BOARD MEETING OF SEPTEMBER 11, 2003

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

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

Beth Anderson, Member
Vidal Gonzalez, Member
Shadrick Bogany, Member
Norberto Salinas, Member

MISSION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

TO HELP TEXANS ACHIEVE AN IMPROVED QUALITY OF LIFE THROUGH THE DEVELOPMENT OF BETTER COMMUNITIES

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

September 11, 2003

ROLL CALL

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

Number Present ___________

Number Absent ___________

______________________, Presiding Officer

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine Street, Room 437, Austin, Texas
September 11, 2003 8:30 a.m.

A G E N D A

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

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

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

ACTION ITEMS

Item 1 Presentation, Discussion and Possible Approval of Minutes of Board Meeting of July 30, 2003 — Michael Jones

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

a) Below Market Interest Rate Program:
Las Palmas Apartments, San Antonio, Texas, $736,047
Park South Apartments, San Antonio, Texas, $1,079,722

b) Single Family Bond Program:
1) Rate Reduction for Program 56

2) Certificate Purchase Period Extension for Program 57A

3) Restructuring of Program 57A

c) Response to the Request for Qualifications for Underwriters for the Multifamily Finance Production Division

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

a) Appeal:
03-419, Northview Park

b) Requests for Additional Tax Credits:
Palomino Place, Houston, Texas, Increase of $88,144
Red Hills Villas, Round Rock, Texas, Increase of $2,913

c) Request for Extension for Kingfisher Creek #03-000

d) Issuance of Determination Notices:
03-419 Northview Park, Houston, Texas
Harris County HFC is the Issuer
03-421 Empire Village Apartments, Pasadena, Texas

Harris County HFC is the Issuer
03-422 Willow Park, Houston, Texas
Victory Street Public Utility Corp. is the Issuer
03-426 Longboat Key Apartments, Houston, Texas
Houston HFC is the Issuer

e) Issuance of Commitment Notice(s) for LIHTC National Pool Housing Tax Credits and Balance of 2003 Housing Tax Credits

f) Issuance of 2004 Commitment Notices for Housing Tax Credit Forward Commitments

Item 4 Presentation, Discussion and Possible Approval of: Shad Bogany

a) HOME Program
   1) FY 2002-2003 Single Family HOME Program Appeal for:
      a) City of Cleveland, No. 2003-0140, Reg. 6

   2) FY 2002-2003 Single Family HOME Program Funding Recommendation for:
      a) Housing Plus, Inc., No. 2003-0282, Reg. 9, $112,500 Plus $4,500 admin fee

   3) HOME Program Multifamily Community Housing Development Organizations (CHDO) Recommendations:

2003-0061	Willow Bend Creek	$ 623,226
2003-0038	Grand Montgomery Court	$1,007,436
2003-0013	Estates of Bridgeport 11	$ 484,000
2003-0032	Arcadia Village	$ 10,000

b) Rules:
   1) Integrated Housing Rule:
      Proposed New Title 10, Part 1, Subchapter A, Section 1.15

   2) Portfolio Management and Compliance Rules:
      Proposed New Title 10, Part 1, Chapter 60 - Compliance Administration, Subchapter A, Compliance Monitoring and Asset Management

   3) Housing Trust Fund Rules:
      Proposed Repeal of and Proposed New Title 10, Part 1, Chapter 51

Item 5 Presentation, Discussion and Possible Approval of Professional Services Contracts for:

a) Bond Counsel

b) Bond/Securities Disclosure Counsel

REPORT ITEMS

Executive Directors Report Edwina Carrington

Colonia Field Offices & Self Help Centers MOU with ORCA
Bond Review Board's New Rules

EXECUTIVE SESSION Michael Jones

Consultation with Attorney Pursuant to Sec. 551.071, Texas

Government Code – Matters Concerning Section 572.054, Texas Government Code;

If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION Michael Jones

Action in Open Session on Items Discussed in Executive Session

ADJOURN Michael Jones
Chair of Board

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

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

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
State Capitol Extension Auditorium, 1100 Congress, Austin, Texas 78701
July 30, 2003 8:30 a.m.

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM
The Board Meeting of the Texas Department of Housing and Community Affairs of July 30, 2003 was called to order by Board Chair Michael Jones at 8:45 a.m. It was held at the State Capitol Extension Auditorium, 1100 Congress, Austin, Texas. Roll call certified a quorum was present.

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

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

Mr. Jones noted that there were two former mayors in attendance at this meeting who were Donald Bethel, former Mayor of Lamesa and former Board Member of TDHCA and Gus Garcia, former Mayor of Austin.

Mr. Jones stated that several staff members have gone above and beyond the call of duty and their jobs and volunteered and assisted with input of data into the LIHTC database and the following were honored by the Board: Alyssa Carpenter, Analisa Gonzalez, Angela Thompson, Annette Cormier, Aurora Carvajal, Becky Peterson, Blanca Hernandez, Christy Roberts, Delores Groneck, Jorge Reyes, Ty Myrick, Krissy Vauro, Laura Palacios, Linda Aguirre, Linsey Kornya, Liz Barrera, Mike Garrett, Mark Klingeman, Bobby Grier, Michael Jovicivich, Misael Arroyo, Naomi Acuña, Nidia Hiroms, Rachel Metting, Teresa Morales, Brenda Hull, Joanne De Penning, Scott Schotman, Wendy Pollard, Veronica Martinez, and Michelle Atkins. The project sponsors and leaders were Ruth Cedillo and Bill Dally. The two project managers were James Roper and Russ Walch, who coordinated the inter-agency team of 31 staff members. They were each presented with a Texas/US pin for their work.

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

Mr. Jones called for public comment and the following gave comments at this time.

<u>Woody McCasland, Kingsland, Texas</u>
Mr. McCasland stated there is a great need for rural affordable housing and asked for tax credits for the project in Kingsland, Texas.

<u>Mark Mayfield, Exec. Director, Marble Falls Housing Authority, Marble Falls, Texas</u>
Mr. Mayfield spoke on behalf of Kingsland Trails Apartments in Kingsland, Texas. He asked the Board to consider this project as it is greatly needed for rural Texas.

<u>Janett Blunt, Housing Manager, City of Beaumont, Texas</u>
Ms. Blunt was in support of the tax credit application submitted by Stone Hearst for a 144-unit townhome complex. The city council and local officials support this project and she read the Resolution from the city officials into the record: "Whereas, Stoneway Limited Partnership proposes to build Stone Hearst Townhomes on approximately 27 acres located at 1650 East Locust Drive in Beaumont, Texas; and

whereas Stone Hearst Townhomes will be comprised of a community center building containing on-site management offices, residential activity areas, as well as 144 townhome units, and where Stone Hearst townhomes will consist of two- and three-bedroom units which will be beneficial to the families in Beaumont; Stone Hearst Townhomes received the highest score of 100 in the TDHCA 2003 tax credit round for Region 5, and a score issued to Stone Hearst Townhomes on the strong demand for affordable housing in our city, this development should be awarded its tax credits. Now, therefore, let it be resolved by the city council of the City of Beaumont that the council finds that R.J. Collins and the Stoneway Limited Partnership have the historical experience in developing high-quality affordable communities for our city.

Be it further resolved that the city council supports the efforts of Stone Hearst Townhomes, and especially its application to the TDHCA for Low Income Tax Housing credits, passed by the City Council of the City of Beaumont, this 15th day of July 2003, signed, Mayor Evelyn Lloyd."

Ms. Blunt stated the apartments would be located in a census tract with approximately 84.6 low/moderate families. The occupancy there is at or below 40 percent of poverty. The median income for that census tract area is $18,393 per year and the city has an 82.8 percent minority population. The units will be in an area with minimal and/or substandard housing. The city does have in its goals of its affordable housing program goals to revitalize the area. Construction of 144 units will go a long way in helping meet that goal.

<u>The Honorable Geanie Morrison, State Representative, Austin, Texas</u>
Rep. Morrison had concerns on the Pinnacle point Apartments proposed to be built in Victoria, Texas. She stated the school is near capacity and there is not space available to bring in portable buildings at the school. She stated the vice-president of the school board had concerns on the impact that this development would have on assessment initiatives that are in place.

<u>Ann Lott, President & CEO, Dallas Housing Authority, Dallas, Texas</u>
Ms. Lott asked for support for tax credits for the Frazier Fellowship Apartments to help meet the needs of low-income families and to spur revitalization of southeast Dallas. The redevelopment of this 550-unit complex will occur in phases and will cost about $16.0 million. Their application to HUD for funds requires housing authorities to leverage the grant dollars from local or state governments.

<u>Geraldine Fuller, Resident of Frazier Courts, Dallas, Texas</u>
Ms. Fuller stated she has been a resident of Frazier Courts for several years and asked for support of the redevelopment of the complex.

<u>Monnique Meshack, Resident of Frazier Courts, Dallas, Texas</u>
Ms. Meshack asked for help in getting funds to this project for rehab and to have a decent place to live.

<u>Tammy Conway, Resident of Frazier Courts, Dallas, Texas</u>
Ms. Conway stated a forward commitment is very important for this project to renovate the Frazier Court neighborhood.

<u>Barry Palmer, Houston, Texas</u>
Mr. Palmer stated the housing authorities are charged with a difficult task of serving a very low-income tenant base. Housing authorities get an operating subsidy from HUD to operate their properties but they get very limited capital dollars to maintain their properties and asked for a forward commitment for Frazier Courts to assist the Dallas Housing Authority in redeveloping this project.

<u>Hon. Leo V. Chaney, Jr. City Council Member, Dallas, Texas</u>
Mr. Chaney was present on behalf of the city council and mayor to request the Board for help for the Dallas Housing Authority in redeveloping the Frazier Courts apartments.

<u>Janice Steffes, Senator Troy Frazier's Office, Senate District 24</u>
Ms. Steffes read a letter into the record on Kingsland Trails Apartments from Sen. Troy Frazier which stated. "Dear Ladies and Gentlemen, I am writing you to express my full support for Kingsland Trails Apartments, a 76-unit family apartment community proposed for development and construction in my

district under the Federal Low Income Housing Tax Credit Program. Kingsland, in Llano County, is a thriving rural community which has a serious need for high-quality, safe and clean, affordable multifamily rental housing, for families, the elderly and the disabled.

A development like Kingsland Trails will be critical in our efforts to diversify the housing market in order to fulfill the ever-increasing housing demand in Kingsland and the surrounding communities. While I understand that currently there is no tax credit money available for the Kingsland region, I would strongly urge the board to find the funds available to approve this much-needed rural development in my district. Of the LIHTC 2003 applications for Region 7, the Kingsland application scored the highest, and it should be funded. Thank you for your favorable consideration of this most worthwhile project. If I can ever be of assistance, please do not hesitate to call on me. Sincerely, Troy Frasier, State Senator."

Anthony Cobes, Mayor Pro Tem, El Paso, Texas
Mr. Cobes spoke on the Suncrest Townhomes Project, No. 03-223 and he was representing the position of the City of El Paso. He stated they are opposed to the project as it will be counterproductive to authorize this project. There is a problem of clustering as there are five public housing projects in this area; crime will increase at a higher rate than if this development was placed elsewhere; elected officials are against the project; and, school districts will be affected.

Gus Garcia, Former Mayor of Austin, Texas
Mayor Garcia stated the Villas on Sixth Street, No. 03-160, is a project that the City of Austin entered into an agreement with the developer. This project has public housing and is party of a redevelopment of an area of Austin that has been neglected for a long time. He asked that the Board give a forward commitment to the project.

The Board took a break at 10:00 am and returned to Open Session at 10:10 am.

Thom Parker, Director of Program Services, YMCA, Austin, Texas
Mr. Parker spoke on behalf of the Villas on Sixth Street and stated they support and endorse the development of this project.

Don Currie, Exec. Director, Comm. Development Corp. of Brownsville, Texas
Mr. Currie asked the Board to look at new ways of awarding money under the HOME/CHDO set aside. There is about $15 million set aside for this set aside and the board is being asked to award about $1.9 million for homebuyer assistance at this meeting. There is a lack of sufficient applications being submitted to use up the entire $15 million. He suggested that if a CHDO set aside application was denied for missing an expenditure threshold, but meets all other criteria, that the HOME funds could be committed by the Board and that the contract not be signed until the expenditure threshold has been met. This would avoid having to wait for another funding round.

Gilson Westbrook, St. John Colony Neighborhood Association
Mr. Westbrook stated their project was not recommended for homebuyers assistance under the CHDO set aside and this makes it difficult for them to get the tax exemption. Under the current guidelines if one does not get an application funded then the CHDO status is lost.

Alma Del Val-Aranda, El Paso, Texas
Ms. Val-Aranda stated there was no opposition at a public hearing on the Suncrest Townhomes as most people do not read the Texas Register and most people did not know about the project. There is great concern of clustering in the area.

Ike Monty, Investment Builders, El Paso, Texas
Mr. Monty stated he was pleased to partner with the Housing Authority of the City of El Paso in the application of the Suncrest Townhomes and he felt it is important to build quality affordable housing on the west side of El Paso. There is a need for affordable housing units in the area as there is a waiting list of over 100 qualified tenants for this area.

Luis Sarinana, former City Council Member and Deputy Mayor Pro Tem, El Paso, Texas

Mr. Sarinana spoke in opposition to the Suncrest Townhomes and was concerned of concentration of too many housing authority projects in one particular area of a city.

Paul Saldana, El Paso, Texas
Mr. Saldana stated he was in favor of the Suncrest Townhomes.

George Fuller, Executive Director, Texas City Housing Authority, Texas City, Texas
Mr. Fuller asked the board to reconsider the award of tax credits for the Village at Morningstar, No. 03-189, a 78 unit senior housing development for Texas City. This project scored the highest in Region 6 and the third highest in the state and is not being recommended for funding. This housing is needed by this community and he stated that if there was not enough credits for this funding round that they be considered for a forward commitment.

Jaime Navarro for Rep. Joe Deshotel, 22nd Legislative District
Mr. Navarro read a letter into the record from Rep. Deshotel which stated: "Dear Ladies and Gentlemen, Thank you, the board members and staff of TDHCA for serving the state. I'm here to speak in strong support for this application of Stone Hearst Townhomes Development for my city of Beaumont, Texas. This application was board-recommended to be underwritten during June 25, 2003, meeting. I thank you for that, your amendment to the motion, Ms. Anderson, and I thank this board for passing it.

"Stone Hearst is a proposed new 144-unit two- and three-bedroom townhome community located in the key area targeted for revitalization by the City of Beaumont. The immediate area is 39 percent poverty rate, and there are 20 to 25 percent substandard houses in this area. It is located to two major highways north of IH-10. The traffic pattern in this area is excellent for downtown proximity. Construction is planned to be on 25 acres. Since 2001, the City of Beaumont has invested significant time and resources to affirmatively bring this development to our community. We realize that their support and mine are vital to this application's success. Accordingly, this application is documented within the city's Resolution Number 03143, dated July 15, 2003.

As stated, it has much strong support. This is the third time that this proposed development has been in front of this board, and we do not understand why it has not been approved by you. Stone Hearst was submitted as a 9 percent tax credit application in 2001, was not underwritten, and did not receive an allocation. The developer submitted this application as a 4 percent bond in 2002, and received an allocation. He had 120 days to close. Four working days before the board meeting for final approval, underwriting issued a report that the capture rate exceeded TDHCA's cap of 25 percent. In the developer's market study, there was no documentation to show that the rate was only 18 percent.

TDHCA said it was 31 percent, and recommended not to fund the project. Simply, the developer did not have enough time to defend its position and meet the closing deadlines. At that time the developer had spent $240,000. We are now in the 2003 allocation round. Stone Hearst received the highest score in the region, and it did not receive the recommendation from the staff that it be funded. Why? Because the staff elected to allocate first priority set-asides before allocating for general set-asides. Is that good? I respectfully request that if consideration is to be given to 2004 forward commitments, that the Stone Hearst Development be included. Our city wants and needs this developer and this project. Therefore, please give my city and this developer this allocation. Sincerely, Joseph D. Deshotel, State Representative, 22nd Legislative District. Thank you,"

Earl Harris, Houston, Texas
Mr. Harris was representing Yorkdale and the Acres Home Community. They oppose this project and stated when the Board was presented information at the previous meeting, that someone told the board that they had the approval of the community and Sheila Jackson Lee did not give a recommendation for the project nor did the city council person. He asked the Board to not approve the project No. 03-236.

Debra Forbes, Houston, Texas
Ms. Forbes was opposing the Project No. 03-236 as there is a low income housing development less than a mile from the proposed new project.

Irene Mathis, Houston, Texas

Ms. Mathis was opposed to the apartments of Little York Villas as she would prefer single family homes to be built on this site.

Erma Jefferson, Houston, Texas
Ms. Jefferson was opposed to the Little York Villas as it is directly affecting their single-family deed-restricted area.

Joseph Agumadu, Little York Villas, Houston, Texas
Mr. Agumadu stated he was sensitive to the concerns of the neighborhood and there are some homeowners associations that have sent letters of support for this project. He read a letter of support from the City of Houston which stated: "Eleven of July, TDHCA Number 03236. "On behalf of the citizens of the City of Houston, I wish to thank you, the board, for your consideration and acceptance of the above-referenced tax credit project at your recent meeting of June 25, and for the support you have given Houston over the years. In conclusion, this project has received recommendation from the staff. It is, in short financially feasible. It has a competitive score in its region. And the City of Houston has a six-year credits -- the capital, the most of the communities in its region. And the basis for the opposition is fairly unsubstantial -- it's really unsubstantiated statistically."

Darrell Jack, Houston, Texas
Mr. Jack was the market analyst who performed the market study for the Little York Villas that proved up the demand for income-restricted rents and residences in this neighborhood. He felt this project should be awarded tax credits as it will help clean up an area of Houston.

Michael Thibodeaux, Super-Neighborhood President of Acres Homes, Houston, Texas
Mr. Thibodeaux stated there was a meeting held on the Little York Villas and they were against the project. They did agree to meet again with the developer to see what could be worked out and they discovered the developer is a person who is willing to work with the community. He now feels that this project will be a great asset to the community. There will be police officers involved, fences will be built and this will help keep drugs out of this area.

Ada Jones, Houston, Texas
Ms. Jones stated she was opposed to the project of Little York Villas as she felt that that single family homes should be built to give children a home atmosphere and give them a backyard to play in, and not a small courtyard or up and down stairways to play on.

Chairman Jones then read several letters on projects into the record and the first was a letter from Senator Gallegos which stated: "I am writing to express my support for Jefferson Davis Artist Lofts, Development Number 03-011. And I urge the Texas Department of Housing and Community Affairs to make a commitment of Low Income Housing Tax Credits to this venue by funding this project. TDHCA will help to preserve and rehabilitate a historic structure that was built in 1925 as Houston's first public hospital. The building has stood vacant for over 20 years, unfortunately becoming a magnet for trespassing and vandalism. There is wide community support for the redevelopment of this building as affordable housing, which is located in a diverse community just northwest of Houston's central business district.

It is my hope that the department will provide the last piece of funding needed to make this unique project a reality. The commitment of tax credits from the TDHCA will help leverage over 3.9 million in other funds, including 1 million in historic tax credits, and 1.2 million in private foundation dollars. Please do not hesitate to contact me should you require further information."

The second letter was a letter from Representative Terry Hodge, which stated: "I am writing to express my full support of proposed plans to revitalize the Frasier Court Housing Complex in southeast Dallas, Project Number 03-097. As an advocate for affordable housing for senior citizens and low-income families, I have firsthand knowledge of the need for a project of this magnitude for this community. The Dallas Housing Authority recently received a $20 million HOPE 6 grant from the U.S. Department of Housing and Urban Development. These funds are part of a $60 million revitalizer plan for Frasier Courts, Frasier Courts addition, and the immediate surrounding neighborhood. To leverage the HOPE 6 funds, Frasier Fellowship L.P. submitted application to the Texas Department of Housing and Community Affairs for low-income housing tax credits.

Unfortunately the request for funding was not granted. However, funding for this project will allow the revitalization in a severely depressed public-housing facility. It will provide for the construction of a total of 76 units, recognizing this project scored a very high ranking in regional request for funding. I respectfully request the board's strong consideration to place this project on the forward commitment list for funding. Questions may be forwarded to my district office concerning this project. Your consideration of this request is greatly appreciated."

Mr. Jones closed Public Comment at 11:12 a.m. but would allow the public who requested to speak at the presentation of the agenda items to do so at that time.

Mr. Jones also thanked Senator Eliot Shapleigh for sponsoring TDHCA for the use of this auditorium for this meeting.

Mr. Jones noted that Eric Opiela and Beau Rothchild from the Urban Affairs Committee and Don Jones from Rep. Mercer's Office were in attendance at this meeting.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of Board Meetings of June 12, 2003 and June 25, 2003

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the minutes of the Board Meetings of June 12, 2003 and June 25, 2003.
Passed Unanimously

Additional public comment was taken at this time.

Martin Paredes, El Paso, Texas
Mr. Paredes was in opposition to the Suncrest Townhomes project. He had questions on the ineligibility of an application of a member of a development team who has been delinquent on federal or state debt and on filing any federal or state returns. He asked if this was subject to disclosure and did a member of the development team of this project disclosure that he had been delinquent on taxes.

