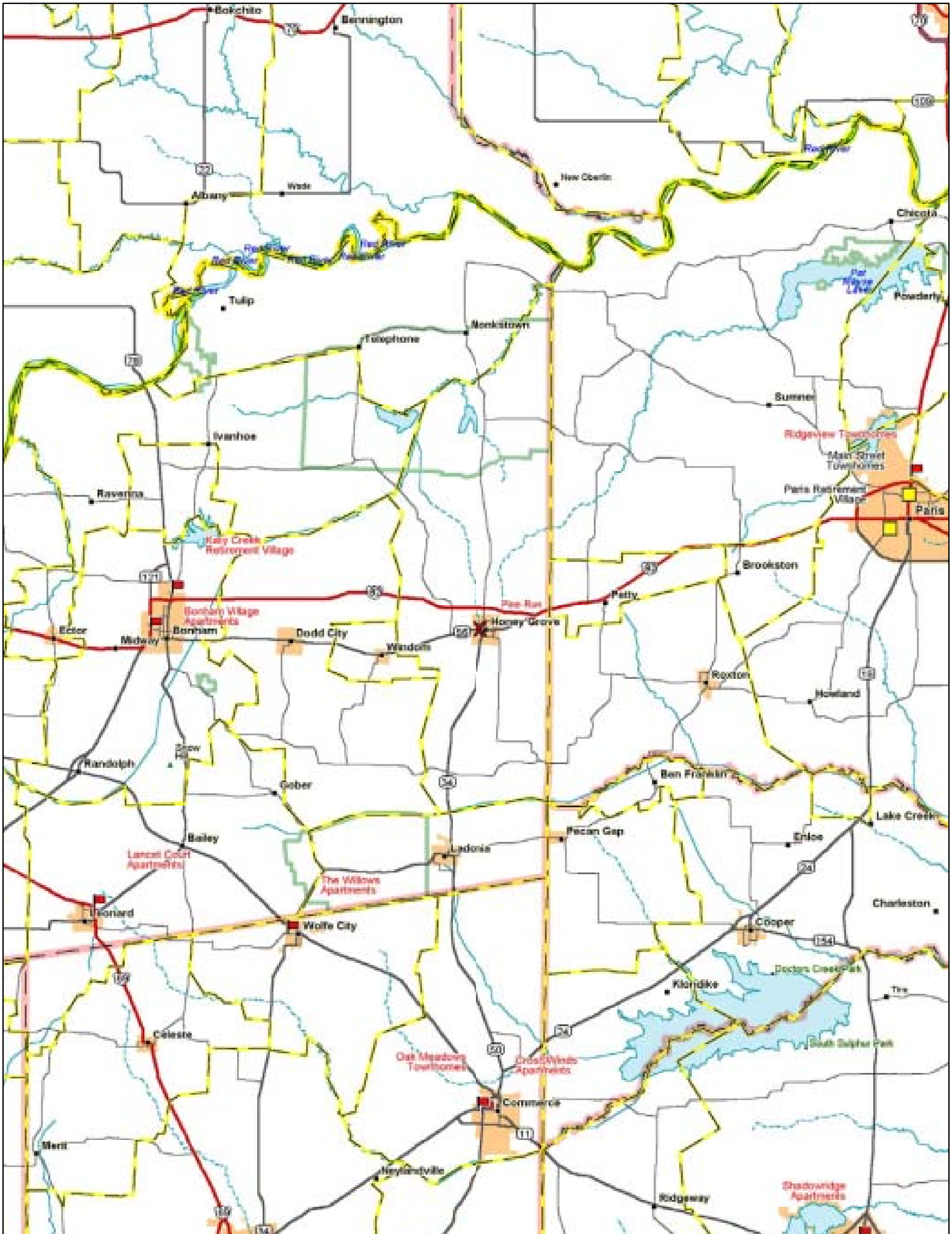
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$134,400	$138,432	$142,585	$146,863	$151,268	$175,362	$203,292	$235,671	$316,722
Secondary Income	1,920	1,978	2,037	2,098	2,161	2,505	2,904	3,367	4,525
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	136,320	140,410	144,622	148,961	153,429	177,867	206,196	239,038	321,247
Vacancy & Collection Loss	(10,224)	(10,531)	(10,847)	(11,172)	(11,507)	(13,340)	(15,465)	(17,928)	(24,094)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$126,096	$129,879	$133,775	$137,789	$141,922	$164,527	$190,732	$221,110	$297,153
EXPENSES at 4.00%									
General & Administrative	$6,767	$7,038	$7,320	$7,612	$7,917	$9,632	$11,719	$14,258	$21,105
Management	10,584	10,901	11,228	11,565	11,912	13,809	16,009	18,558	24,941
Payroll & Payroll Tax	18,805	19,557	20,339	21,153	21,999	26,765	32,564	39,619	58,646
Repairs & Maintenance	19,478	20,257	21,067	21,910	22,786	27,723	33,729	41,037	60,745
Utilities	5,613	5,837	6,071	6,314	6,566	7,989	9,720	11,825	17,504
Water, Sewer & Trash	10,122	10,526	10,948	11,385	11,841	14,406	17,527	21,325	31,566
Insurance	5,946	6,184	6,432	6,689	6,956	8,463	10,297	12,528	18,545
Property Tax	12,504	13,004	13,525	14,066	14,628	17,797	21,653	26,345	38,996
Reserve for Replacements	9,600	9,984	10,383	10,799	11,231	13,664	16,624	20,226	29,939
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$99,419	$103,290	$107,312	$111,492	$115,836	$140,249	$169,842	$205,721	$301,987
NET OPERATING INCOME	$26,677	$26,589	$26,463	$26,296	$26,086	$24,277	$20,889	$15,389	($4,833)
DEBT SERVICE									
First Lien Financing	$18,102	$18,102	$18,102	$18,102	$18,102	$18,102	$18,102	$18,102	$18,102
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	$8,575	$8,487	$8,361	$8,194	$7,984	$6,175	$2,787	($2,712)	($22,935)
DEBT COVERAGE RATIO	1.47	1.47	1.46	1.45	1.44	1.34	1.15	0.85	(0.27)