David Marquez, San Antonio, Texas
Mr. Marquez spoke on Palacio del Sol, No. 03-207 and was appealing staffs recommendation of not putting this project on the at-risk set aside. This project is a 23-yr. old project.

Mr. Chris Wittmayer, General Counsel, advised that this development is proposed to demolish the current project completely and build a new development on this site. Staffs analysis is that this is different than any development for new construction.

Fernando Godinez, Mexican American Unity Council, San Antonio
Mr. Godinez read a letter into the record from Rep. Michael Villarreal in support of Palacio del Sol which stated: "Dear Mr. Jones, This letter is being submitted in support of the application submitted from the Mexican-American Unity Council for the reconstruction of Palacio del Sol in the at-risk category under the 2003 QAP. MAUC submitted the application to TDHCA on February 27 for the purpose of reconstructing the senior HUD 202 project located in Downtown San Antonio. Palacios currently consists of 106 units and is home to 106 low-income, minority, elderly of which 98 percent are Hispanic. Due to the age of the facility and the original construction, rehab is not a financially feasible option.

Palacio del Sol is a 20-year-old development located in Downtown San Antonio in close proximity to amenities such as health centers, shopping and banking. Many of the elderly residents have called Palacio home for more than 50 years. The project has become dated, and the frequency of repairs and the cost of repairs is putting the project in jeopardy. The project has reached a point of diminishing returns and mortgage space with few options related to preserving the affordability of the elderly housing units. MAUC has made the decision to attempt to preserve the affordability of the development, but is doubtful that this can be done without the awards of the tax credits. MAUC investigated the requirements of the QAP prior to the submission of the application. Due to your resources involving the preparation of such application, MAUC will now have submitted an application that did not meet the requirements.

In response to the department's failure to categorize MAUC's application under the at-risk category, extra reviews have been sought and received from Locke Liddell l& Sapp Company and Cynthia Bast, attorney at law. They have concurred with MAUC's response to the QAP under the at-risk category. It is important to bear in mind that Palacio del Sol currently receives project-based Section 8 assistance from HUD, which will be lost if a development is simply closed due to its physical condition and the inability to renovate the project to provide basic amenities, such as air-conditioning to our low-income elderly. This was translated in a loss of 106 affordable housing units for the City of San Antonio, which is already experiencing a large deficit of affordable housing units across the board. It is my understanding that MAUC has exhausted all other administrative remedies."

<u>Frances J. Teran, President & CEO, Mexican American Unity Council, San Antonio, Texas</u>
Ms. Teran read a letter of support for Palacio del Sol into the record from Senator Van de Putte which stated: "Dear Mr. Jones, This letter is a request to the board of directors to strongly encourage the staff of the Texas Department of Housing and Community Affairs to include the application submitted by the Mexican-American Unity Council, Inc., for the reconstruction of Palacio del Sol in the at-risk category under the 2003 Qualified Allocation Plan. The Mexican-American Unity Council submitted its application on February 23, 2003, for the purpose of reconstructing the senior HUD 202 project located in Downtown San Antonio. Palacio currently consists of 106 units, and is home to 116 low-income minority, 98 percent Hispanic elderly. Due to the age of the facility and the original construction, rehabilitation is not a financially feasible option.

The Palacio units consist of 539 square feet of living space, do not have central air-condition, and maintenance and replacement costs exceeding $4,500 per unit per year. In addition, due to safety codes imposed by the City of San Antonio, window air-conditioning units sufficient to provide comfort and safety are not allowed to be installed in the units. In a city where temperatures and heat indexes reach in excess of 100 degrees for days at a time, real life-and-death situations arise. The Mexican-American Unity Council is currently faced with the option of obtaining tax credits to reconstruct the complex, and in the process, add an additional 94 units in an effort to provide additional affordable housing units to the 300-plus individuals on a waiting list, or consider selling the property, valued at over $3 million, or to convert the property for commercial use, resulting in the loss of affordable units currently receiving project-based rental assistance from HUD.

The Mexican-American Unity Council has made a decision to maintain the affordability of the development, but will not be able to do so without the award of the credits. The decision to submit a tax credit application was made only after the Unity Council reviewed the rules and regulations, received expert interpretation and advice, and made a determination that the redevelopment of the project would preserve the affordability of the much-needed units in the west side of Downtown San Antonio. The loss of the project-based assistance from HUD would be a permanent loss, as HUD is not issuing project-based awards any longer. It is important to note that HUD supports the action of the Unity Council in the redevelopment of this project. Thank you."

<u>Jay Stewart, Attorney, Austin, Texas</u>
Mr. Stewart was representing the Green Briar Village Development, No. 03-104 in Wichita Falls, Texas and was appealing the underwriting report as he felt there were problems with the total estimated expenses. He had problems with the estimate of expenses that staff used.

<u>Randy Stevenson</u>
Mr. Stevenson asked the board to consider their application, No. 03-104 for tax credits.

(2) Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items:
(a) LIHTC Program:
(1) Appeals to Board from Low Income Housing Tax Credit Applicants on Application Matters as follows:
03-138 Ryan Crossing Villas

03-164 Bluffview Villas
03-207 Palacio del Sol
Any Other Appeals Timely Filed

Ms. Carrington stated on 03-104, Green Brian Village, staff is required to look at a 30-year feasibility staff for each transaction. Staff is not recommending that this appeal be denied.

Motion made by Shad Bogany and seconded by Beth Anderson to uphold the recommendation of staff and deny the appeal.
Passed Unanimously

Ms. Carrington stated on 03-138, Ryan Crossing Villas staff is not recommending the reinstatement of the 14 points that they have requested.

Motion made by Shad Bogany and seconded by Beth Anderson to uphold the recommendation of staff and deny the appeal.
Passed Unanimously

Ms. Carrington stated on 03-164, Bluffview Villas, Brenham, Texas and staff is not recommending that the 11 points be reinstated and staff is not recommending this appeal.

Motion made by Shad Bogany and seconded by Beth Anderson to uphold the recommendation of staff and deny the appeal.
Passed Unanimously

Ms. Carrington stated on 03-207, Palacio del Sol staff is not recommending this project and recommends that the appeal be denied.

Motion made by Norberto Salinas and seconded by Beth Anderson to deny the appeal but to consider a forward commitment at the Board Meeting to be held in September.
Passed Unanimously

The Board took a lunch break at 11:55 a.m. and returned to Open Session at 12:50 p.m.

Mr. Jones stated that he received a letter from State Representative Ruben Hope in support of the Cricket Hollow Apartments and it will become part of the record and asked each board member to read the letter at this time.

Diana McIvor, Austin, Texas
Ms. McIvor was in support of the Village at Morningstar, No. 03-289, in Texas. This is a 78 unit senior project which scored 98 and they have all supplemental financing in place and she asked the Board to award them tax credits in this allocation round or give them a forward commitment.

LaTonya Collier
Did not give any comments.

John Long
Mr. Long gave his time to Ms. Cleola Williams.

Cleola Williams, Chairperson of CDC, Houston, Texas
Ms. Williams spoke on behalf of No. 03-011, the Old Jeff Davis Hospital as they want to preserve the historic aspects of their community. This hospital was built in 1925 and since that time it has been used as a clinic, a treatment facility and storage. They plan to transfer this building into affordable housing for low-income people.

She read a letter into the record from Rep. Jessica Farrar which stated: "Dear Mr. Jones and Ms. Carrington, I'm writing to express my appreciation for the excellent work of the staff of the Department of Housing and Community Affairs in reviewing the application for Low Income Housing Tax Credit for

Development 03-011, The Jefferson Davis Artist Lofts. Under the department's Qualified Allocation Plan, this development was awarded a score of 105 by department staffers. It was the highest score awarded in Region 6. The highest score demonstrates that the development meets the priorities established by the department through the QAP.

In addition, the development fulfills several of the evaluation factors established in the QAP. It is located in Houston's Enhanced Enterprise Community, with a qualified census tract, and it provides for accessible housing for a mixed-income population. The redeveloped building will include 27 units affordable to households earning less than 30 percent, 40 percent, 50 percent and 60 percent of median income, as well as seven market-rate units. Four of the units are reserved for the disabled. I've been a strong supporter of this proposed development since it was first brought to my attention over three years ago when the co-developer, Avenue Community Development Corporation, was working to acquire the property from Harris County. By awarding low-income housing tax credits to this development, TDHCA will help to preserve an important historic building while providing needed affordable housing in a part of Houston where low-income families are being forced out by skyrocketing rents.

The First Ward neighborhood where the development is located is on the edge of downtown Houston, where affordable housing is being demolished to make way for luxury apartments and townhomes. I urge the TDHCA board to support the recommendation of their staff and award low-income housing tax credits to this development. "Respectfully, Jessica Farrar, State Representative, District 148."

Ms. Williams stated she wanted to thank the Board for your time and consideration. This is such an important aspect to our community. If they don't preserve the historic aspects of communities, they will certainly disappear from the area. Almost all of Houston, especially in the urban areas, has townhomes and luxury apartments. The people who used to live there, even those whose children had been left. Please give your consideration to this project. Thank you very much.

<u>Ike Monty, Investment Builders, El Paso, Texas</u>
Mr. Monty stated he was contacted by the department and submitted the documents concerning the fraudulent filing mentioned earlier and he did submit the exact documentation that was submitted on July 31, 2001. The department has all the documentation and this was a two year old tax lien that involved his mother and did not involve Ike Monty.

<u>Cynthia Bast, Attorney, Locke Liddell and Sapp, Austin, Texas</u>
Ms. Bast stated she represented Suncrest Townhomes, Investment Builders and stated that there are waiting lists in El Paso of over 100 people who want and need housing in the area being proposed for Suncrest Townhomes. This project is designed to serve tenants of a variety of incomes including market rate tenants. The housing authority and Suncrest Townhomes followed the correct process for planning this joint venture and she asked the Board to approve tax credits for Suncrest Townhomes.

<u>Keith Puhlman, El Paso, Texas</u>
Mr. Puhlman was in support of Suncrest Townhomes.

<u>Vince Dodds, El Paso</u>
Mr. Dodds was is support of Suncrest Townhomes.

<u>Alfonso Valarde, Housing Authority of El Paso, Texas</u>
Mr. Velarde stated he was in support of Suncrest Townhomes as they are committed to this project and they have researched, studied and held public hearings on this project. He stated crime is not a major problem in this area and bus service has resumed to this area.

<u>Bobby Bowling, El Paso, Texas</u>
Mr. Bowling stated he was in favor of Diana Palms which was the highest scoring project in Texas and asked the Board to grant tax credits to this project and the other two highest scoring projects in Texas. He asked the Board to also give forward commitments to his projects if they could not grant the tax credits in this allocation.

He further stated that the Housing Authority in El Paso had a $13 million contract in the tax credit project of Suncrest Townhomes that they did not allow anyone else in El Paso to bid on. He asked the Board to listen to the elected officials and to all the opposition to this project. There are concentration issues and this is the most controversial project in the history of El Paso. There is very little chance of this project making carryover as there will be lawsuits filed in this situation. He read a resolution into the record which he stated was never heard in a public hearing: "Now therefore be it resolved by the Board of Commissioners of the Housing Authority of the City of El Paso, Texas, that the president and CEO is authorized to develop a low-income housing tax credit strategy, and to enter into LIHTC agreements with appropriate public and/or private partners."

<u>Teresa Caballero, Attorney, El Paso, Texas</u>
Ms. Caballero stated she represented Tropicana Homes and the Affordable Builders Council of the El Paso Builders Association, El Paso, Texas. She stated staff did not have all the facts on the project of Suncrest Townhomes and there is opposition to the project. She stated crime is high in the area of this proposed development and there was a federal tax lien filed against Mr. Monty. She asked the board to apply the rules equitably to every project.

Mr. Wittmayer, General Counsel, advised that the department had reviewed the allegations of fraudulent information and he was satisfied based on his review that there is no fraudulent information that would disqualify this application.

<u>Dimetro Jimenez, Exec. Director, Greater El Paso Housing Member Corp., El Paso, Texas</u>
Mr. Jimenez stated he was opposed to Suncrest Townhomes as are many elected officials from El Paso and there was a concentration issue and asked the Board to deny this project.

<u>A.V. Mitchell</u>
Mr. Mitchell did not give any comments

<u>Bruce McDonald, Willis, Texas</u>
Mr. McDonald read a letter from the Mayor of Willis, Texas which stated: "Dear Chairman Jones and board members, I am unable to attend Wednesday's board meeting. However, on behalf of the City of Willis, I'm writing to communicate our support of the Cricket Hollow Apartments. This is our third consecutive year to participate in the program. Our city has invested significant time and resources to firmly bring this development to our community. We realize that our support is vital to this application. Accordingly, the application is documented in the City of Willis Resolution dated in January, and letters from the mayor and each city councilman unanimously committing our broad community support and need to have the Cricket Hollow Apartments. Northern Montgomery County's affordable housing need is critical, especially as it relates to Willis. Willis is in a district experiencing rapid growth and economic growth. We are separate and distinct from Conroe, Houston, and Harris County.

In our opinion, our housing needs are more acute than others in competing markets. We are concerned that over half of our existing housing is classified as inferior quality to be occupied. Furthermore, our current housing supply is inadequate in quality to serve our existing residents."

<u>Brian Cogburn, Houston, Texas</u>
Mr. Cogburn stated he was in support of Cricket Hollow in Region 6 as the city has demonstrated a tremendous public support through resolutions, letters to the department and at public hearing attendance.

<u>Ruby Mosley, Houston, Texas</u>
Ms. Mosley asked the Board to deny tax credits for Little York Villas. She stated there are crime problems in this area.

<u>Terry Campbell</u>
Mr. Campbell did not give any comments.

<u>R. J. Collins, Austin, Texas</u>
Mr. Collins spoke on behalf Stonehearst Apartments and asked for a forward commitment for this project.

(2) Board Approval of Staff Recommendations of Developments For the 2003 Low Income Housing Tax Credit Program Allocation Round and Issuance of Forward Commitments for 2004 Allocation Round And Issuance of Waiting List for 2003 From the List of all Applications

#	Region	Name	City	Credit Amount Requested
03170	6	North Main Park Apartments	Baytown	$678,659.00
03171	6	Uvalde Ranch Apartments	Houston	$1,015,377.00
03174	6	Las Palomas	Houston	$742,912.00
03176	9	Binz Ranch (San Miguel Apartments)	San Antonio	$1,200,000.00
03178	6	Jacinto Manor	Jacinto City	$782,354.00
03180	6	The Gardens Senior Living Apartments	Houston	$416,822.00
03182	6	The Manor at Jersey Village	Jersey Village	$782,354.00
03184	3	The Pegasus	Dallas	$1,156,172.00
03158	2	Red River Senior Village	Vernon	$404,729.00
03159	3	Summit Senior Village	Gainesville	$490,662.00
03160	7	Villas on Sixth Street	Austin	$1,190,349.00
03161	8	Dripping Springs Senior Village	Waco	$576,585.00
03162	10	Pinnacle Pointe Apartments	Victoria	$872,505.00
03163	3	Cedar View Apartments	Mineral Wells	$560,000.00
03164	8	Bluffview Villas	Brenham	$448,245.00
03168	7	Kingsland Trails Apartments	Kingsland	$446,148.00
03258	2	Mira Vista Apartments	Santa Anna	$70,346.00
03259	8	Pecan Creek Apartments	Hillsboro	$145,850.00
03261	5	Pebble Creek Apartments	Port Arthur	$418,100.00
03262	5	Crystal Creek Park Apartments	Port Arthur	$390,348.00
03263	5	CedarRidge Apartments	Port Arthur	$396,303.00
03264	11	Rose Court Apartments	Brownsville	$1,200,000.00
03265	10	Riversquare Apartments	Corpus Christi	$1,092,376.00
03189	6	The Village at Morningstar	Texas City	$418,179.00
03190	9	Westview Ranch (formerly Comal Ranch)	Pearsall	$595,000.00
03191	9	Bentley Place Apartments	San Antonio	$1,006,759.00
03192	3	Emmanuel Village	Dallas	$798,748.00
03195	4	Waterford Place	Longview	$369,494.00
03196	5	Arcadia Village	Center	$268,802.00
03197	5	Bowie Estates	Jasper	$895,493.00
03199	10	Fairways Apartments	Corpus Christi	$966,906.00
03207	9	Palacio Del Sol	San Antonio	$1,173,902.00
03212	3	Village of Kaufman	Kaufman	$203,150.00
03213	5	Fox Run Apartments	Orange	$216,440.00
03220	13	Desert Breeze, Ltd.	Horizon City	$360,434.00
03222	13	Whispering Sands Townhomes, Ltd.	Anthony	$287,970.00
03223	13	Suncrest Townhomes, Ltd.	El Paso	$1,152,843.00
03226	13	Canyon Run Townhomes, Ltd.	El Paso	$146,781.00
03227	13	Cedar Oak Townhomes, Ltd.	El Paso	$999,818.00

03231	6	Montgomery Meadows	Huntsville	$411,107.00
03235	4	Victoria Place Phase II	Athens	$362,988.00
03236	6	Little York Villas	Houston	$816,242.00
03243	6	Central City Homes	Galveston	$875,624.00
03245	6	Meadows Place Senior Village	Meadows Place	$674,985.00
03247	11	Las Brisas Apartments	Alamo	$45,890.00
03248	11	La Casita del Valle	La Casita	$66,499.00
03249	10	The Palmas Apartments	Aransas Pass	$41,192.00
03250	3	Pine Run Apartments	Honey Grove	$62,925.00
03251	7	Reflection Cove Apartments	Bastrop	$662,581.00
03252	6	Pine Meadow Apartments	Prairie View	$94,121.00
03253	6	Green Manor Apartments	Hempstead	$85,495.00
03254	6	Bayou Bend Apartments	Waller	$120,931.00
03255	6	Cedar Cove Apartments	Sealy	$122,045.00
03256	6	Willowchase Apartments	Hempstead	$122,882.00
03257	10	Caney Run Estates	Victoria	$704,758.00
03001	7	Eagle's Point	Austin	$1,200,000.00
03002	11	Padre de Vida	McAllen	$1,025,408.00
03003	13	Mission del Valle	Socorro	$160,782.00
03004	3	Arbor Woods	Dallas	$1,078,956.00
03005	7	Grove Place Apartments	Austin	$789,509.00
03006	6	Villas at Park Grove	Katy	$627,566.00
03007	9	Bexar Creek	San Antonio	$614,528.00
03009	8	Forest Park Apartments	Bryan	$981,432.00
03011	6	Jefferson Davis Artist Lofts	Houston	$280,733.00
03013	11	Casa Aguila Apartments	Pharr ETJ	$1,199,966.00
03016	1	Amarillo Garden Apartments	Amarillo	$404,377.00
03019	8	Nolan Creek Trails	Killeen	$634,816.00
03021	6	Emmaus Senior Apartments	Houston ETJ	$333,378.00
03022	13	Tropicana Palms	El Paso	$660,083.00
03023	13	Capistrano Palms	El Paso	$660,083.00
03024	13	Diana Palms	El Paso	$245,915.00
03025	4	The Hills Apartments	Longview	$1,181,994.00
03028	4	Green Street Apartments	Longview	$597,838.00
03029	11	La Villita Apartments	Brownsville	$856,933.00
03031	9	The Villas at Costa Verde	San Antonio	$1,122,531.00
03032	6	Parkview Apartments	Houston	$1,058,699.00
03035	11	Rio De Vida Apartments	Mission	$1,044,231.00
03036	11	The Galilean Apartments	Edinburg	$1,200,000.00
03037	3	Sphinx at Sandyland	Dallas	$1,038,767.00
03039	3	Oak Timbers- Grand Prairie	Grand Prairie	$437,741.00
03046	3	Churchill at Brookhaven	Dallas	$769,000.00
03047	9	Western Trail Apartments	San Antonio	$1,199,361.00
03051	3	Churchill At Commerce	Commerce	$597,061.00
03052	3	Churchill Pinnacle Park	Dallas	$1,128,000.00
03053	4	Millpoint Townhomes, LTD.	Henderson	$527,733.00
03054	3	The Village @ Prairie Creek	Dallas	$996,013.00