LIHTC Allocation Calculation - Pine Run, Honey Grove, LIHTC #03250

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	$40,500	$40,500				
Purchase of buildings	$714,500	$428,500	$714,500	$428,500		
(2) Rehabilitation/New Construction Cost						
On-site work	$85,474	$85,475			$85,474	$85,475
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	$163,650	$163,650			$163,650	$163,650
(4) Contractor Fees & General Requirements						
Contractor overhead	$4,982	$4,982			$4,982	$4,982
Contractor profit	$14,947	$14,947			$14,947	$14,947
General requirements	$14,947	$14,947			$14,947	$14,947
(5) Contingencies	$28,400	$24,913			$24,912	$24,913
(6) Eligible Indirect Fees	$19,900	$19,900			$19,900	$19,900
(7) Eligible Financing Fees	$17,360	$17,360			$17,360	$17,360
(8) All Ineligible Costs	$5,550	$5,550				
(9) Developer Fees				$64,275		$51,926
Developer overhead		$15,493				
Developer fee	$154,380	$100,708	$103,995		$50,385	
(10) Development Reserves	$15,100	$17,990				
TOTAL DEVELOPMENT COSTS	$1,279,690	$954,915	$818,495	$492,775	$396,558	$398,100

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			$818,495	$492,775	$396,558	$398,100
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			$818,495	$492,775	$396,558	$398,100
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$818,495	$492,775	$396,558	$398,100
Applicable Percentage			3.63%	3.63%	8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS			$29,711	$17,888	$33,073	$33,202
Syndication Proceeds		**0.7599**	**$225,784**	**$135,933**	**$251,329**	**$252,306**
				Total Credits (Eligible Basis Method)	**$62,784**	**$51,089**
				Syndication Proceeds	**$477,113**	**$388,239**
				Requested Credits	**$62,925**	
				Syndication Proceeds	**$478,182**	
				Gap of Syndication Proceeds Needed		**$485,915**
				Credit Amount		**$63,943**



DELORME

Zoom Level: 9-0 Datum: WGS84

Scale 1 : 400 000
1" = 6.31 mi

0 2 4 6 8 10 mi
0 3 6 9 12 15 km

TN
MN
4.7°E