03057	9	Landa Place	New Braunfels	$448,245.00
03058	3	Residences of Rockwall	Rockwall	$478,588.00
03060	6	Calhoun Place	Houston	$1,017,060.00
03063	6	Cricket Hollow Apartments	Willis	$852,954.00
03064	5	Stone Hearst	Beaumont	$1,038,789.00
03065	8	Red Oak	Waco	$559,937.00
03066	2	Anson Park	Abilene	$561,000.00
03067	9	Tuscany Court	Hondo	$467,182.00
03068	8	Stone Ranch Apartments Homes	Killeen	$622,580.00
03069	5	Cole Creek Apartments	Crocket	$477,317.00
03070	6	Bay Ranch Apartments	Bay City	$477,317.00
03073	3	The Residences of Pemberton Hill	Dallas	$944,277.00
03080	13	Mission Trail Apartments	El Paso	$375,202.00
03081	3	The Senior Apartments	Grand Prairie	$750,000.00
03084	3	Coughtrey Estates	Grand Prairie	$888,026.00
03088	11	Palm Court Apartments	Brownsville	$1,200,000.00
03089	9	Merry Oaks Apartments	San Antonio	$1,147,254.00
03092	6	Foster Place Manor	Houston	$800,000.00
03094	3	Reserve II at Las Brisas	Irving	$934,952.00
03095	6	Derby House	Baytown	$1,200,000.00
03096	1	Family Residences at Greentree	Amarillo	$369,869.00
03097	3	Frazier Fellowship	Dallas	$452,374.00
03100	4	Churchill at Longview	Longview	$1,150,000.00
03104	2	Green Briar Village	Wichita Falls	$877,490.00
03106	2	Big County Senior Village	Abilene	$606,769.00
03108	6	Alta Reed Apartments	Houston	$1,200,000.00
03112	6	Horizon Ridge Apartments	Houston	$918,055.00
03117	5	Timber Village	Jasper	$578,303.00
03126	6	The Linden's Apartments	Freeport	$770,070.00
03129	6	Samaritan Village Apartments	Houston	$422,499.00
03130	6	Sunset Plaza Apartments	Houston	$575,723.00
03131	10	Las Villas De Corte Real	Corpus Christi	$955,118.00
03132	1	The Pioneer	Lubbock	$550,253.00
03134	13	Lilac Garden Apartments	El Paso	$686,800.00
03136	9	Tigonio Villas	San Antonio	$1,143,394.00
03137	9	Park Place Villas	San Antonio	$1,246,861.00
03138	9	Ryan Crossing Villas	Selma	$907,828.00
03139	9	Loresho Villas	San Antonio	$1,043,417.00
03140	1	Park Meadows Villas	Lubbock	$745,677.00
03145	12	Sterling Springs Villas	Midland	$850,643.00
03153	6	Northline Point Apartments	Houston	$364,741.00
03155	9	Villas of Leon Valley	Leon Valley	$492,672.00
129 apps.				$82,213,149.00

Ms. Carrington stated this is the list that staff is recommending to be approved for tax credit allocations but there has been one change in the list that the Board approved on June 25th and this was due to an appeal to the Executive Director that created a change in the amount of tax credits. This was for the Villas of Leon Valley, Region 9, and their tax credit allocation was increased by $4,372. Staff did underwrite an additional 6 developments but this has not changed the staff recommendation. Staff is recommending an allocation amount of $38,098,599 which leaves a balance of $39,325 in the allocation amount for the LIHTC this year. The recommendations of staff are:

LIHTC No.	Region	Name	Credit Recommendation
03-140	1	Park Meadows Villas	$ 737,372
03-016	1	Amarillo Garden Apartments	$ 265,490
03-066	2	Anson Park	$ 561,000
03-158	2	Red River Senior Village	$ 402,507
03-258	2	Mira Vista Apartments	$ 70,346
03-184	3	The Pegasus	$1,153,613
03-081	3	The Senior Apartments at Curtis Wright Field	$ 756,742
03-039	3	Oak Timbers-Grand Prairie	$ 425,506
03-159	3	Summit Senior Village	$ 476,268
03-163	3	Cedar View Apartments	$ 560,000
03-212	3	Village of Kaufman	$ 193,806
03-250	3	Pine Run Apartments	$ 62,784
0-3004	3	Arbor Woods	$1,078,956
03-100	4	Churchill at Longview	$1,150,000
03-028	4	Green Street Apartments	$ 592,722
03-053	4	Millpoint Townhomes	$ 515,338
03-196	5	Arcadia Village	$ 227,836
03-069	5	Cole Creek Apartments	$ 437,327
03-263	5	Cedar Ridge Apartments	$ 387,461
03-261	5	Pebble Creek Apartments	$ 387,920
03-261	5	Crystal Creek Park Apts.	$ 377,548
03-213	5	Fox Run Apartments	$ 213,473
03-011	6	Jefferson Davis Artist Lofts	$ 280,733
03-178	6	Jacinto Manor	$ 782,354
03-182	6	The Manor at Jersey Village	$ 782,354
03-236	6	Little York Villas	$ 816,242
03-245	6	Meadows Place Senior Villages	$ 675,605
03-070	6	Bay Ranch Apartments	$ 451,094
03-153	6	Northline Point Apartments	$ 347,203
03-231	6	Montgomery Meadows	$ 382,286
03-252	6	Pine Meadows Apartments	$ 94,120
03-254	6	Bayou Bend Apartments	$ 119,812
03-256	6	Willowchase Apartments	$ 121,654
03-255	6	Cedar Cove Apartments	$ 120,931
03-006	6	Villas at Park Grove	$ 627,566
03-001	7	Eagle's Point	$1,200,000
03-005	7	Grove Place Apartments	$ 789,509
03-068	8	Stone Ranch Apartments	$ 583,608
03-065	8	Red Oak	$ 559,937
03-009	8	Forest Park Apartments	$ 746,176
03-161	8	Dripping Springs Senior	$ 572,047
03-259	8	Pecan Creek Apartments	$ 145,850
03-176	9	Binz Ranch (San Miguel Apts)	$1,200,000
03-136	9	Tigoni Village	$ 851,994
03-155	9	Villas of Leon Valley	$ 491,973
03-191	9	Bentley Place Apartments	$1,006,759
03-067	9	Tuscany Court	$ 465,802

03-190	9	Westview Ranch (prev. Comal Ranch)	$ 591,010
03-007	9	Bexar Creek	$ 614,528
03-265	10	Riversquare Apartments	$1,092,376
03-257	10	Caney Run Estates	$ 704,038
03-162	10	Pinnacle Pointe Apartments	$ 871,732
03-249	10	The Palmas Apartments	$ 41,006
03-013	11	Casa Aguila Apartments	$1,171,547
03-036	11	The Galilean Apartments	$1,200,000
03-035	11	Rio De Vida Apartments	$1,004,228
03-029	11	La Villita Apartments	$ 851,428
03-248	11	La Casita del Valle	$ 66,499
03-247	11	Las Brisas Apartments	$ 45,890
03-002	11	Padre de Vida	$1,025,408
03-145	12	Sterling Springs Villas	$ 845,579
03-223	13	Suncrest Townhomes, Ltd.	$1,147,376
03-220	13	Desert Breeze, Ltd.	$ 359,018
03-222	13	Whispering Sands Townhomes	$ 286,440
03-134	13	Lilac Garden Apartments	$ 685,609
03-003	13	Mission del Valle	$ 160,782

Motion made by Norberto Salinas and seconded by Shad Bogany to approve the recommended staff list of allocations for the Low Income Housing Tax Credit Program for 2003.
Passed Unanimously

Ms. Carrington stated staff is asking the Board to approve a waiting list for any credits that would be returned to the department between this date and the end of December. The waiting list is:

Reg 1	None
Reg 2	None
Reg 3	03-094 The Reserve with credit amount of $822,062
	03-097 Frazier Fellowship with credit amount of $452,374
Reg 4	03-195 Waterford Place with credit amount of $369,494
	03-235 Victoria Place with credit amount of $362,988
Reg 5	03-117 Timber Village with credit amount of $578,303
Reg 6	03-108 Alta Reed Apts. with credit amount of $1,200,000
	03-130 Sunset Plaza with credit amount of $575,723
	03-129 Samaritan Village Apts. With credit amount of $422,499
Reg 7	None
Reg 8	03-109 Nolan Creed Trails with credit amount of $634,816
	03-164 Bluffview Villas with credit amount of $488,246
Reg 9	03-207 Palacio del Sol with credit amount of $1,173,902
	03-031 Villaas at Costa Verde with credit amount of $1,122,531
	03-138 Ryan Crossing Villas with credit amount of $907,828
Reg 10	None
Reg 11	None
Reg 12	None
Reg 13	03-022 Tropicana Palms with credit amount of $660,083
	03-023 Capistrano Palms with credit amount of $660.083
	03-024 Diana Palms with credit amount of $211,474
Rural Set Aside	
	03-235 Victoria Place Phase 2 with credit amount of $362,988
	03-164 Bluffview Villas with credit amount of $448,245

Motion made by Beth Anderson and seconded by Vidal Gonzalez to table the waiting list as the Board might want to consider some of these projects for a forward commitment.
Motion was withdrawn by Ms. Anderson.

Motion made by Beth Anderson to accept the staff recommendation of the waiting list and if any credits are returned that the staff brings those back to the Board for the next project the list for endorsement or approval and if credits are returned in the rural area that these are to be considered as part of the preliminary waiting list.
Passed Unanimously

(3) Request for Additional Extension of Deadline to Close Construction Loan for Meadows of Oakhaven Apartments, #02-131

Ms. Carrington stated the Meadows of Oakhaven Apartments are requesting an extension of the close of their construction loan as their deadline was July 13, 2003. The QAP states there will be one 30-day extension for the close of the construction loan and that extensions has previously been granted but the developer has asked for another extension. If the Board does uphold staff recommendation to deny the request then these credits would be returned to the agency and would be put in the pool for next year.

Cynthia Bast, Attorney, Locke Liddell & Sapp, Austin, Texas
Ms. Bast stated the project did receive a 30-day extension and the original request was based on certain delays imposed by requests for additional third-party reports from the lender and investor as well as delays by certain third party professionals in the performance of their tasks. The delays were not directly within the control of the partnership. With this extension the partnership feels it can close the construction loan as required and meet the November deadline for substantial construction commencement and then meet the final deadline for placement in service.

Mike Gilbert, Pleasanton Apartment Venture
Mr. Gilbert stated they are under construction and would appreciated any consideration given to this project of Meadows of Oakhaven Apartments.

Motion made by C. Kent Conine and seconded by Norberto Salinas to grant the appeal for the 60 day extension for Meadows of Oakhaven Apartments.
Passed Unanimously

Joy Horak Brown, Executive Director, New Hope Housing, Inc., Houston, Texas
Ms. Horak Brown was in favor of the Canal Street Apartments and stated they have a solid track record of developing and operating housing for adults who live on an extremely low income.

Mac Flowler, Private Investor, Houston, Texas
Mr. Fowler stated the New Hope Housing has been in operation for 8 years and this project will have 186 units which will target a very low income resident. 90% of the residents in the Canal Street development would be 30% of less of median income.

(3) Presentation, Discussion and Possible Approval of Programmatic Items:
(a) HOME Program:
(1) Board Approval of Staffs Recommendations of Developments for the FY 2002-2003 Multi Family HOME Rental Preservation Awards From the List of all Applications

Application Number	Region	Name	City	HOME Request
20030017	6	Green Manor Apartments	Hempstead	$200,000.00
20030018	6	Bayou Bend Apartments	Waller	$250,000.00
20030019	6	Willowchase Apartments	Hempstead	$180,000.00
20030020	6	Pine Meadows Apartments	Prairie View	$250,000.00
20030150	8	Pecan Creek Apartments	Hillsboro	$515,000.00
20030153	2	Mira Vista Apartments	Santa Anna	$220,000.00

Ms. Carrington stated staff is recommending six rental preservation awards being. This is part of the double cycle of HOME funds with these recommendations using $1,165,000 and leaving a balance of $2,400,000 for this set aside.

Motion made by Shad Bogany and seconded by Beth Anderson to accept the recommendation of staff and approve the HOME funding recommendations for:

Green Manor Apartments	Hempstead	$200,000.00
Bayou Bend Apartments	Waller	$250,000.00
Willowchase Apartments	Hempstead	$180,000.00
Pine Meadows Apartments	Prairie View	$250,000.00
Pecan Creek Apartments	Hillsboro	$515,000.00
Mira Vista Apartments	Santa Anna	$220,000.00

Passed Unanimously

(b) Housing Trust Fund:

(1) Board Approval of Staffs Recommendations of Housing Trust Fund Development Recommendations From the List of all Applications:

Application Number	Region	Development Name	City	Loan Request
03801	3	Churchill At Brookhaven	Dallas	$300,000.00
03802	3	Churchill at Pinnacle Park	Dallas	$350,000.00
03803	3	Churchill at Commerce	Commerce	$250,000.00
03804	4	Churchill at Longview	Longview	$350,000.00
03805	3	Willow Bend Creek Apartments	Fort Worth	$218,171.00
03807	6	Beauty Street Development	Dayton	$199,648.00
03808	6	Canal Street Apartments	Houston	$250,000.00
03809	5	Cole Creek Apartments	Crockett	$50,000.00
03810	8	Stone Ranch Apartments	Killeen	$136,000.00
03811	3	Grace Townhomes	Ennis	$274,434.00
03812	3	New Horizons Ltd. Phase II	Denton	$300,000.00
03813	11	La Villita Apartments	Brownsville	$175,000.00
03814	11	Pueblo de Paz Apartments	Mission	$300,000.00
03817	6	Fallbrook Ranch, Ltd.	Houston	$240,000.00
03818	3	Estates of Bridgeport	Bridgeport	$477,998.00
03819	13	Mission Trail Apartments	El Paso	$200,000.00
03820	7	Villa Elaina	Austin	$116,743.00
03821	9	Tuscany Court	Hondo	$329,000.00
03822	2	Anson Park	Abilene	$375,000.00
03823	6	Meadows on Airport Apartments	Houston	$350,000.00
03824	6	Villas at Park Grove	Katy	$175,000.00
03825	6	Reading Road Apartments	Rosenberg	$350,000.00
03826	6	The Peninsula Apartments	Houston	$525,000.00
03827	7	Kingsland Trails Apartments	Kingsland	$336,000.00
03828	9	Bentley Place Apartments	San Antonio	$525,000.00
03829	6	The Village @ Morningstar	Texas City	$350,000.00
03830	3	Cedar View Apartments	Mineral Wells	$140,000.00
03831	7	Green Pond	Lockhart	$200,000.00
03832	7	St. Brendan's Place	Taylor	$138,951.00

03833	3	New Home Construction	NA	$71,500.00

Ms. Carrington stated the Department received 30 applications and staff is recommending 13 of the developments to be funded for a total of $3,724,741. These recommendations are:

03804	4	Churchill at Longview	Longview	$350,000.00
03809	5	Cole Creek Apartments	Crockett	$50,000.00
03810	8	Stone Ranch Apartments	Killeen	$136,000.00
03813	11	La Villita Apartments	Brownsville	$175,000.00
03818	3	Estates of Bridgeport	Bridgeport	$477,998.00
03820	7	Villa Elaina	Austin	$116,743.00
03821	9	Tuscany Court	Hondo	$329,000.00
03822	2	Anson Park	Abilene	$375,000.00
03824	6	Villas at Park Grove	Katy	$175,000.00
03825	6	Reading Road Apartments	Rosenberg	$350,000.00
03826	6	The Peninsula Apartments	Houston	$525,000.00
03828	9	Bentley Place Apartments	San Antonio	$525,000.00
03830	3	Cedar View Apartments	Mineral Wells	$140,000.00

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the 13 developments as recommended by staff:

03804	4	Churchill at Longview	Longview	$350,000.00
03809	5	Cole Creek Apartments	Crockett	$50,000.00
03810	8	Stone Ranch Apartments	Killeen	$136,000.00
03813	11	La Villita Apartments	Brownsville	$175,000.00
03818	3	Estates of Bridgeport	Bridgeport	$477,998.00
03820	7	Villa Elaina	Austin	$116,743.00
03821	9	Tuscany Court	Hondo	$329,000.00
03822	2	Anson Park	Abilene	$375,000.00
03824	6	Villas at Park Grove	Katy	$175,000.00
03825	6	Reading Road Apartments	Rosenberg	$350,000.00
03826	6	The Peninsula Apartments	Houston	$525,000.00
03828	9	Bentley Place Apartments	San Antonio	$525,000.00
03830	3	Cedar View Apartments	Mineral Wells	$140,000.00

Passed Unanimously

(c) Preservation:

(1) Cedar Cove Preservation Recommendation, Sealy, Texas

Ms. Carrington stated Cedar Cove of Sealy, Texas has 54 units and is an older USDA rural housing development and staff is recommending $200,000 in funds. The remaining balance in this account is $122,700.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the Cedar Cove Preservation recommendation by staff of $200,000.
Passed Unanimously

(d) Single Family:

(1) FY 2002-2003 Single Family HOME Program Awards for Homebuyer Assistance, Owner Occupied, and Tenant Based Rental Assistance

HOMEBUYER ASSISTANCE

Application Number	Applicant	Reg.	Set Aside	Score	Request	Recommended

2003-0375	ALT Affordable Housing Services	03	General	113	$200,000.00	$200,000.00
2003-0368	Capital Area Housing Finance Corp.	07	General	105	$325,000.00	$325,000.00
2003-0045	City of Bay City	06	General	91	$187,500.00	$187,500.00
2003-0119	City of Center	05	General	80	$150,000.00	$150,000.00
2003-0356	City of Edgewood	04	General	110	$50,000.00	$50,000.00
2003-0357	City of Frisco	03	General	109.5	$96,154.00	$96,154.00
2003-0034	City of Hughes Springs	04	General	96	$100,000.00	$30,253.00
2003-0325	City of Huntsville	06	General	108.5	$150,000.00	$150,000.00
2003-0366	City of La Feria	11	General	88	$200,000.00	$200,000.00
2003-0005	City of Mount Pleasant	04	General	106	$150,000.00	$150,000.00
2003-0111	City of Nash	04	General	102	$187,500.00	$187,500.00
2003-0008	City of Paris	04	General	97	$300,000.00	$300,000.00
2003-0152	City of Socorro	13	General	102	$500,000.00	$188,882.00
2003-0372	Community Action Corp. of South Texas	10	CHDO	119	$100,700.00	$100,700.00
2003-0377	Community Action Social Services & Ed.	11	CHDO	92	$300,000.00	$300,000.00
2003-0173	Community Council of SWT, Inc.	11	General	87	$375,000.00	$375,000.00
2003-0374	County of Starr	11	General	84	$200,000.00	$200,000.00
2003-0160	Crossroads Housing Development	12	CHDO	86	$125,000.00	$125,000.00
2003-0082	Denton Affordable Housing Corp.	03	CHDO	106	$286,000.00	$286,000.00
2003-0052	Edinburg Housing Opportunity	11	CHDO	87	$300,000.00	$300,000.00
2003-0007	Laredo-Webb NHS, Inc.	11	PWD	86	$300,000.00	$300,000.00
2003-0360	Midland Community Development Corp.	12	CHDO	113	$132,000.00	$132,000.00
2003-0378	Neighbors in Need of Services	11	General	88	$300,000.00	$300,000.00
2003-0063	Panhandle Community Services	01	General	80	$300,000.00	$177,765.00
2003-0376	PHA of The City of Bastrop	07	General	110	$50,000.00	$50,000.00
2003-0023	Pineywoods Home Team Aff. Hsing	05	CHDO	116	$300,000.00	$300,000.00
2003-0337	Proyecto Azteca	11	CHDO	95	$369,600.00	$369,600.00
2003-0286	South Plains Comm Action Assoc.	01	General	109	$200,000.00	$200,000.00
2003-0046	Southeast Texas Housing Finance Corp.	06	General	103	$500,000.00	$500,000.00
2003-0027	Temple Housing Authority	08	General	107	$412,500.00	$412,500.00
2003-0350	Town of Pecos City	12	General	117	$265,000.00	$265,000.00
2003-0012	Travis County Housing Finance Corp.	07	General	100	$300,000.00	$78,318.00

Total: $6,987,172.00

OWNER OCCUPIED

Application Number	Applicant	Region	Set Aside	Score	Request	Recommended
2003-0235	Bay City PHA	06	General	119	$500,000.00	$500,000.00
2003-0240	Bee County	10	General	120	$500,000.00	$500,000.00
2003-0370	Big Bend Housing Dev.	13	Special Needs	117	$75,000.00	$33,329.00
2003-0301	Caprock Comm. Action Assoc., Inc.	01	Special Needs	111	$500,000.00	$305,488.00

2003-0232	City of Bay City	06	General	122	$500,000.00	$500,000.00
2003-0057	City of Bellmead	08	General	120	$500,000.00	$500,000.00
2003-0206	City of Belton	08	Special Needs	109	$500,000.00	$340,023.00
2003-0213	City of Big Wells	11	General	112	$500,000.00	$500,000.00
2003-0262	City of Boerne	09	General	114	$500,000.00	$500,000.00
2003-0157	City of Bonham	03	General	117	$330,000.00	$100,006.00
2003-0266	City of Bowie	02	General	118	$500,000.00	$500,000.00
2003-0170	City of Brownwood	02	Special Needs	110	$500,000.00	$401,608.00
2003-0174	City of Carrizo Springs	11	General	116	$500,000.00	$500,000.00
2003-0135	City of Celina	03	General	121	$500,000.00	$500,000.00
2003-0146	City of Center	05	Special Needs	115	$200,000.00	$200,000.00
2003-0149	City of Center	05	General	115	$300,000.00	$300,000.00
2003-0100	City of Charlotte	09	Special Needs	121	$275,000.00	$225,000.00
2003-0097	City of Charlotte	09	General	121	$275,000.00	$275,000.00
2003-0094	City of Clarksville	04	Special Needs	118	$495,000.00	$495,000.00
2003-0274	City of Coahoma	12	Special Needs	113	$500,000.00	$225,664.00
2003-0271	City of Coahoma	12	General	113	$500,000.00	$274,336.00
2003-0120	City of Crockett	05	Special Needs	109	$300,000.00	$200,000.00
2003-0118	City of Crockett	05	General	109	$300,000.00	$300,000.00
2003-0107	City of Dawson	03	Special Needs	115	$286,000.00	$286,000.00
2003-0185	City of Devine	09	General	107	$500,000.00	$500,000.00
2003-0075	City of Diboll	05	General	108	$300,000.00	$300,000.00
2003-0144	City of Dickinson	06	General	119	$500,000.00	$500,000.00
2003-0231	City of Eagle Lake	06	Special Needs	113	$500,000.00	$500,000.00
2003-0284	City of Encinal	11	General	116	$500,000.00	$500,000.00
2003-0182	City of Farmersville	03	General	120	$500,000.00	$500,000.00
2003-0310	City of Flatonia	07	Special Needs	113	$300,000.00	$238,180.00
2003-0042	City of Floydada	01	General	115	$250,000.00	$250,000.00
2003-0167	City of Gainsville	03	Special Needs	116	$500,000.00	$500,000.00
2003-0172	City of Goldsmith	12	General	117	$500,000.00	$500,000.00
2003-0221	City of Grand Saline	04	Special Needs	120	$500,000.00	$173,325.00
2003-0217	City of Grand Saline	04	General	120	$500,000.00	$326,675.00
2003-0215	City of Gregory	10	General	117	$500,000.00	$86,730.00
2003-0223	City of Gregory	10	Special Needs	117	$500,000.00	$413,270.00
2003-0093	City of Hawk Cove	03	General	119	$480,000.00	$480,000.00
2003-0062	City of Hillsboro	08	Special Needs	118	$500,000.00	$500,000.00
2003-0277	City of Holland	08	General	118	$400,000.00	$348,995.00
2003-0036	City of Hughes Springs	04	Special Needs	117	$275,000.00	$52,284.00
2003-0193	City of Huntington	05	General	114	$500,000.00	$500,000.00
2003-0091	City of Jourdanton	09	Special Needs	122	$275,000.00	$225,000.00
2003-0089	City of Jourdanton	09	General	122	$275,000.00	$275,000.00
2003-0080	City of Kenedy	09	General	111	$300,000.00	$300,000.00
2003-0204	City of La Coste	09	Special Needs	102	$500,000.00	$104,565.00

2003-0263	City of Littlefield	01	General	113	$500,000.00	$131,451.00
2003-0261	City of Littlefield	01	Special Needs	113	$500,000.00	$368,549.00
2003-0092	City of Lockhart	07	General	115	$495,000.00	$127,123.00
2003-0095	City of Lockhart	07	Special Needs	115	$495,000.00	$372,877.00
2003-0254	City of Log Cabin	04	Special Needs	117	$500,000.00	$95,088.00
2003-0287	City of Los Indios	11	General	111	$500,000.00	$500,000.00
2003-0096	City of Lott	08	General	118	$480,000.00	$418,871.00
2003-0131	City of Lufkin	05	General	116	$500,000.00	$500,000.00
2003-0154	City of Luling	07	General	115	$500,000.00	$128,405.00
2003-0112	City of Marlin	08	General	121	$480,000.00	$480,000.00
2003-0110	City of Mathis	10	General	122	$495,000.00	$495,000.00
2003-0090	City of Maud	04	General	120	$275,000.00	$179,677.00
2003-0246	City of Merkel	02	General	111	$500,000.00	$412,931.00
2003-0177	City of Merkel	03	General	122	$500,000.00	$500,000.00
2003-0260	City of Mexia	08	General	121	$500,000.00	$500,000.00
2003-0250	City of Milford	03	Special Needs	110	$500,000.00	$210,773.00
2003-0280	City of Murchison	04	General	120	$330,000.00	$215,660.00
2003-0276	City of Murchison	04	Special Needs	120	$330,000.00	$284,340.00
2003-0081	City of Naples	04	Special Needs	117	$275,000.00	$52,284.00
2003-0048	City of Nash	04	General	121	$495,000.00	$495,000.00
2003-0275	City of Nevada	03	General	117	$330,000.00	$100,006.00
2003-0278	City of Nevada	03	Special Needs	117	$330,000.00	$330,000.00
2003-0209	City of New Deal	01	General	118	$500,000.00	$500,000.00
2003-0105	City of Omaha	04	Special Needs	117	$275,000.00	$52,284.00
2003-0066	City of Onalaska	05	General	95	$300,000.00	$300,000.00
2003-0195	City of Palacios	06	Special Needs	117	$500,000.00	$182,765.00
2003-0194	City of Palacios	06	General	117	$500,000.00	$317,236.00
2003-0123	City of Palestine	04	Special Needs	117	$400,000.00	$76,065.00
2003-0070	City of Pleasanton	09	General	106	$300,000.00	$78,627.00
2003-0256	City of Ponder	03	Special Needs	121	$385,000.00	$115,000.00
2003-0255	City of Ponder	03	General	121	$385,000.00	$385,000.00
2003-0269	City of Premont	10	Special Needs	116	$500,000.00	$66,560.00
2003-0054	City of Redwater	04	General	120	$220,000.00	$143,812.00
2003-0180	City of Rice	03	Special Needs	118	$385,000.00	$115,000.00
2003-0166	City of Rice	03	General	118	$385,000.00	$385,000.00
2003-0308	City of Rockdale	08	Special Needs	119	$175,000.00	$175,000.00
2003-0312	City of Rockdale	08	General	119	$175,000.00	$175,000.00
2003-0306	City of Roma	11	General	119	$500,000.00	$500,000.00
2003-0028	City of Royse City	03	Special Needs	110	$163,539.00	$68,952.00
2003-0115	City of Runge	09	General	111	$275,000.00	$275,000.00
2003-0073	City of San Augustine	05	General	96	$500,000.00	$500,000.00
2003-0220	City of Sanger	03	General	120	$500,000.00	$500,000.00
2003-0227	City of Santa Fe	06	Special Needs	117	$500,000.00	$182,765.00
2003-0225	City of Santa Fe	06	General	117	$500,000.00	$317,235.00

2003-0352	City of Santa Rosa	11	General	102	$200,000.00	$200,000.00
2003-0088	City of Sealy	06	Special Needs	112	$480,000.00	$13,200.00
2003-0040	City of Seminole	12	General	113	$500,000.00	$309,729.00
2003-0229	City of Sinton	10	General	117	$500,000.00	$86,730.00
2003-0230	City of Sinton	10	Special Needs	117	$500,000.00	$413,270.00
2003-0311	City of Smithville	07	General	117	$500,000.00	$500,000.00
2003-0216	City of Stanton	12	General	114	$500,000.00	$500,000.00
2003-0134	City of Teague	08	Special Needs	109	$200,000.00	$136,000.00
2003-0029	City of Terrell	03	Special Needs	123	$300,000.00	$300,000.00
2003-0336	City of Texarkana	04	General	120	$480,440.00	$313,933.00
2003-0247	City of Toyah	12	Special Needs	109	$500,000.00	$500,000.00
2003-0245	City of Trinity	05	General	112	$500,000.00	$500,000.00
2003-0103	City of Van Horn	13	Special Needs	117	$275,000.00	$122,208.00
2003-0087	City of Wharton	06	Special Needs	115	$495,000.00	$495,000.00
2003-0079	City of Zavalla	05	General	94	$300,000.00	$41,475.00
2003-0060	Community and Senior Services	12	Special Needs	116	$250,000.00	$250,000.00
2003-0022	Community Resource Group, Inc.	11	General	82	$400,000.00	$400,000.00
2003-0108	Culberson County	13	Special Needs	117	$275,000.00	$122,208.00
2003-0189	Dimmit County	11	General	117	$500,000.00	$500,000.00
2003-0218	Gonzales Economic Dev. Corp.	10	General	118	$500,000.00	$500,000.00
2003-0358	Housing Authority of Crystal City	11	Special Needs	96	$383,000.00	$383,000.00
2003-0293	La Salle County	11	General	98	$500,000.00	$500,000.00
2003-0270	Le Tulle Foundation	06	General	119.5	$500,000.00	$500,000.00
2003-0317	Lone Star Garden Dev.	05	Special Needs	108.5	$500,000.00	$500,000.00
2003-0248	Merkel, City Of	02	Special Needs	111	$500,000.00	$87,069.00
2003-0191	Palacios Housing Authority	06	Special Needs	117	$500,000.00	$182,765.00
2003-0198	Palacios Housing Authority	06	General	117	$500,000.00	$317,235.00
2003-0257	Presidio County	13	Special Needs	120	$500,000.00	$59,274.00
2003-0265	Presidio County	13	General	120	$500,000.00	$440,725.00
2003-0114	Runge, City of Runge	09	Special Needs	111	$275,000.00	$225,000.00
2003-0349	Town of Combes	11	General	102	$200,000.00	$200,000.00
2003-0302	Val Verde County	11	General	99	$500,000.00	$500,000.00
2003-0044	Webb County-Self Help Center	11	General	108	$500,000.00	$500,000.00

Total: $39,443,635.00

TENANT BASED RENTAL ASSISTANCE

Application Number	Applicant	Region	Set Aside	Score	Request	Recommened
2003-0011	Affordable Housing of Parker County	03	Special Needs	94	$79,536.00	$79,536.00
2003-0307	Bluebonnet Trails MHMR Center	07	PWD	112	$400,000.00	$400,000.00

2003-0305	Bluebonnet Trails MHMR Center	09	PWD	118	$50,000.00	$50,000.00
2003-0304	Bluebonnet Trails MHMR Center	10	PWD	114	$50,000.00	$50,000.00
2003-0339	Buckner Children & Family Services	05	General	102	$300,000.00	$300,000.00
2003-0333	Buckner Children & Family Services	12	General	119	$75,150.00	$75,150.00
2003-0006	Burke Center	05	PWD	112	$497,750.00	$497,750.00
2003-0324	Cameron County Housing Authority	11	Special Needs	101	$500,000.00	$500,000.00
2003-0002	Comal County Housing Authority	09	Special Needs	114	$400,000.00	$400,000.00
2003-0151	Combined Community Action Inc	06	General	88	$51,400.00	$51,400.00
2003-0373	Community Action Corp. of South Texas	10	PWD	116	$178,000.00	$178,000.00
2003-0058	Gulf Bend MHMR Center	10	PWD	116	$52,000.00	$52,000.00
2003-0051	Gulf Coast Center	06	Special Needs	92	$499,320.00	$499,320.00
2003-0321	Lifetime Independence/Everyone	01	PWD	105	$402,315.00	$402,315.00
2003-0289	Marble Falls Housing Authority	07	General	98	$500,000.00	$302,212.00
2003-0291	Marble Falls Housing Authority	07	Special Needs	98	$500,000.00	$197,788.00
2003-0361	Spectrum Housing & Services	09	PWD	95	$500,000.00	$500,000.00
2003-0003	Spindletop MHMR Services	05	PWD	116	$163,700.00	$163,700.00
2003-0030	Temple Housing Residential Corp.	08	General	113	$186,750.00	$186,750.00
2003-0343	Twin City Mission	08	Special Needs	98	$466,667.00	$466,667.00

Total: $5,352,588.00

Ms. Carrington stated the department received 377 applications and of these staff is recommending that 176 applications be approved for several activities. The department has $77,600,000 to allocate and is recommending the allocation of $51,700,000 at this meeting which leaves a balance of $25,900,000 to allocate. The remainder of the funds will be allocated before the end of the year. She noted that on Application No. 2003-177 that this should be the City of Celeste and will have a 4% admin fee also. CHDOS receive 5% or $50,000 whichever is greater for their admin fee.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the recommendation of staff for the awards of the HOME Program.
Passed Unanimously

Motion made by Vidal Gonzalez and seconded by Shad Bogany to approve the 5% or $50,000 for admin fee for CHDOs.
Passed Unanimously

(2) Award of Disaster Relief Funds for City of Mathis

Ms. Carrington stated there was a disaster in Mathis of excessive rain and flooding and they have requested $514,800 to reconstruct and rehabilitate 9 housing units that were affected as a result of this flooding.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the disaster relief recommendation for the City of Mathis for $514,800.
Passed Unanimously

(e) Office of Colonia Initiatives:

(1) 2003 Bootstrap Awards for:

Community Dev. Corp. of Brownsville, 32 units, $998,400
Community Action Council of S. Texas, 15 units, $441,600
Housing Authority of City of Donna, 20 units, $624,000
Paris Living/Paris Habitat for Humanity, 5 units, $156,000
Fort Worth/Garland/Waco/Denton Habitat for Humanity, 15 units, $468,000
Dallas Area Habitat for Humanity, 10 units, $312,000
Ms. Carrington stated the Department is required by legislation to fund $3,000,000 per year in the Owner/Builder Loan Program. The money is from the Housing Trust Fund and the Junior Lien SF Mortgage Revenue Bond Program. This program requires that the maximum amount that TDHCA can award to each project is $30,000. The department is required to set aside two-thirds of this money ($2,000,000) for owners/builders whose property is located in economically distressed areas, and the other one-third ($1,000,000) is available to non-profit certified owner/builder programs statewide. Staff is recommending approval of 2003 Bootstrap Awards to:
Community Dev. Corp. of Brownsville, 32 units, $998,400
Community Action Council of S. Texas, 15 units, $441,600
Housing Authority of City of Donna, 20 units, $624,000
Paris Living/Paris Habitat for Humanity, 5 units, $156,000
Fort Worth/Garland/Waco/Denton Habitat for Humanity, 15 units, $468,000
Dallas Area Habitat for Humanity, 10 units, $312,000

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the 2003 Bootstrap Awards to: Community Dev. Corp. of Brownsville for $998,400; Community Action Council of S. Texas for $441,600; Housing Authority of City of Donna for $624,000; Paris Living/Paris Habitat for Humanity for $156,000; Fort Worth/Garland/Waco/Denton Habitat for Humanity for $468,000 and Dallas Area Habitat for Humanity for $312,000
Passed Unanimously

<u>Bert Magill, Houston, Texas</u>
Mr. Magill stated he had concerns with the multifamily rules being proposed with the signage requirement and if they would meet zoning issues in various cities and the selection criteria and point scores. He felt more public input should be taken before the Board approves this item.

<u>Bill Fischer, Dallas, Texas</u>
Mr. Fischer stated that as long as there is a valid zoning application in place that allows for more public participation that the project should not be penalized because somebody had zoning ahead of it. He also asked the Board to consider expanding the proximity to community services and amenities to three miles instead of one mile.

(f) Multi-Family:
(1) Multi-Family Mortgage Revenue Bond Program Rules:
Proposed Repeal of 10 Texas Administrative Code Chapter 33 – Guidelines for Multifamily Housing Revenue Bond; Proposed Repeal of 10 Texas Administrative Code Chapter 35 – Taxable Multifamily Mortgage Revenue Bond Program; Proposed Repeal of 10 Texas Administrative Code Chapter 39 – Tax-Exempt Multifamily Mortgage Revenue Bond Program; Adoption of Emergency Rules Entitled "Multifamily Housing Revenue Bond Rules" (to be at 10 Texas Administrative Code Chapter 33) as Required by New State Legislation Including Amendments to Sections 1372.0231 and 2306.359, Texas Government Code; Approval of Proposed Rules Entitled "Multifamily Housing Revenue Bond Rules" (identical to the Emergency Rules, to Be at 10 Texas Administrative Code Chapter 33) for Notice and Public Comment
Ms. Carrington stated the Board is being asked to consider the publication of one emergency rule that would; address the department's procedures for the receipt of applications for inducement for developments that would then go to the BRB for the 2004 Lottery. Other rules will be repealed with the emergency rule that staff is proposing. Ms. Carrington stated that the staff could hold an open forum to solicit public participation and invite everybody and anybody who wants to attend.

Motion made by C. Kent Conine and seconded by Beth Anderson to table this item until the next Board meeting and for staff to hold an open forum to solicit public comments on the Multi-Family

Bond Program Rules and handle this item at the next Board meeting.
Passed Unanimously

(4) Presentation, Discussion and Possible Approval of Proposed Memorandum Of Understanding with the Texas Commission on Human Rights on Fair Housing

Ms. Carrington stated staff is asking approval of a MOU between TDHCA and the Texas Commission on Human Rights. Section 2306.257 of the Government Code requires the department to notify the Texas Commission on Human Rights if the department determines that a program participant may have failed to comply with state or federal fair housing laws. This MOU would allow the department to report complaints to the Texas Commission on Human Rights and then that Commission would have the ability toi investigate the complaint.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the Memorandum of Understanding with the Texas Commission on Human Rights on Fair Housing.
Passed Unanimously

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

(a) Single Family Bond Finance:

(1) Application to the Bond Review Board for Reservation of Private Activity Bond Authority

Ms. Carrington stated this is the application to the Bond Review Board for the department's set-aside for Private Activity Single Family Bonds and the amount that is being requested from the BRB is $161,171,208. TDHCA will be converting a portion of that, about $60,000,000 into the Mortgage Credit Certificate Program and the balance or $101,171,208 will be for conversion later into below-rate market rate mortgages for Single Family. Staff is recommending approval of this item with Resolution No. 03-060.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the application to the BRB for reservation of the private activity bond authority with Resolution No. 03-060.
Passed Unanimously

Mr. Bogany requested that when the Mortgage Revenue Certificate Program is established that all lenders be given an opportunity to participate and let everyone know that this program is available for the entire state.

(2) Resolution Authorizing the Expansion of TDHCA's Single Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Program to Include Volume Cap Authority Warehousing

Ms. Carrington stated staff is asking for expansion of the existing commercial note paper program to include this $101,171,208 for volume cap authority warehousing.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the expansion of the SF Mortgage Revenue Refund Tax-Exempt Commercial Paper Program to include volume cap authority warehousing.
Passed Unanimously

(3) Firms Recommended to Provide Co-Managing Investment Banking Services for the Sale of the Department's Single Family Mortgage Revenue and Refunding Bonds

Ms. Byron Johnson stated that the departments' volume cap has increased and two firms were added to the co-manager pool and staff would like to expand this co-manager pool to create three teams of six firms. This would help is selling bonds to retail investors to realize a lower cost of funding. Staff is recommending adding A.G. Edwards and Sons, Bank of America Securities, Merrill Lynch and Company and Morgan Stanley.

Motion made by C. Kent Conine and seconded by Shad Bogany to add the firms of A.G. Edwards and Sons, Bank of America Securities, Merrill Lynch and Company and Morgan Stanley to provide co-managing investment banking services for the sale of SF mortgage revenue and refunding bonds.
Passed Unanimously

(a) Investments:

(1) Third Quarter Investment Report

Mr. Bill Dally, Chief of Agency Administration, stated this report is for the period ending May 31, 2003. This represents about $1.3 billion portfolio of investments for the department. The new activity for this third quarter is the issuance of four new multifamily bond transactions of about $55 million and purchases in the Single Family of mortgage-backed securities of about $15 million. The department is also seeing a significant activity in maturities on those mortgage-backed securities. The market value of the portfolio decreased about $332,000 but it is still $37.6 million market value above par.

(6) Presentation, Discussion and Possible Approval of Report from Audit Committee:

(a) HOME Program:
Prior Audit Issues Including Texas State Affordable Housing Corporation (TSAHC) Related Issues

(b) 2002 Annual Review of TDHCA Performance of Duties Based on Memorandum of Understanding with the Resolution Trust Corporation

(c) State Energy Conservation Office – On Site Program Monitoring Report Relating to the Department's Administration of SECO Contract

(d) Section 8 Program:
Rental Integrity Monitoring Review Scheduled for July 28-Aug. 1, 2003

(e) State Auditor's Report (SAO), *Selected Assistance Programs at the Texas Department of Housing and Community Affairs*

(f) Analysis of SAO Audit Conditions Noted and Department's Associated Controls/Procedures and Actions Taken/Planned

(g) Historical Performance of Subrecipients Reviewed in Connection with SAO Audit:

(1) Greater East Texas Community Action Program – Management's Analysis and Evaluation of Performance
- **(a) Programmatic Summary of Work Completed**
- **(b) Results of Prior Three Years' Monitoring Visits**
- **(c) Results of Prior Three Years' Single Audit Reports**

(2) Tom Green County Community Action Council – Management's Analysis and Evaluation of Performance
- **(a) Programmatic Summary of Work Completed**
- **(b) Results of Prior Three Years' Monitoring Visits**
- **(c) Results of Prior Three Years' Single Audit Reports**

(3) City of Fort Worth – Management's Analysis and Evaluation of Performance

(a) Programmatic Summary of Work Completed

(b) Results of Prior Three Years' Monitoring Visits

(c) Results of Prior Three Years' Single Audit Reports

(h) State Auditor's Office – *A Special Investigation Unit Report Regarding Tom Green Community Action Council*

(i) Energy Assistance Programs:

(1) Summary Report of Prior Audit Issues Since FYE 8/31/99

(2) Results of Funding Source Monitoring Reviews Since September 1997

(3) Program Monitoring

(j) Section 8 Program:

(1) Summary Report of Prior Single Audit Issues Since FYE 8/31/99

(2) Status of Prior Section 8 Noncompliance Issues Identified in 2000 (by HUD and External Auditor)

(3) Program Monitoring

(k) Graduated Sanctions Available to Community Affairs Division for Addressing Poor Performance Program Subrecipients Leading up to And Including Termination

(l) Graduated Sanctions Applied Against Community Affairs Division's Subrecipients Since September 1, 1998

Mr. David Gaines, Director of Internal Auditing, stated the Audit Committee met on July 29th and had a very productive meeting. Mr. Conine did sit in on that meeting. Mr. Gaines reported that on the HOME Program Monitoring Report that four of the eight issues have been resolved and the department continues to work on the other four. The department did receive a very favorable report on the administration of a contract with the RTC to ensure compliance of the Affordable Housing Disposition Program. There was a review of the department's administration of the State Energy Conservation Office contract and was critical of the administration and the communications with SECO. Most of the problems noted were under the previous organization and with the new reorganization there are now effective communications in place and the issues brought up in the report are being addressed.

There is a Section 8 review in progress and a report will be issued within 30 days of the completion of that review and the Audit Committee will be informed as to the information in the report. There was also a report released by the SAO on the Community Affairs. The objectives of the audit were to determine whether subgrantees were spending program funds for eligible services to eligible individuals, determine whether the department disbursed funds according to program objectives and if all available funds were spent to maximize service delivery. The audit noted several exceptions relating to providing allowable cost-effectives services, relating to unmet need for housing as it relates to the Section 8 program and relating to an energy audit software that was procured. There were a few minor technical technology issues. Management is in general agreement with the report and is receptive to the recommendations and has implemented some recommendations and indicated that they would implement all recommendations. The department takes the SAO report and any advice from audit oversight agencies' reports very seriously and its monitoring responsibilities very seriously as well.

Mr. Gonzalez thanked everyone for working to prepare all the detail information in the Audit Committee book.

Ms. Carrington stated that the department takes the finds in the SAO report very seriously and there are processes and procedures in place to monitor the subgrantees. This report reflected some areas of weaknesses and TDHCA has taken this opportunity to thoroughly look and review processes and procedures to make sure they are all correct and in place.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the report from the Audit Committee.
Passed Unanimously

REPORT ITEMS

Executive Directors Report

Ms. Carrington stated the Manufactured Housing Division reduced their number of employees by 18 as they did take a substantial hit as a result of the budget reductions.

EXECUTIVE SESSION

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al. Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District

Consultation with Attorney Pursuant to Sec. 551.071, Texas Government Code – Matters Concerning Section 572.054, Texas Government Code;

Personnel Matters under Section 551.074, Texas Government Code

If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

The Board did not go into Executive Session.

ADJOURN

Motion made by C. Kent Conine and seconded by Beth Anderson to adjourn the meeting.

Passed Unanimously

The meeting adjourned at 3:40 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

P:bdmiju3/dg

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 11, 2003

Action Items

Request approval for the financing of the rehabilitation of two multifamily developments from Below Market Interest Rate (BMIR) funds.

Required Action

Approve recommendations for financing the rehabilitation of Las Palmas Apartments in San Antonio, and Park South Apartments in San Antonio.

Background and Recommendations

In 1988, the Texas Housing Agency entered into a participation agreement with the Arkansas Development Finance Authority (ADFA) and several other states. ADFA issued bonds to purchase, at a discount, an FHA portfolio of multifamily properties under the Below Market Interest Rate Program (BMIR). The entire portfolio is serviced by Reilly Mortgage. Properties in the portfolio are located throughout the country. Texas and the other state housing finance agencies helped to provide funds to cover costs of issuance for the bond transaction. Texas provided an estimated $55,000. In return, each of the participating states would receive proportionate distributions from the proceeds of mortgages as they were paid off.

Texas received some distributions prior to 1996 which were used for various purposes. During the tenure of current staff, the Department has received approximately $2,155,811 over the past several years. Stipulations of the Participation Agreement require the Department to make such funds available to properties which are remaining in the BMIR portfolio in Texas, to encourage the owners not to prepay their loans, and to continue to provide affordable housing. If no such opportunities are available, the Department may use the funds to provide low income housing by other means.

Over the past year, Multifamily staff have been corresponding with the owners of all properties known to be remaining in the portfolio to inform them of the availability of these funds. Of the ten remaining properties, two have been identified as eligible properties for which the owners are willing to forego their prepayment rights and to extend the affordability period in exchange for additional subsidies from TDHCA BMIR prepayment proceeds. Multifamily Staff have received applications for renovation of the properties and staff is prepared to make the follow recommendation. No other owners have indicated an interest in the program. **Concurrent with the two funding recommendations, staff is recommending that any BMIR proceeds remaining after the funding of these two funding recommendations, be transferred to the Jr. Lien Preservation program. The estimated amount to be transferred is $340,372.**

Development Recommendation

Park South Village Apartments, San Antonio

Consideration of an application to advance rehabilitation funds to Urban Progress Corporation (a nonprofit corporation) dba Park South Village Apartments in the amount of $1,079,722 from the Below Market Interest Rate (BMIR) Reincentive Program. Staff recommends approval of this application.

Borrower:	Urban Progress Corp dba Park South Village Apartments
Loan Amount:	$1,079,722
Term:	20 years
Amortization:	20 years
Interest Rate:	3% interest only until January 1, 2004 or the maturity on the first lien whichever occurs first, thereafter principal and interest based upon the amortization listed above.
Lien Position:	Second Lien
Rent Restriction:	Rent will be restricted based upon 40% of AMFI per number of bedrooms.
Income Restriction:	Units will be restricted to tenants not earning more than 60% of AMFI.
Security for the Loan:	A second lien on 200 apartment units, containing approximately 129,792 net rentable area located at 1642 Cantrell, San Antonio, Texas.
Proceeds of the Loan:	Proceeds of the loan will be used to provide central heating venting and air conditioning to each unit together with electrical upgrades as outlined in the Engineering Report dated June 5, 2001. Cost to complete this work is estimated at $1,007,000 with the balance of $72,722 to be used for water main cutoffs and landscaping for the development.
Tax and Insurance Escrows:	One twelfth of the taxes and insurance will be collected monthly for the term of the loan or another arrangement which is acceptable to the Department.

Development Recommendation

Las Palmas Garden Apartments, San Antonio
Consideration of an application to advance rehabilitation funds to Urban Progress Corporation (a nonprofit corporation) dba Las Palmas Garden Apartments in the amount of $736,047 from the Below Market Interest Rate (BMIR) Reincentive Program. Staff recommends approval of this application.

Borrower:	Urban Progress Corp dba Las Palmas Garden Apartments
Loan Amount:	$736,047
Term:	23 years
Amortization:	20 years
Interest Rate:	3% interest only until February 1, 2007 or the maturity on the first lien whichever occurs first, thereafter principal and interest based upon the amortization listed above.
Lien Position:	Second Lien
Rent Restriction:	Rent will be restricted based upon 40% of AMFI per number of bedrooms.
Income Restriction:	Units will be restricted to tenants not earning more than 60% of AMFI.
Security for the Loan:	A second lien on 100 apartment units, containing approximately 84,400 net rentable area located at 1014 South San Eduardo Street, San Antonio, Texas.
Proceeds of the Loan:	Proceeds of the loan will be used to provide central heating venting and air conditioning to each unit together with electrical upgrades as outlined in the Engineering Report dated June 5, 2001. Cost to complete this work is estimated at $586,680 with the balance of $120,000 to replace exterior siding and $29,637 to replace front doors.
Tax and Insurance Escrows:	One twelfth of the taxes and insurance will be collected monthly for the term of the loan or another arrangement which is acceptable to the Department.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: August 29, 2003 **PROGRAM:** BMIR **FILE NUMBER:** 11555001NP

DEVELOPMENT NAME

Park South Village

APPLICANT

Name:	Park South Village LULAC, Inc.			**Type:**	Nonprofit		
Address:	C/O RC Management, Inc., 4702 West Ave			**City:**	San Antonio	**State:**	TX
Zip:	78213	**Contact:**	Don Reneau	**Phone:**	(210) 341-9133	**Fax:**	(210) 344-2107

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Felix B Trevino	**(%):**	N/A	**Title:**	President
Name:	RC Management, Inc.	**(%):**	N/A	**Title:**	Managing Agent

PROPERTY LOCATION

Location:	1642 Cantrell			☐ **QCT**	☐ **DDA**
City:	San Antonio	**County:**	Bexar	**Zip:**	78224

REQUEST

Amount	Interest Rate	Amortization	Term
1) $1,079,722	0%	20 yrs	20 yrs

Other Requested Terms: 1) Below Market Interest Rate; Deferred payment to begin January 2004

Proposed Use of Funds: Rehabilitation **Property Type:** Multifamily

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A BMIR AWARD NOT TO EXCEED $1,079,722, STRUCTURED AS A 20-YEAR TERM LOAN, FULLY AMORTIZING OVER 20 YEARS AT 3% INTEREST WITH INTEREST ONLY PAYMENTS THROUGH JANUARY 2004, SUBJECT TO CONDITIONS.

CONDITIONS

1. The rental rates for all 200 units should be restricted to those affordable to households earning 40% or less of AMI and tenant qualification should be based on household income at or below 60% of AMI;
2. Receipt, review, and acceptance of an as-built survey with flood stamp and identification of number of parking spaces, and/or documentation for the City of San Antonio indicating conformance with the city zoning codes and verification that the development is outside of the 100 year floodplain or acceptable mitigation in conformance with TDHCA underwriting rules;
3. Receipt, review and acceptance of a current title commitment;
4. Receipt, review and acceptance of a construction schedule;
5. Receipt, review and acceptance of identification of all members of the development team;
6. Should the terms and rates of the proposed debt change, the transaction should be re-evaluated and an adjustment to the loan amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 200 **# Rental Buildings** 40 **# Common Area Bldngs** 4 **# of Floors** 2 **Age:** 39 yrs **Vacant:** 14 at 04/ 01/ 2002

Net Rentable SF: 171,264 **Av Un SF:** 856 **Common Area SF:** ≈ 2,316 **Gross Bldg SF:** ≈ 173,580

STRUCTURAL MATERIALS

Unknown

APPLIANCES AND INTERIOR FEATURES

Unknown

ON-SITE AMENITIES

Community building with activity room, laundry facilities, three equipped children's play areas

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

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Park South Village is a proposed rehabilitation development of 200 units of affordable housing located in San Antonio. The development was built in 1963 and has an occupancy rate of 93% as of April 2002.

Existing Subsidies: Due to the development's financing as a 221(d)(3) insured mortgage program, all 200 units have been rent-restricted since their creation in 1964. It appears that the rental rates are "budget based" or based upon the annual operating expenses and debt service of the property. On July 2, 2002, the Applicant requested an increase in basis rents to $286 per month for one-bedroom units, $316 for two-bedroom units, and $343 for three-bedroom units. The regulatory agreement reflects and program staff has confirmed that the current rent restrictions will expire with final repayment of the FHA loan in January 2004.

Development Plan: The scope of work includes installation of air conditioning units, electrical wiring, replacing mounted transformers and electrical panels, and installation of a new secondary building service drop. In addition, the existing playgrounds will be refurbished with new ground cover and equipment and a 1,544 square foot room will be added to an existing community building. No tenants will be displaced due to the work planned.

A HUD physical inspection report dated September 5, 2001 indicated the development received a score of 94.5 out of a possible 100 points based on inspection of the site, building exterior, building systems, community areas, and units. No capital defects were noted, but obstructed or missing accessibility route for 93% of the buildings was listed as an ordinary deficiency. Other repair items identified include leaking faucets damaged lavatories, damaged range/stove, etc.

Architectural Review: Architectural plans and photographs were not provided.

Supportive Services: The existence of or a proposal to provide supportive services was not discussed in the application.

Schedule: The Applicant did not provide an anticipated construction schedule and receipt, review and acceptance of such is a condition of this report.

SITE ISSUES

SITE DESCRIPTION

Size: ≈ 16 Acres ≈ 696,960 square feet **Zoning/ Permitted Uses:** Unknown

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Information specific to the site and neighborhood was not provided. An as-built survey with flood stamp or certification from an architect, or the City of San Antonio documenting that the development complies with all parking requirements and is outside of the 100 year flood plain or acceptable mitigation in conformance with TDHCA underwriting rules should be required to confirm the acceptable status of these issues.

Site Inspection Findings: TDHCA staff performed a site inspection on May 7, 2001 and found the location to be acceptable for the proposed development. The inspectors noted the development is in relatively good condition for its age.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment was not included, as BMIR Applicants are not required to submit this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has indicated 70 units will serve households with incomes between 41% and 50% of AMI and the remaining 130 units will serve households with incomes between 61% and 80% of AMI. As will be discussed at greater length below, this report is conditioned upon rents for all 200 units restricted to those affordable to households earning 40% or less of AMI and tenant qualification based on income at or below 60% of AMI.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
40% of AMI	$14,160	$16,1600	$18,200	$20,200	$21,800	$23,440
60% of AMI	$21,240	$24,240	$27,300	$30,300	$32,700	$35,160

MARKET HIGHLIGHTS

A market study was not provided, as BMIR Applicants are not required to submit this report. The following is a comparison of rents proposed for the development

CURRENT RENTS VERSUS PROPOSED RENTS

	Current rent includes utilities	Applicant proposed for 10/03	40% net of utilities	40% gross maximum	60 % net of utilities	60% gross maximum
1-Bedroom	$286	$300	$335	$379	$524	$568
2-Bedroom	$316	$332	$402	$455	$629	$682
3-Bedroom	$343	$360	$459	$525	$721	$787

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections were initially based upon existing HUD/FHA rent restrictions under the existing permanent financing. It is anticipated that the Applicant will not continue with the HUD restricted rents after final repayment of the existing note in January of 2004. Program staff has recommended a rent restriction based on 40% of the area median income adjusted for family size. Currently, the development is all-bills-paid, but the Applicant has proposed switching to tenant-paid utilities after the rehabilitation of the units. Considering the effect of this switch to tenant paid utilities the maximum 40% of AMI rents will represent a $93 to $183 increase over the current rents, though the Applicant has indicated that as a non-profit housing organization, they do not intend to raise rents to this maximum as it could displace existing tenants. The Applicant's rent schedule application form has not been updated since its original submission almost a year ago but more recent documentation suggests that the Applicant is anticipating potential gross income that is approximately $120K more than reflected in the application and on the attached comparative summary. The Underwriter's potential gross rent estimate is based upon 2003 rent limits for 40% of AMGI less tenant-paid utility allowances and this amount is $280K more than the Applicant's original anticipated potential gross income. While the Applicant provided some indication that the maximum 40% rents may be higher than the market for these units, this point has not been substantiated and the Underwriter believes that the potential to achieve the maximum 40% rents is real if the non-profit owner chooses to attempt to do so.

Although the Applicant included no secondary income in their formal application budget, the historical operating statements of the property and more recent budget documentation indicate that the development will be able to achieve the $10 per unit per month included in the underwriting analysis. The Applicant's original vacancy loss assumption is low at 1.5%. Although this may be supported by current operation with HUD rent restrictions, the Underwriter has based vacancy loss upon the Department's guideline of 7.5% due to the anticipated plan to not to be bound by these extremely low rental restrictions.

Overall, the Applicant's effective gross rent estimate appears to be somewhat inconsistent and understated compared to the potential and easily attainable new maximum rent limit rents. The Applicants effective gross income is not within 5% of the Underwriter's estimate and is therefore not considered to be reliable for purposes of estimating the development's potential debt service capacity.

Expenses: The Applicant's total expense estimate of $3,296 per unit appear at first glance to be overstated for a development of this size that is tax exempt; however, it is somewhat lower than the actual historical expenses even when an adjustment for tenant paid utilities and after an addition for reserve for replacements is made. The Applicant's budget shows several line item expenses that deviate significantly when compared to the Underwriter's estimates which were heavily influenced by historical performance at the property. In particular: payroll and payroll tax expense ($33K higher), utilities ($23K higher), insurance ($39K lower) and reserve for replacement ($37K lower). Because, the Applicant's total operating expense figure is not within 5% of the Underwriter's estimate, it is considered to be unreliable.

Conclusion: Due to the significant differences in income projections, the Applicant's net operating income estimate is more than 5% lower than the Underwriter's estimate. Therefore, the Underwriter's proforma will be used to determine the development's debt service capacity and long-term feasibility. Assuming the existing debt will be repaid in full within six months and interest only payments for the requested BMIR loan due during those intervening months, the development's debt coverage ratio exceeds the Department's maximum guideline of 1.30 in the anticipated first year of operations as well as throughout the entire 20 year period. Once the TDHCA loan is repaid, the proforma projects the development to have difficulty meeting its operating expenses by year 30. This will be discussed in more detail in the conclusion to the Financing Structure Analysis section of this report.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land:	$0	**Assessment for the Year of:**	2002
Building:	$0	**Valuation by:**	Bexar County Appraisal District
Total Assessed Value:	$0	**Exemption:**	LULAC

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	General Warranty Deed		
Owner:	Park South LULAC, Inc.	**Date:**	01/04/1963

CONSTRUCTION COST ESTIMATE EVALUATION

The Applicant's total development costs include only $964,000 in hard cost for the installation of air conditioners, electrical work and addition of a large community room. In addition the Applicant has requested $72,722 for landscaping and playground equipment. Of the total, $43,000 is intended for engineering construction documents, consultation and a construction observation fee (4.5%). It appears that the scope of work was completed by a third party engineering firm, Medellin Engineering, Inc.

FINANCING STRUCTURE

EXISTING FINANCING

Source: San Antonio Savings Association transferred to Federal National Mortgage Association

Principal Amount: $1,743,100 **Interest Rate:** 3.125%

Additional Information: FHA regulatory agreement under Section 221(d)(3) of National Housing Act current balance to be fully amortized and paid by early 2004

Amortization: 40 yrs **Term:** 40 yrs **Annual Payment:** $76,395 **Lien Priority:** 1st

EXISTING FINANCING

Source: Jaffe and Martin Builders, Inc.

Principal Amount: $14,431 **Interest Rate:** 6%

Additional Information: Principle or interest not repayable , in whole or in part, prior to January 2004

Amortization: 40 yrs **Term:** 40 yrs **Annual Payment:** $953 **Lien Priority:** N/A

APPLICANT EQUITY

Amount: N/A **Source:** N/A

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the rehabilitation work with the requested funds of $1,079,722. The development is currently servicing two existing loans that will mature and complete their full amortization in January 2004. Therefore, the Applicant has requested that the terms for the proposed loan include 0% interest with the principle repayable over 20 years and deferred payment until the existing debt is repaid.

Financing Conclusions: As stated above, the Underwriter's proforma and the Applicant's request result in an initial debt coverage ratio that exceeds the Department's maximum guideline of 1.30. Although, in this case, the maximum guideline may not be as relevant due to the nature of the development, the terms of the BMIR loan were adjusted by the Underwriter to assure efficient use of the program funds and long-term viability of the development. This report recommends a BMIR award of $1,079,722, as requested, structured as a loan fully-amortized over a 20 year term at a 3% interest rate and interest only payments through January 2004. Although this structure also results in a debt coverage ratio that is above the Department's maximum, it allows the development to remain feasible throughout the 20 year repayment term.

The debt could be structured in a more aggressive manner over a shorter period of time or at a higher interest rate but that would limit the owner's ability and interest to extend the affordability period for another 20 years and provide such guaranteed deep skewed at the 40% of AMI level. Moreover, the Underwriter's proforma indicates the development may fall below the breakeven level sometime between years 25 and 30 if the 40% rent restriction is maintained after the proposed TDHCA loan is repaid. This is a result of the significant deep rent skewing which results in the properties high expense to income ratio. However, the development will have well exceeded its required affordability period after adding 20 years in addition to its initial 40-year term under the FHA program. In addition, as a non-profit housing entity the owner should be able to store potential excess income projected in this analysis for the first 20 years of the new proforma as reserves to fund future potential shortfalls.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

None identified.

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

The Applicant has provided a financial statement for the year ended June 30, 2001 indicating net assets of $556,587 and total liabilities of $294,260. Neither the Applicant nor its principals disclosed any previous participation information, however the fact that they are nearing the end of the initial 40 year commitment with FHA suggests that they have experience and capacity to provide affordable housing and comply with long term property restrictions.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income, operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum rents can be achieved in this market.

Underwriter:	*Lisa Vecchietti*	**Date:**	August 29, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	August 29,2003

MULTIFAMILY COMPARATIVE ANALYSIS

Park South Village, San Antonio, BMIR 11555001NP

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
40%	32	1	1	672	$379	$335	$10,729	$0.50	$43.73	$25.28
40%	120	2	1	864	455	402	48,256	0.47	52.87	29.28
40%	48	3	2	960	525	459	22,046	0.48	65.70	37.68
TOTAL:	200		**AVERAGE:**	856	$460	$405	$81,031	$0.47	$54.49	$30.66

INCOME	Total Net Rentable Sq Ft:	171,264		**TDHCA**	**APPLICANT**		USS Region	9
POTENTIAL GROSS RENT				$972,368	$717,024		IREM Region	San Antonio
Secondary Income	Per Unit Per Month:	$10.00		24,000	0	$0.00	Per Unit Per Month	
Other Support Income: (describe)				0	0			
POTENTIAL GROSS INCOME				$996,368	$717,024			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(74,728)	(10,752)	-1.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$921,640	$706,272			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.40%	$203	0.24	$40,572	$33,570	$0.20	$168	4.75%
Management	5.00%	230	0.27	46,082	38,796	0.23	194	5.49%
Payroll & Payroll Tax	20.07%	925	1.08	184,965	218,152	1.27	1,091	30.89%
Repairs & Maintenance	14.71%	678	0.79	135,579	128,643	0.75	643	18.21%
Utilities	9.17%	423	0.49	84,504	107,036	0.62	535	15.16%
Water, Sewer, & Trash	7.75%	357	0.42	71,427	61,422	0.36	307	8.70%
Property Insurance	7.55%	348	0.41	69,600	30,964	0.18	155	4.38%
Property Tax	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	6.51%	300	0.35	60,000	23,232	0.14	116	3.29%
Other Expenses:	1.88%	87	0.10	17,316	17,316	0.10	87	2.45%
TOTAL EXPENSES	77.04%	$3,550	$4.15	$710,045	$659,131	$3.85	$3,296	93.33%
NET OPERATING INC	22.96%	$1,058	$1.24	$211,595	$47,141	$0.28	$236	6.67%
DEBT SERVICE								
First Lien Mortgage	4.14%	$191	$0.22	$38,198	$79,382	$0.46	$397	11.24%
Additional Financing	0.05%	$2	$0.00	477	0	$0.00	$0	0.00%
Additional Financing	2.93%	$135	$0.16	26,993	0	$0.00	$0	0.00%
NET CASH FLOW	15.83%	$730	$0.85	$145,928	($32,241)	($0.19)	($161)	-4.56%
AGGREGATE DEBT COVERAGE RATIO				3.22	0.59			
RECOMMENDED DEBT COVERAGE RATIO				2.33				

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)		0.00%	$0	$0.00	$0	$0	$0.00	$0	0.00%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		0.00%	0	0.00	0	0	0.00	0	0.00%
Direct Construction		96.02%	5,184	6.05	1,036,722	1,036,722	6.05	5,184	96.02%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Req'ts	4.15%	3.98%	215	0.25	43,000	43,000	0.25	215	3.98%
Contractor's G & A	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Contractor's Profit	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Indirect Construction		0.00%	0	0.00	0	0	0.00	0	0.00%
Ineligible Costs		0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's G & A	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's Profit	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Interim Financing		0.00%	0	0.00	0	0	0.00	0	0.00%
Reserves		0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL COST		100.00%	$5,399	$6.30	$1,079,722	$1,079,722	$6.30	$5,399	100.00%
Recap-Hard Construction Costs		*100.00%*	***$5,399***	***$6.30***	***$1,079,722***	***$1,079,722***	***$6.30***	***$5,399***	*100.00%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	0.00%	$0	$0.00	$0	$0	$0	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$0
TDHCA Request	100.00%	$5,399	$6.30	1,079,722	1,079,722	1,079,722	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0	0	0	N/A
Additional (excess) Funds Required	0.00%	$0	$0.00	0	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$1,079,722	$1,079,722	$1,079,722	$1,900,558.57

Park South Village, San Antonio, BMIR 11555001NP

PAYMENT COMPUTATION

Primary	$1,743,100	Term	480
Int Rate	3.13%	DCR	5.54

Secondary	$14,431	Term	480
Int Rate	6.00%	Subtotal DCR	5.47

Additional	$1,079,722	Term	240
Int Rate	0.00%	Aggregate DCR	3.22

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$38,198
Secondary Debt Service	476
Additional Debt Service	52,125
NET CASH FLOW	$120,797

Primary	$1,743,100	Term	480
Int Rate	3.13%	DCR	5.54

Secondary	$14,431	Term	480
Int Rate	6.00%	Subtotal DCR	5.47

Additional	$1,079,722	Term	240
Int Rate	3.00%	Aggregate DCR	2.33

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	$972,368	$1,001,539	$1,031,585	$1,062,532	$1,094,408	$1,268,719	$1,470,793	$1,705,053	$2,291,448
Secondary Income	24,000	24,720	25,462	26,225	27,012	31,315	36,302	42,084	56,558
Other Support Income: (descril	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	996,368	1,026,259	1,057,046	1,088,758	1,121,421	1,300,034	1,507,096	1,747,137	2,348,006
Vacancy & Collection Loss	(74,728)	(76,969)	(79,278)	(81,657)	(84,107)	(97,503)	(113,032)	(131,035)	(176,100)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$921,640	$949,289	$977,768	$1,007,101	$1,037,314	$1,202,531	$1,394,063	$1,616,102	$2,171,905
EXPENSES at 4.00%									
General & Administrative	$40,572	$42,195	$43,883	$45,638	$47,464	$57,747	$70,258	$85,479	$126,530
Management	46,082	47,464	48,888	50,355	51,866	60,127	69,703	80,805	108,595
Payroll & Payroll Tax	184,965	192,364	200,058	208,061	216,383	263,263	320,300	389,694	576,842
Repairs & Maintenance	135,579	141,002	146,642	152,508	158,608	192,971	234,779	285,644	422,823
Utilities	84,504	87,884	91,400	95,056	98,858	120,276	146,334	178,037	263,539
Water, Sewer & Trash	71,427	74,284	77,255	80,345	83,559	101,662	123,688	150,485	222,755
Insurance	69,600	72,384	75,279	78,291	81,422	99,063	120,525	146,637	217,058
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	60,000	62,400	64,896	67,492	70,192	85,399	103,901	126,411	187,119
Other	17,316	18,009	18,729	19,478	20,257	24,646	29,986	36,482	54,003
TOTAL EXPENSES	$710,045	$737,986	$767,030	$797,223	$828,608	$1,005,152	$1,219,472	$1,479,674	$2,179,263
NET OPERATING INCOME	$211,595	$211,304	$210,738	$209,878	$208,706	$197,379	$174,592	$136,427	($7,358)
DEBT SERVICE									
First Lien Financing	$38,198	$0	$0	$0	$0	$0	$0	$0	$0
Second Lien	476	0	0	0	0	0	0	0	0
Other Financing	52,125	71,857	71,857	71,857	71,857	71,857	71,857	71,857	0
NET CASH FLOW	$120,797	$139,446	$138,880	$138,021	$136,849	$125,522	$102,734	$64,570	($7,358)
DEBT COVERAGE RATIO	2.33	2.94	2.93	2.92	2.90	2.75	2.43	1.90	#DIV/0!

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: August 29, 2003 **PROGRAM:** BMIR **FILE NUMBER:** 11555004NP

DEVELOPMENT NAME

Las Palmas Garden Apartments

APPLICANT

Name:	Urban Progress Corporation	**Type:**	Non-Profit		
Address:	1401 South San Eduardo	**City:**	San Antonio	**State:**	TX
Zip:	78237 **Contact:** Don Reneau	**Phone:**	(210) 341-9133	**Fax:**	(210) 344-2107

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Norris McVea	**Title:**	President
Name:	RC Management	**Title:**	Managing Agent

PROPERTY LOCATION

Location:	1014 South San Eduardo		☐ **QCT**		☐ **DDA**
City:	San Antonio	**County:**	Bexar	**Zip:**	78237

REQUEST

Amount	Interest Rate	Amortization	Term
1) $736,047	3.0%	20 yrs	23.5 yrs

Other Requested Terms: 1) The Loan will not begin to amortize until the primary FHA-Insured debt matures (estimated Feb. 2006). The loan will only earn interest only during the first 3½ years at 3.0% interest.

Proposed Use of Funds: Rehabilitation **Property Type:** Multifamily

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A BMIR AWARD NOT TO EXCEED $736,047, STRUCTURED AS A 23-1/2 YEAR TERM LOAN, FULLY AMORTIZING OVER 20 YEARS AT 3% INTEREST WITH INTEREST ONLY PAYMENTS THROUGH FEBRUARY 2006, SUBJECT TO CONDITIONS.

CONDITIONS

1. The rental rates for all 200 units should be restricted to those affordable to households earning 40% or less of AMI and tenant qualification should be based on household income at or below 60% of AMI;
2. Receipt, review, and acceptance of an as-built survey with flood stamp and identification of number of parking spaces, and/or documentation for the City of San Antonio indicating conformance with the city zoning codes and verification that the development is outside of the 100 year floodplain or acceptable mitigation in conformance with TDHAC underwriting rules
3. Receipt, review and acceptance of a current title commitment;
4. Receipt, review and acceptance of a construction schedule;
5. Receipt, review and acceptance of identification of all members of the development team;
6. Should the terms and rates of the proposed debt change, the transaction should be re-evaluated and an adjustment to the loan amount may be warranted

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	100	**# Rental Buildings**	8	**# Common Area Bldngs**	3	**# of Floors**	2	**Age:**	38 yrs

Net Rentable SF: 84,400 **Av Un SF:** 844 **Common Area SF:** unknown **Gross Bldg SF:** unknown

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 100% brick veneer exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Vinyl flooring, range & oven, hood & fan, refrigerator tub/shower. There are no central cooling units and heating is provided by gas fire wall panels. The hot water is provided via two master gas hot water boilers.

ON-SITE AMENITIES

The development includes an administrative office, a laundry room, and a playground with perimeter fencing.

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

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Las Palmas Garden Apartments is a proposed rehabilitation development of 100 units of affordable housing located in southwest central San Antonio. The development was constructed in 1964.

Existing Subsidies: Current financing is through a FHA 221(d)(3) insured below market interest rate program which require budget based rent restrictions. There is also a HAP contract for 41 of the 100 units and as of August 1, 2001 those rents were $290 for a one-bedroom, $343 for a two-bedroom and $396 for a three-bedroom as reflected originally in the application. The Applicant provided follow-up information in April of 2003 which implied the HAP rents have been increased to $303, 358 and 413 for one-, two- and three-bedroom units respectively. It is not known if the HAP contract will continue after the underlying HUD financing is fully repaid in 2006

Development Plan: Upgrading the electrical system and installing central heating and air conditioning which would require electrical improvements and modifications to provide adequate electrical system power and voltage, and repair /modifications such as furr downs, painting, sheetrock, etc. Replace the exterior siding and replace the front doors. None of the work proposed would require the displacement of the current residents.

A HUD physical inspection report dated August 21, 2001 indicated the development received a score of 78.3 out of a possible 100 points based on inspection of the site, building exterior, building systems, community areas, and units. Foundations with cracks or gaps and lavatory sinks damaged or missing were listed under capital defects were noted. Ordinary deficiencies listed were obstructed or missing accessibility route, walls needing paint, and floor covering damage. Other repair items identified include leaking faucets damaged lavatories, damaged range/stove, etc.

Supportive Services: The plan to provide supportive services was not presented in the application.

Schedule: The Applicant did not provide an anticipated construction schedule and receipt, review and acceptance of such is a condition of this report.

SITE ISSUES

SITE DESCRIPTION

Size: 7.15 acres 311,454 square feet **Zoning/ Permitted Uses:** R-3 Multifamily

Flood Zone Designation: Not in Flood Hazard Area **Status of Off-Sites:** Fully Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The property is located southwest San Antonio along the easterly side of General South San Eduardo Street, just north from Castroville Road. This section of the city dates back approximately 60 years and is a mixture of residential and commercial uses, with some light industrial land utilizations.

Site Access: Access to the property is from the northeast or southwest along Castroville Road or the north or south from S. San Eduardo. The development has two main entries, one from the west from S. San Eduardo and one from the south from Castroville Road. Access to Interstate Highway 10 is four miles south, which provides connections to all other major roads serving the San Antonio area.

Public Transportation: Public transportation to the area is provided by VIA, San Antonio's public bus or mass transit system.

Special Adverse Site Characteristics: Since the development is currently fully operational and has been successfully operating since 1966 it has been presumed that the property is not in a flood hazard and conforms to current zoning. No documentation was provided to confirm the properties flood plain status or that the property conforms to all current zoning requirements. An as build survey with flood stamp or certification from an architect, or the City of San Antonio documenting that the development complies with all parking requirements and is outside of the 100 year flood plain or acceptable mitigation in conformance with TDHAC underwriting rules should be required to confirm the acceptable status of these issues.

Site Inspection Findings: TDHCA staff performed a site inspection on May 7, 2001 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment was not included, as BMIR Applicants are not required to submit this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant had initially sought to be allowed to serve households up to 80% of AMI as reflected in the application, however has since confirmed a willingness to restrict he property to households earning 60% or less of AMI. As will be discussed at greater length below, this report is conditioned upon rents for all 100 units restricted to those affordable to households earning 40% or less of AMI and tenant qualification based on income at or below 60% of AMI.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
40% of AMI	$14,160	$16,1600	$18,200	$20,200	$21,800	$23,440
60% of AMI	$21,240	$24,240	$27,300	$30,300	$32,700	$35,160

MARKET HIGHLIGHTS

A market study was not provided, as BMIR Applicants are not required to submit this report. The following is a comparison of rents proposed for the development

CURRENT RENTS VERSUS PROPOSED RENTS

	Original ap. rent includes utilities	April 03 rent includes utilities	40% net of utilities	40% gross maximum	60 % net of utilities	60% gross maximum
1-Bedroom	$290	$303	$335	$379	$524	$568
2-Bedroom	$343	$358	$402	$455	$629	$682
3-Bedroom	$396	$413	$459	$525	$721	$787

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections were initially based upon the then existing 2001-2002 HAP contract and HUD/FHA rent restrictions under the existing permanent financing. The HAP contract rents have an ability to be adjusted annually and it would appear that such an adjustment has been made since the original application was submitted. The Underwriter has utilized these slightly higher rents resulting in a $19K higher potential gross rent. It is anticipated that the Applicant will not continue with the HUD rental assistance after repayment of the existing note in February of 2006 and thus the Underwriter's proforma reflects the high 40% of AMI gross potential rents starting by year five. Both the Underwriter's potential gross rent estimate and the Applicant's rent estimate are based upon the landlord paying all utilities. Currently, the development is all-bills-paid, and it is unclear as to whether the Applicant will switch to tenant-paid utilities after the rehabilitation of the units or after the HUD loan is fully repaid. In either case, the Underwriter's analysis suggests that the NOI derived from the development will not be significantly impacted as the current utility allowances appear to be consistent with the properties operating utility expenses.

Although the Applicant included no secondary income in their formal application budget, the historical operating statements of the property and more recent budget documentation indicate that the development will be able to achieve the $10 per unit per month included in the underwriting analysis. The Applicant's original vacancy loss assumption is low at 5%. This was supported by current operations averaging 3.9% over the last four years with HUD rent restrictions. The Underwriter used the 5% assumption for the present term but based long term vacancy loss after the HUD loan is repaid upon the Department's guideline of 7.5% due to the likelihood not to be bound by these extremely low rental restrictions and benefit from the HAP contract.

Overall, the Applicant's effective gross rent estimate appears to be somewhat understated compared the most current information and considerably lower than the proposed maximum 40% rent limit rents. The Applicant's effective gross income is not within 5% of the Underwriter's estimate and is therefore not considered to be reliable for purposes of estimating the developments potential debt service capacity.

Expenses: The Applicant's total expense estimate of $3,949 per unit appears to be overstated for a development of this size that is tax exempt, and it is slightly higher than historical expenses. The Applicant's budget also shows several line item expenses that deviate significantly when compared to the Underwriter's estimates which were heavily influenced by historical performance at the property. In particular: Management fee ($6K higher), repairs and maintenance ($16K higher) and utilities ($10K higher). The Applicant's total operating expense figure is within 5% of the Underwriter's estimate.

Conclusion: Due to the significant differences in income projections, the Applicant's net operating income estimate is more than 5% lower than the Underwriter's estimate. Therefore, the Underwriter's proforma will be used to determine the development's debt service capacity and long-term feasibility. Assuming the existing debt will be repaid in full within three and a half years and interest only payments for the requested BMIR loan due during those three and a half years, the development's debt coverage ratio is within the Department's guidelines however may dip below the 1.10 minimum just before the HUD loan amortization is complete. The developments DCR rebounds quickly based upon the reduction in debt service with the full amortization of the HUD first lien and the assumption that he full 40% rents could then be achieved. This allows the non-profit owner the option to increase net cash flow for additional repair requirements in the future or keep rents artificially lower than the 40% maximums.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land:	$0	**Assessment for the Year of:**	2002
Building:	$0	**Valuation by:**	Bexar County Appraisal District
Total Assessed Value:	$0	**Tax Rate:**	Tax Exempt

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: General Warranty Deed

Owner: Urban Progress Corporation

CONSTRUCTION COST ESTIMATE EVALUATION

The Applicant's total development costs include $586,680 for the installation of central heating and air conditioning together with electrical upgrades as outlined in the engineering Report dated June 5, 2001 along with $120,000 to replace exterior siding and $29,367 to replace front doors. The amount needed to complete the items listed above totals $736,047.

EXISTING FINANCING

Source: W. K. Ewing Co., Inc.

Principal Amount: $724,100 **Interest Rate:** 3.125%

Additional Information: FHA regulatory agreement under Section 221(d)(3) of National Housing Act

Amortization: 40 yrs **Term:** 40 yrs **Annual Payment:** $32,376 **Lien Priority:** 1st

APPLICANT EQUITY

Amount: N/A **Source:** N/A

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the rehabilitation work with the requested funds of $736,047. The development is currently servicing one existing loans that will mature in February 2006. Therefore, the Applicant has requested that the terms for the proposed loan include 3% interest with the principle repayable over 20 years and interest only payments until the existing debt is repaid.

Financing Conclusions: This report recommends a BMIR award of $736,047, as requested, structured as a loan fully-amortized over a 20 year term at a 3% interest rate with interest only payments through February 2006. It should be noted the Underwriter's proforma indicates the development may fall below the 1.10 DCR briefly prior to the completion of the amortization of the HUD loan. However, the applicant could proposed higher rent to HUD at that time since the proforma rents will still be less than the new proposed 40% rent limit maximum. With the proposed financing the development will provide affordable housing for an additional 20 years in addition to its initial 40-year term under the HUD program.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

Information not provided.

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

The Applicant has provided a financial statement for the year ended December 31, 2001 indicating net assets of $887,836 and total liabilities of $155,428 resulting in a net worth of $732,408. Neither the Applicant nor its principals disclosed any previous participation information, however the fact that they are nearing the end of the initial 40 year commitment with FHA suggests that they have experience and capacity to provide affordable housing and comply with long term property restrictions.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's income and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum rents can be achieved in this market.

Underwriter:	*Carl Hoover*	**Date:**	August 29, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	August 29,, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Las Palmas Garden Apartments, San Antonio, BMIR #11555004NP

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Trsh
40%	8	1	1	600	$379	$303	$2,424	$0.51	$37.50	$26.00
40%	52	2	1	800	455	358	18,616	0.45	48.00	29.50
40%	40	3	1	950	525	413	16,520	0.43	57.00	33.00
TOTAL:	100		**AVERAGE:**	844	$477	$376	$37,560	$0.45	$50.76	$30.62

INCOME	'otal Net Rentable Sq Ft	84,400		**TDHCA**	**APPLICANT**			
POTENTIAL GROSS RENT				$450,720	$431,952			
Secondary Income	Per Unit Per Month:		$10.00	12,000		$0.00	Per Unit Per Month	
Other Support Income: (describe)				0				
POTENTIAL GROSS INCOME				$462,720	$431,952			
Vacancy & Collection Loss	% of Potential Gross Income:		-5.00%	(23,136)	(21,600)	-5.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$439,584	$410,352			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	7.10%	$312	$0.37	$31,218	$24,734	$0.29	$247	6.03%
Management	5.00%	220	0.26	21,979	28,685	0.34	287	6.99%
Payroll & Payroll Tax	19.36%	851	1.01	85,116	102,083	1.21	1,021	24.88%
Repairs & Maintenance	17.87%	786	0.93	78,572	75,516	0.89	755	18.40%
Utilities	15.16%	666	0.79	66,643	77,071	0.91	771	18.78%
Water, Sewer, & Trash	6.29%	276	0.33	27,642	27,704	0.33	277	6.75%
Property Insurance	4.80%	211	0.25	21,100	23,580	0.28	236	5.75%
Property Tax Tax Exempt	0.00%	0	0.00		0	0.00	0	0.00%
Reserve for Replacements	6.82%	300	0.36	30,000	20,919	0.25	209	5.10%
Other Expenses: Security	3.32%	146	0.17	14,616	14,616	0.17	146	3.56%
TOTAL EXPENSES	85.74%	$3,769	$4.47	$376,887	$394,908	$4.68	$3,949	96.24%
NET OPERATING INC	14.26%	$627	$0.74	$62,697	$15,444	$0.18	$154	3.76%
DEBT SERVICE								
Existing First Lien Not a New	7.37%	$324	$0.38	$32,376	$32,376	$0.38	$324	7.89%
TDHCA-BMIR	5.02%	$221	$0.26	$22,081	0	$0.00	$0	0.00%
	0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW	1.87%	$82	$0.10	$8,240	($16,932)	($0.20)	($169)	-4.13%
AGGREGATE DEBT COVERAGE RATIO				1.15	0.48			
ALTERNATIVE 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 bl(		0.00%	$0	$0.00	$0		$0.00	$0	0.00%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		0.00%	0	0.00	0		0.00	0	0.00%
Direct Construction		100.00%	7,360	8.72	736,047	736,047	8.72	7,360	100.00%
Contingency	0.00%	0.00%	0	0.00	0		0.00	0	0.00%
General Req'ts	0.00%	0.00%	0	0.00	0		0.00	0	0.00%
Contractor's G & I	0.00%	0.00%	0	0.00	0		0.00	0	0.00%
Contractor's Prof:	0.00%	0.00%	0	0.00	0		0.00	0	0.00%
Indirect Construction		0.00%	0	0.00	0		0.00	0	0.00%
Ineligible Costs		0.00%	0	0.00	0		0.00	0	0.00%
Developer's G & A	0.00%	0.00%	0	0.00	0		0.00	0	0.00%
Developer's Profit	0.00%	0.00%	0	0.00	0		0.00	0	0.00%
Interim Financing		0.00%	0	0.00	0		0.00	0	0.00%
Reserves		0.00%	0	0.00			0.00	0	0.00%
TOTAL COST		100.00%	$7,360	$8.72	$736,047	$736,047	$8.72	$7,360	100.00%
Recap-Hard Construction Costs		*100.00%*	***$7,360***	***$8.72***	***$736,047***	***$736,047***	***$8.72***	***$7,360***	*100.00%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED
Existing First Lien Not a New	0.00%	$0	$0.00	$0		
TDHCA-BMIR	100.00%	$7,360	$8.72	736,047	736,047	736,047
	0.00%	$0	$0.00	0		0
Deferred Developer Fees	0.00%	$0	$0.00	0		0
Additional (excess) Funds Req	0.00%	$0	$0.00	0	0	0
TOTAL SOURCES				$736,047	$736,047	$736,047

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Las Palmas Garden Apartments, San Antonio, BMIR #11555004NP

PAYMENT COMPUTATION

Primary	$724,100	Amort	480
Int Rate	3.13%	DCR	1.94

Secondary	$736,047	Amort	240
Int Rate	3.00%	Subtotal DCR	1.15

Additional	$0	Amort	
Int Rate		Aggregate DCR	1.15

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$32,376
Secondary Debt Service	22,081
Additional Debt Service	0
NET CASH FLOW	$8,240

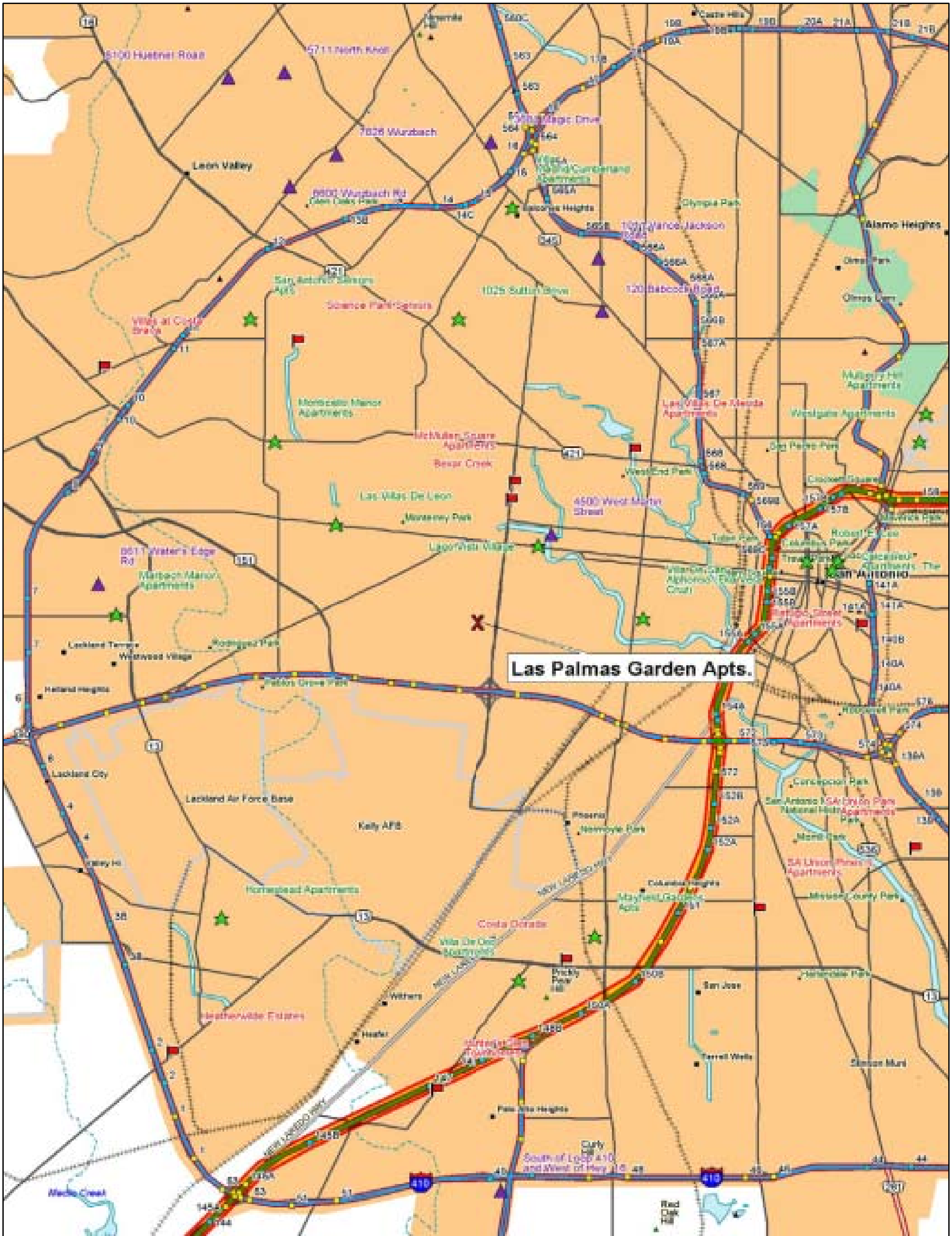
Primary	$724,100	Amort	480
Int Rate	3.13%	DCR	1.94

Secondary	$736,047	Amort	240
Int Rate	3.00%	Subtotal DCR	1.15

Additional	$0	Amort	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	$450,720	$464,242	$478,169	$492,514	$589,473	$683,361	$792,203	$918,380	$1,234,226
Secondary Income	12,000	12,360	12,731	13,113	13,506	15,657	18,151	21,042	28,279
Other Support Income: (de	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	462,720	476,602	490,900	505,627	602,979	699,018	810,354	939,422	1,262,505
Vacancy & Collection Loss	(23,136)	(23,830)	(24,545)	(25,281)	(45,223)	(52,426)	(60,777)	(70,457)	(94,688)
Employee or Other Non-Rer	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$439,584	$452,772	$466,355	$480,345	$557,756	$646,592	$749,577	$868,965	$1,167,817
EXPENSES at 4.00%									
General & Administrative	$31,218	$32,466	$33,765	$35,116	$36,520	$44,433	$54,059	$65,771	$97,357
Management	21,979	22,639	23,318	24,017	27,888	32,330	37,479	43,448	58,391
Payroll & Payroll Tax	85,116	88,521	92,061	95,744	99,574	121,147	147,393	179,327	265,447
Repairs & Maintenance	78,572	81,715	84,984	88,383	91,919	111,833	136,062	165,540	245,040
Utilities	66,643	69,309	72,081	74,965	77,963	94,854	115,405	140,407	207,837
Water, Sewer & Trash	27,642	28,748	29,898	31,094	32,338	39,344	47,868	58,238	86,207
Insurance	21,100	21,944	22,822	23,735	24,684	30,032	36,538	44,455	65,804
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	14,616	15,201	15,809	16,441	17,099	20,803	25,310	30,794	45,582
TOTAL EXPENSES	$376,887	$391,743	$407,186	$423,240	$443,080	$537,474	$652,064	$791,185	$1,165,224
NET OPERATING INCOME	$62,697	$61,029	$59,169	$57,105	$114,676	$109,118	$97,513	$77,780	$2,592
DEBT SERVICE									
First Lien Financing	$32,376	$32,376	$32,376	$16,188					
Second Lien	22,081	22,081	22,081	35,533	48,985	48,985	48,985	48,985	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$8,240	$6,571	$4,711	$5,384	$65,691	$60,133	$48,528	$28,795	$2,592
DEBT COVERAGE RATIO	1.15	1.12	1.09	1.10	2.34	2.23	1.99	1.59	#DIV/0!



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BOND FINANCE DIVISION

BOARD ACTION REQUEST
SEPTEMBER 11, 2003

Action Items

Resolution authorizing the reduction of the mortgage interest rate for Residential Mortgage Revenue Bonds, Series 2000B, Series 2000C, Series 2000D, and Series 2000E (Program 56).

Recommended Action

Approval of an additional transfer of funds, if necessary, to effect a reduction in the mortgage interest rate for the remaining Program 56 funds.

Background and Recommendation

In May 2003, staff recommended and the Board approved a reduction of the mortgage interest rate for TDHCA's Residential Mortgage Revenue Bonds, Series 2000B/C/D/E (Program 56). Program 56's new mortgage interest rate, 5.90%, became effective on August 19, 2003. A balance of approximately $18.7 million remained unreserved and $6.9 million was in the pipeline as of August 19, 2003 (total unspent proceeds equaled $25.6 million). Staff requests authorization to transfer, if necessary, an additional $500,000 to Program 56's mortgage buydown account.

The Board previously authorized the use of up to $1.5 million for the interest rate buydown based on preliminary estimates which decreased Program 56's mortgage rate from 6.60% to 6.20%. However, to offer a more competitive rate given the new record-low mortgage rates in June, Program 56 was restructured to reduce its mortgage rates lower than anticipated, from 6.60% to 5.90%. The authorized $1.5 million for the interest rate buydown was only sufficient for $12.5 million in unreserved funds. Staff requests authorization to transfer, if necessary, an additional $500,000 to Program 56's mortgage buydown account for the remaining unreserved funds of $6.2 million ($12.5 million + $6.2 million = $18.7 million).

TDHCA released Program 56 funds on November 15, 2000. The original amount of lendable proceeds equaled $124,915,000. Program 56's mortgage loan origination period will terminate on December 1, 2003. Shortly thereafter, TDHCA must redeem bonds from whatever funds remain of the $25.6 million unreserved and pipeline balances.

No downpayment assistance was funded by the bonds. Rather, Program 56 has relied upon TDHCA's internally funded Down Payment Assistance Program (DPAP). The decrease in market mortgage rates and the lack of a consistent source of DPAP adversely impacted Program 56 originations.

Recommendation

The Board approve the attached resolution authorizing an additional transfer of funds, if necessary, within the Residential Mortgage Revenue Bond Indenture to effect a reduction in the mortgage interest rate for the remaining Program 56 funds.

Resolution No. 03-072

RESOLUTION AUTHORIZING THE USE OF ADDITIONAL DEPARTMENT FUNDS TO EFFECT THE REDUCTION IN THE INTEREST RATE ON MORTGAGE LOANS MADE AVAILABLE THROUGH BOND PROGRAM NO. 56; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire, finance or acquire participating interests in such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Department has issued its Residential Mortgage Revenue Bonds, Series 2000B in the aggregate principal amount of $82,975,000 (the "Series 2000B Bonds"), its Residential Mortgage Revenue Refunding Bonds, Series 2000C in the aggregate principal amount of $13,675,000 (the "Series 2000C Bonds"), its Residential Mortgage Revenue Refunding Bonds, Series 2000D in the aggregate principal amount of $18,265,000 (the "Series 2000D Bonds") and its Residential Mortgage Revenue Bonds, Taxable Series 2000E (the "Series 2000E Bonds" and together with the Series 2000B Bonds, the Series 2000C Bonds and the Series 2000D Bonds, collectively, the "Series 2000 Bonds") pursuant to a Residential Mortgage Revenue Bond Trust Indenture dated November 1, 1987 between the Department, as successor to the Texas Housing Agency, and Bank One, National Association, as successor trustee (the "Trustee"), as supplemented by the Sixteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture with respect to the Series 2000B Bonds (as amended by the First Amendment to Sixteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture, collectively, the "Sixteenth Series Supplement"), the Seventeenth Supplemental Residential Mortgage Revenue Bond Trust Indenture with respect to the Series 2000C Bonds, the Eighteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture with respect to the Series 2000D Bonds, and the Nineteenth Supplemental Residential Mortgage Revenue Bond Trust Indenture with respect to the Series 2000E Bonds, each dated as of October 1, 2000 and each between the Department and the Trustee, for the purpose, among others, of providing funds to implement the Department's Residential Mortgage Revenue Bond Program designated as Bond Program No. 56 (the "Program"); and

WHEREAS, by adoption of Resolution No. 03-38 on May 15, 2003, the Governing Board of the Department authorized, among other things, the use of an amount not to exceed $1,500,000 of Department funds to achieve the reduction in the interest rate borne by Mortgage Loans under the Program; and

WHEREAS, the Department now desires to approve and authorize (i) the use of an additional amount not to exceed $500,000 of Department funds to achieve the reduction of such interest rate, (ii) all actions to be taken with respect thereto, and (iii) the execution and delivery of all documents and instruments in connection therewith; and

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

ARTICLE I

AUTHORIZATION OF AMENDMENT; APPROVAL OF DOCUMENTS

Section 1.1—-Department Contribution. The contribution of additional Department funds in an amount not exceed $500,000 to achieve the reduction of the interest rate borne by Mortgage Loans under the Program is hereby authorized.

Section 1.2--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.3--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chairman of the Board; the Vice Chairman of the Board; the Secretary of the Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

ARTICLE II

GENERAL PROVISIONS

Section 2.1--Purpose of Resolution. The Board has expressly determined and hereby confirms that the reduction of the interest rate borne by Mortgage Loans under the Program will accomplish a valid public purpose of the Department by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe and sanitary housing, thereby (a) helping to eliminate a shortage of such housing in rural and urban areas which contributes to the creation and persistence of substandard living conditions and is inimical to the health, welfare and prosperity of the residents and communities of the State; (b) increasing the supply of residential housing for persons and families displaced by public actions and natural disasters; and (c) assisting private enterprise in providing in sufficient quantities the construction or rehabilitation of such housing.

Section 2.2--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 2.3--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 11th day of September, 2003.

Michael E. Jones, Chairman

ATTEST:

Delores Groneck, Secretary

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
SEPTEMBER 11, 2003

Action Items

Resolution authorizing the extension of the certificate purchase period for Single Family Mortgage Revenue Bonds, Series 2002A, Series 2002B, Series 2002C, and Series 2002D (Program 57A).

Recommended Action

Approval of extension of certificate purchase period for Program 57A.

Background and Recommendation

The mortgage loan origination period related to TDHCA's Single Family Mortgage Revenue Bonds, Series 2002A/B/C/D (Program 57A) will terminate on October 1, 2003. Unspent proceeds bond redemptions must be made if the origination period is not extended. Staff recommends extending the certificate purchase date for Program 57A to December 1, 2004. The table below reflects Program 57A's balances as of September 2, 2003.

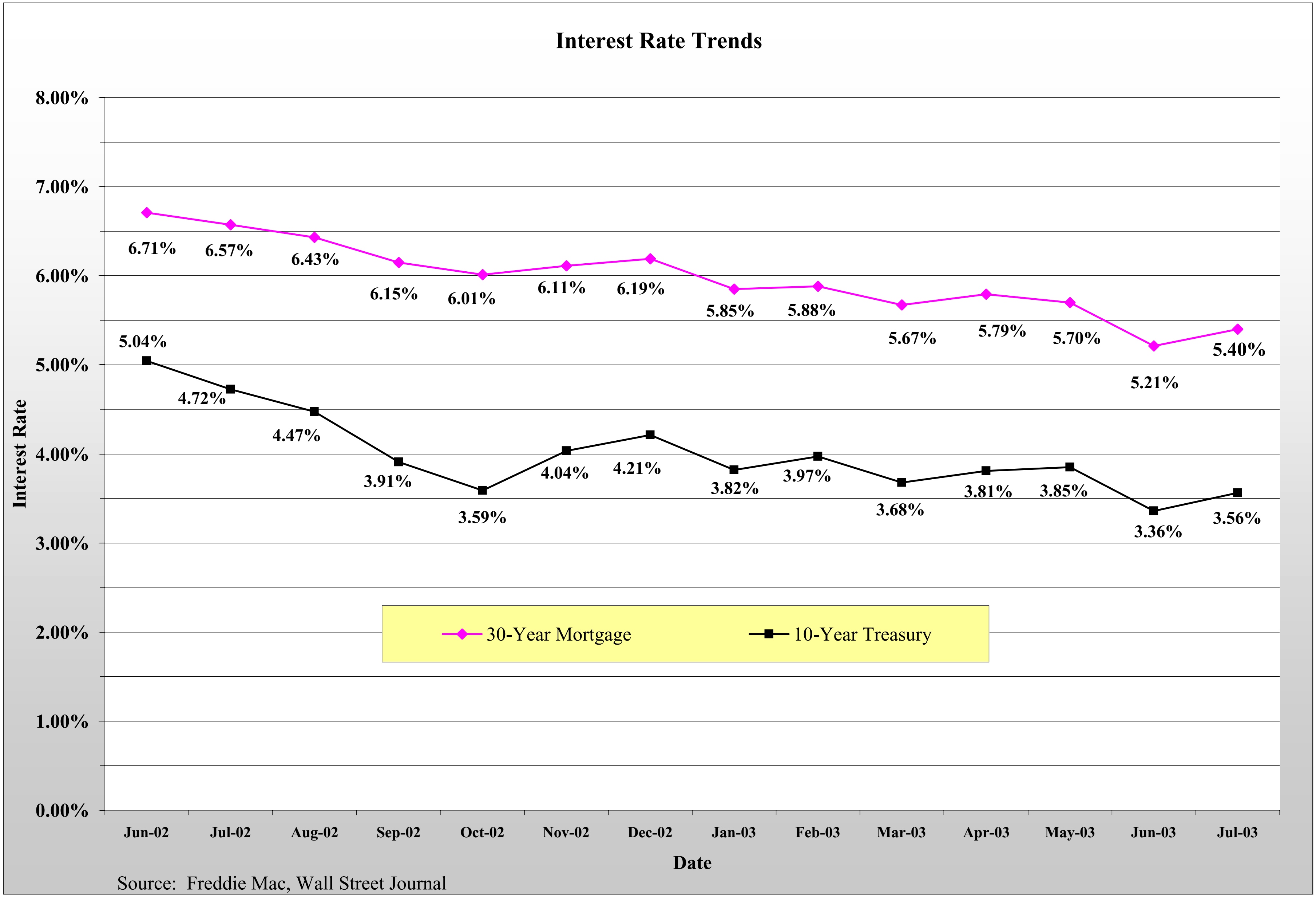
Original Amount of Lendable Proceeds	$99.4 million
Assisted Funds Unreserved Balance	$24.0 million
+ Unassisted Funds Unreserved Balance	$52.7 million
+ Loans in Mortgage Pipeline	$ 2.1 million
= Total Unspent Proceeds Balance	$78.8 million
Mortgages Closed and Funded	$20.6 million

A downpayment assistance grant of up to 4% of the mortgage amount will be available for assisted loans. Downpayment assistance was funded by premium bonds for Program 57A.

Staff believes that with an extended origination period and a restructuring of Program 57A, all funds will be converted into mortgage loans.

Recommendation
The Board approve the attached resolution extending the certificate purchase period for TDHCA's Program 57A to December 1, 2004.

Texas Department of Housing and Community Affairs
Single Family Mortgage Revenue Bonds



Resolution No. 03-071

RESOLUTION AUTHORIZING THE EXTENSION OF THE CERTIFICATE PURCHASE PERIOD FOR SINGLE FAMILY MORTGAGE REVENUE BONDS, 2002 SERIES A, SINGLE FAMILY MORTGAGE REVENUE REFUNDING BONDS, 2002 SERIES B AND SINGLE FAMILY MORTGAGE REVENUE REFUNDING BONDS, 2002 SERIES C; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS RELATING THERETO; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire, finance or acquire participating interests in such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Department has issued its Single Family Mortgage Revenue Bonds, 2002 Series A in the aggregate principal amount of $38,750,000 (the "Series A Bonds"), its Single Family Mortgage Revenue Refunding Bonds, 2002 Series B in the aggregate principal amount of $52,695,000 (the "Series B Bonds"), and its Single Family Mortgage Revenue Refunding Bonds, 2002 Series C in the aggregate principal amount of $12,950,000 (the "Series C Bonds" and together with the Series A Bonds and the Series B Bonds, collectively, the "2002 Series A/B/C Bonds") pursuant to a Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 as amended by the supplemental indentures numbered First through Thirty-Fifth thereto (as amended, the "Single Family Indenture"), between the Department, as successor to the Texas Housing Agency and Bank One, National Association, as successor trustee (the "Trustee"), as supplemented by the Thirty-Second Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2002 (as amended by the First Amendment to Thirty-Second Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated March 24, 2003, collectively, the "Thirty-Second Supplement"), with respect to the 2002 Series A Bonds, the Thirty-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2002 (the "Thirty-Third Supplement"), with respect to the 2002 Series B Bonds, and the Thirty-Fourth Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2002 (the "Thirty-Fourth Supplement"), with respect to the 2002 Series C Bonds, each between the Department and the Trustee, for the purpose, among others, of providing funds to make and acquire qualified mortgage loans (including participating interests therein) during the Certificate Purchase Period (as defined in the Thirty-Second Supplement); and

WHEREAS, the Certificate Purchase Period with respect to the 2002 Series A/B/C Bonds ends on October 1, 2003, unless extended; and

WHEREAS, the investment agreement pursuant to which certain proceeds of the 2002 Series A/B/C Bonds are invested during the Certificate Purchase Period expires with respect to such proceeds on October 1, 2003; and

WHEREAS, the Department desires to approve and authorize (i) the extension of the Certificate Purchase Period for the 2002 Series A/B/C Bonds to December 1, 2004 in accordance with the terms of the Thirty-Second

Supplement, (ii) all actions to be taken with respect thereto, and (iii) the execution and delivery of all documents and instruments in connection therewith;

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

Section 1.1--Approval of Extension of the Certificate Purchase Period. The extension of the Certificate Purchase Period to December 1, 2004, or the first business day thereafter, is hereby authorized, subject to advice of any financial advisor, bond counsel or other advisor to the Department, such extension to be effectuated under and in accordance with the Indenture, the Thirty-Second Supplement, and the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all documents and instruments in connection therewith and to request and deliver all certificates as may be required by the terms of the Thirty-Second Supplement in connection therewith.

Section 1.2--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.3--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chairman of the Board; the Vice Chairman of the Board; the Secretary of the Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

ARTICLE II

GENERAL PROVISIONS

Section 2.1--Purpose of Resolution. The Board has expressly determined and hereby confirms that the acquisition of mortgage loans or the purchase of Mortgage Certificates resulting from the extension of the Certificate Purchase Period will accomplish a valid public purpose of the Department by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe and sanitary housing, thereby (a) helping to eliminate a shortage of such housing in rural and urban areas which contributes to the creation and persistence of substandard living conditions and is inimical to the health, welfare and prosperity of the residents and communities of the State; (b) increasing the supply of residential housing for persons and families displaced by public actions and natural disasters; and (c) assisting private enterprise in providing in sufficient quantities the construction or rehabilitation of such housing.

Section 2.2--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 2.3--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the

Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 11th day of September, 2003.

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Michael E. Jones, Chairman

ATTEST:

____
Delores Groneck, Secretary

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
SEPTEMBER 11, 2003

Action Items

Restructuring of Single Family Mortgage Revenue Bonds, Series 2002A, Series 2002B, Series 2002C, and Series 2002D including suspension of TDHCA's Fannie Mae Expanded Approval Loan Program (Program 57A).

Recommended Action

Approval of suspending TDHCA's Expanded Approval mortgage loan program and reallocating Expanded Approval related financial resources within Program 57A.

Background and Recommendation

Due to poor loan originations during the past fifteen months and a need to restructure and reallocate financial resources within Program 57A, Staff recommends the suspension of TDHCA's Expanded Approval mortgage loan product upon Board approval. Staff will examine reoffering Expanded Approval products through future bond programs after conducting more marketing research.

In June 2002, TDHCA became the first tax-exempt bond issuer to offer Fannie Mae's Expanded Approval (EA) mortgage loan products by means of tax-exempt mortgage revenue bonds. EA Level I and Level II loans were offered through TDHCA's Single Family Mortgage Revenue Bonds, Series 2002A/B/C/D (Program 57A). Shortly after the funds were made available, mortgage interest rates fell to record lows and consequently, EA loan originations have been less than expected. In March 2003 Staff recommended and the Board approved reducing the mortgage rate for Program 57A's EA Level I and Level II loans to 6.20% and 6.50%, respectively, as reflected in the following table.

EA Level	March 2003 (New TDHCA EA Rate)	June 2002 (Old TDHCA EA Rate)	Difference
Level 1	6.20%	7.20%	(1.00%)
Level 2	6.50%	7.45%	(.95%)

Nonetheless, TDHCA's EA originations have failed to meet expected volume levels as illustrated in the following table.

Original Amount of EA Lendable Proceeds	$10,000,000
EA Assisted Funds Unreserved Balance	$ 9,836,310
+ EA Loans in Mortgage Pipeline	$ 33,250
= Total EA Unspent Proceeds Balance	$ 9,869,560
EA Mortgages Closed and Funded	$ 130,440

Recommendation
The Board approve Staff's recommendation for suspending TDHCA's Expanded Approval mortgage loan program and reallocating Expanded Approval related financial resources within Program 57A.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 11, 2003

Action Item

Presentation, Discussion and Possible Approval of Senior Managing and Co-Managing Underwriting Firms for the Multifamily Mortgage Revenue Bond Transactions.

Requested Action

Approve the Recommended List Below.

Background

At the April 10, 2003 TDHCA Board meeting, the Board approved the Request for Qualifications (RFQ) for Investment Banking Firms. Department staff published the RFQ in the *Texas Register*, the Bond Buyer and the Texas Market Place to solicit the expertise of Investment Banking Firms to facilitate the underwriting needs for the multifamily bond transactions. The Department received information from twelve (12) investment banking firms. Nine (9) of the firms are being recommended for Senior Underwriters and three (3) as Co-Managing Underwriters. The three (3) being recommended for Co-Managers have limited housing experience, limited multifamily housing experience or limited experience in Texas.

The Department staff recommends the following Investment Banking Firms remain or be added to the Multifamily Bond Approved Underwriters List:

National Alliance Capital	Senior Manager	Add to approved list
Berean Capital	Senior Manager	Add to approved list
AG Edwards	Senior Manager	Add to approved list
JP Morgan Securities, Inc	Senior Manager	Move from Co-Manager to Senior Manager
MR Beal	Senior Manager	Remain on approved list
Morgan Keegan	Senior Manager	Remain on approved list
Merchant Capital	Senior Manager	Add to approved list
Stern Brothers	Senior Manager	Remain on approved list
George K Baum & Company	Senior Manager	Move from Co-Manager to Senior Manager

Advest	Co-Manager	Add to approved list
Melvin Securities	Co-Manager	Remain on approved list
Southwestern Capital Markets	Co-Manager	Add to approved list

Recommendation

The Board approve the recommended Investment Banking Firms to remain or be added to the Multifamily Bond Approved Underwriters list.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 11, 2003

Action Item

Appeal of Primrose Northview Park Tax Credit Application #03419.

Requested Action

Issue a determination on the appeal.

Background and Recommendations

The Applicant originally filed an appeal for this issue on August 15, 2003, to Edwina Carrington appealing the termination of the Application. The appeal was denied by the Executive Director on August 19, 2003 because the required public notice for the Application must have been published prior to the submission of the Application to the Department. However, the public notice was not published until two days after submission of the Application. It should be noted that the Applicant had three months prior to the submission date to make this publication submission. On August 29, 2003 the Applicant submitted a subsequent appeal to the Board that requests that the Application be reinstated.

Application Information:

Applicant:	Primrose Houston 9 Housing, Ltd.
City/County:	Houston/Harris
Region:	6
Type of Development:	New Construction
Units:	280
Staff Recommendation:	The Executive Director denied the original appeal. That recommendation has not changed.

Southeast Texas Housing Partners, Inc.

12621 Featherwood Drive, Suite 280
Houston, Texas 77034
281-484-4663 fax 281-484-1971

To: Delores Groneck
Fax 512-472-8526

From: Jim Cowart, Controller
Southeast Texas Housing Finance Corporation

Pages Sent: 15

Please see attached.

Southeast Texas Housing Partners, Inc.
12621 Featherwood Drive, Suite 280
Houston, Texas 77034
281-484-4663 fax 281-484-1971

August 28, 2003

Mr. Michael Jones
Chairman – TDHCA Board of Directors
Texas Department of Housing and Community Affairs
507 Sabine Street, Suite 400
Austin, TX 78711-3941

RE: Primrose Northview Park Tax Credit Application, #03419

Dear Mr. Jones,

This letter is in response to the denial by staff of the appeal of the termination of the tax credit application per the termination notice dated August 12, 2003 for Primrose Northview Park. We wish to appeal this termination based on the following facts.

On June 24^{th} and 26^{th}, we ran our TEFRA notice in the Houston Chronicle. A copy of the notice and affidavit of publication is attached.

On July 2^{nd} we held a neighborhood meeting to answer questions related to the project. Notices about the meeting and development were sent to representatives of the local neighborhood associations. A copy of the notice is attached. The meeting was attended by the following homeowner associations: Northview HOA, Northbridge Park HOA, Northbridge Park West HOA, Willow West HOA, and Northview Park HOA.

On July 9^{th} we held our TEFRA hearing in conjunction with the Harris County HFC board meeting. There was no opposition to the project.

On July 28^{th} we submitted our tax credit application. However due to an administrative oversight, the public notice required in the application was not published until July 30^{th} and 31^{st}. A copy of the notice and affidavit of publication is attached.

In addition to the above public meetings and notices, a member of Southwest Housing Development, which is our developer for this project, met with Jerry Eversole the Harris County Commissioner whose district the project is in, on several occasions to discuss the project and get feedback from his constituents. Although the project is a senior development, a representative of Southwest Housing also met with School

Superintendent Mike Hinjosa since the project will be exempt from ad valorem taxes and entering into a PILOT with the school district.

Despite not meeting the strictest interpretation of Section 49.9(e)(7)(A) of the 2003 QAP, we certainly met both the intent and spirit of the rule, which is to provide the public adequate notice about the project and an opportunity to voice their concerns about the project. In addition, our TEFRA notice could certainly be viewed as a public notice under this rule despite it not being in the exact format prescribed in the application manual.

In addition to the above facts, the county has shown strong support for the senior project as evidenced by its commitment of over $1,300,000 in HOME funding and $200,000 from Harris County HFC, which translates, to funding from two separate agencies – Harris County HFC and Harris County Office of Community Development.

The Primrose Northview Park is very important to Southeast Texas Housing Partners. As a CHDO, we have been dependent on Southeast Texas Housing Finance Corporation, with whom we have an administrative agreement. We want to establish Southeast Texas Housing Partners as a viable and independent entity. To do that, it needs to establish a portfolio with sources of revenues. We have come a long way with this project and would hate to lose it now on a technicality, especially when we have been diligent about seeking community support and input.

In light of the above facts including solid support for the project, we ask that you grant our appeal and reinstate the tax credit application of Primrose Northview Park.

Sincerely,

James D. Cowart, Jr.
Controller, Southeast Texas Housing Finance Corporation
As administrator for:
Southeast Texas Housing Partners, Inc.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

August 12, 2003

Dru Childre
Primrose Houston 9 Housing, LP
5910 N. Central Expressway, Ste. 1145
Dallas, TX 75206
Telephone: (214) 891-1402
Fax: (214) 987-4032

TDHCA# 03419

Re: Northview Park Apartments

On July 28, 2003, you submitted a Low Income Housing Tax Credit Application for the above-referenced development located in Houston, Texas. Our staff has completed a review of the Threshold Criteria. In our review it was determined that public notice was not published in a timely manner in the local newspaper.

Section 49.9(e)(7)(A) of the QAP requires all Applicants to submit a copy of the public notice published in the most widely circulated newspaper in the area in which the proposed Development will be located. Additionally, "Such notice must be published prior to the submission of the Application to the Department..."

In your application, you did not provide evidence of notification. On August 4, you were issued a deficiency notice requesting evidence that the notice was published in the local newspaper prior to July 28. Your reply, on August 7 provided evidence of notification being published July 30 and 31, which was after July 28, the date the application was received by the Department.

Failure to publish the notice prior to submission of the Application to the Department constitutes a Material Deficiency as defined in Section 49.3(52) of the 2003 QAP. Per Section 49.3(52), "Deficiencies caused by the omission of Threshold Criteria documentation specifically required by §49.9(e) of this title shall automatically be considered Material Deficiencies and shall be cause for termination".

Please be informed that pursuant to this section of the QAP, the Department has terminated this Application and no further action will be taken on it.

If you have any questions, please do not hesitate to contact me at 512.475.3296

Sincerely,

Brooke Boston

Brooke Boston
Director
Multifamily Finance Production Division

AFFIDAVIT OF PUBLICATION

STATE OF TEXAS:

COUNTY OF HARRIS:

Before me, the undersigned authority, a Notary Public in and for the State of Texas, on the day personally appeared: GAIL FEAGINS, who after being duly sworn, says that she is the SUPERVISOR-ACCOUNTS RECEIVABLE at the HOUSTON CHRONICLE, a daily newspaper published in Harris County, Texas, and that the publication, of which the annexed herein, or attached to, is a true and correct copy, was published to-wit:

VINSON & ELKINS 17085807 8174515
RAN A LEGAL NOTICE
SIZE BEING: 2 X 6.0 I (12.0I)

product	date	class	page
hc	Jun 24 2003	1245.0	E_toe_0 10

Gail Feagins

GAIL FEAGINS
SUPERVISOR - ACCOUNTS RECEIVABLE

Sworn and subscribed to before me, this the 24th Day of June A.D. 2003

PENNY STOW
NOTARY PUBLIC
STATE OF TEXAS
My Commission Expires Feb. 4, 2005

Penny Stow

Notary Public in and for the State of Texas

035807 VINSON & ELKINS Jun 24 2003 Page 2 Houston Chronicle

NOTICE OF PUBLIC HEARING
HARRIS COUNTY HOUSING
FINANCE CORPORATION
MULTIFAMILY HOUSING
REVENUE BONDS
(PRIMROSE NORTHVIEW PARK APARTMENTS)

[illegible]ice is hereby given of a public hearing to be held by [Harr]is County Housing Finance Corporation (the ["Iss]uer") on Wednesday, July 9, 2003, at 10:00 a.m., at [th]e Ops. National Association, 3rd Floor Board [Roo]m, 1401 North Loop West, Houston, Texas, with [respe]ct to an issue of multifamily housing revenue [bon]ds (the "Bonds") to be issued by the Issuer in one or [mor]e series of tax-exempt bonds in an aggregate prin[cipa]l amount not to exceed $15,000,000. The proceeds [of t]he Bonds will be loaned to Primrose Houston 7 [Hou]sing, L.P. (or a related person or affiliate thereof) (the "Borrower"), to finance a portion of the costs of [acqu]iring, constructing and equipping a multifamily [resid]ential rental development to be known as [Prim]rose Northview Park Apartments (the ["Dev]elopment") containing approximately 200 units [and] to be located within Harris County, Texas on the [sou]th side of Richey Road, between Northview Park [Dri]ve and Edgeglen Drive, Houston, Texas 77073. The [Dev]elopment will be initially owned by the Borrower. It [is a]nticipated that units in the Development will be [rent]ed to seniors, age 55 and over. The manager of the [Dev]elopment will be Southwest Housing Management [Cor]poration, Attn: Beth Thomason, Vice President, [(214)] 891-1402. For information about the [Dev]elopment prior to the hearing contact Southwest [Hou]sing Development Corporation, Attn: Jeff Spicer, [Seni]or Vice President, (214) 891-7838.

[All] interested persons are invited to attend such public [hear]ing to express their views with respect to the [Dev]elopment and the issuance of the Bonds. Questions [or r]equests for additional information may be directed [to M]s. Carrie Frye, Vinson & Elkins L.L.P., 2300 First [City] Tower, 1001 Fannin, Houston, Texas 77002-6760 [(713)]758-2937.

[Per]sons who intend to appear at the hearing and [exp]ress their views are invited to contact Ms. Frye [eith]er in writing or by telephone in advance of the hear[ing]. Any interested persons unable to attend the hear[ing] may submit their views in writing to Ms. Frye prior [to t]he date scheduled for the hearing.

[Thi]s notice is published and the above-described hear[ing] is to be held in satisfaction of the requirements of [Sect]ion 147(f) of the Internal Revenue Code of 1986, as [am]ended, regarding the public approval prerequisite [to t]he exclusion from gross income for federal income [tax p]urposes of the interest on the Bonds, other than [any] taxable bonds.

Page 1 Houston Chronicle CLASSIFIEDS

68805 VINSON & ELKINS Jun 26 2003

AFFIDAVIT OF PUBLICATION

STATE OF TEXAS:

COUNTY OF HARRIS:

Before me, the undersigned authority, a Notary Public in and for the State of Texas, on the day personally appeared: GAIL FEAGINS, who after being duly sworn, says that she is the SUPERVISOR-ACCOUNTS RECEIVABLE at the HOUSTON CHRONICLE, a daily newspaper published in Harris County, Texas, and that the publication, of which the annexed herein, or attached to, is a true and correct copy, was published to-wit:

VINSON & ELKINS 17085805 8174515
RAN A LEGAL NOTICE
SIZE BEING: 2 x 4.75 I (9.50I)

	product	date	class	page
	cw	Jun 26 2003	1245.0	P_wz11_020

Gail Feagins

GAIL FEAGINS
SUPERVISOR - ACCOUNTS RECEIVABLE

Sworn and subscribed to before me, this the 26th Day of June A.D. 2003

PENNY STOW
NOTARY PUBLIC
STATE OF TEXAS
My Commission Expires Feb. 4, 2006

Penny Stow

Notary Public in and for the State of Texas

Page 2 Houston Chronicle CLASSIFIEDS

NOTICE OF PUBLIC HEARING
HARRIS COUNTY HOUSING
FINANCE CORPORATION
MULTIFAMILY HOUSING
REVENUE BONDS
(SE NORTHVIEW PARK APARTMENTS)

hereby given of a public hearing to be held by
County Housing Finance Corporation (the
) on Wednesday, July 9, 2003, at 10:00 a.m., at
, National Association, 2nd Floor, Board
, 20 North Loop West, Houston, Texas, with
to an issue of multifamily housing revenue
he "Bonds") to be issued by the Issuer in one or
ries of tax-exempt bonds in an aggregate prin-
ount not to exceed $15,000,000. The proceeds
Bonds will be loaned to Primrose Houston 7
s L.P. (or a related person or affiliate thereof)
Borrower"), to finance a portion of the costs of
ng, constructing and equipping a multifamily
ntial rental development to be known as
ose Northview Park Apartments (the
pment") containing approximately 250 units
be located within Harris County, Texas on the
side of Richey Road, between Northview Park
and Edgedale Drive, Houston, Texas 77073. The
pment will be initially owned by the Borrower. It
ticipated that units in the Development will be
to seniors, age 55 and over. The manager of the
opment will be Southwest Housing Management
ration, Attn: Beth Thompson, Vice President,
891-1402. For information about the
lopment prior to the hearing contact Southwest
ing Development Corporation, Attn: Jeff Spicer,
, Vice President, (214) 891-7636.
terested persons are invited to attend such public
ng to express their views with respect to the
lopment and the issuance of the Bonds. Questions
quests for additional information may be directed
& Gerie Frye, Vinson & Elkins L.L.P., 2300 First
Tower, 1001 Fannin, Houston, Texas 77002-6760
758-2571.
sons who intend to appear at the hearing and
ress their views are invited to contact Ms. Frye
er in writing or by telephone in advance of the hear-
Any interested persons unable to attend the hear-
may submit their views in writing to Ms. Frye prior
he date scheduled for the hearing.
s notice is published and the above-described hear-
g is to be held in satisfaction of the requirements of
tion 147(f) of the Internal Revenue Code of 1986, as
ended, regarding the public approval prerequisite
the exclusion from gross income for federal income
x purposes of the interest on the Bonds, other than
y taxable bonds.

Primrose Houston 9 Housing, L.P.

June 25, 2003

Tally Jenkins
Northview Home Owners Assoc.
Chaparral Management
3934 FM 1960 W., Suite 200
Houston, Texas 77068

Re: Primrose Northview Park at Richey Rd. between Northview Park & Edgeglen Dr.
Pre-Application Notification of Proposed Development

Dear Tally Jenkins,

Primrose Houston 9 Housing, L.P. ("Applicant") has been awarded a reservation of $15,000,000 in tax exempt financing through the Texas Department of Housing and Community Affairs ("TDHCA") for the development of Primrose Northview Park Apartments located within Harris County, Texas on the north side of Richey Road, between Northview Park Dr. and Edgeglen Dr. in the City of Houston. The Applicant is in the process of making an application for tax credits to be used in conjunction with the tax exempt bonds to complete the financing of the construction of the development. This new development will be a Senior multi-family community comprised of 280 units.

The units will have rents that will be affordable to families earning 50% of area median income and whose income level is less than 60% of area median income, which is currently $35,760 annually for a family of four. We firmly believe that there is a substantial shortage of this type of housing in Harris County and that our commitment to quality development will be an asset to the area.

Please be advised that we will be placing a public notice advertisement in the ***Houston Chronicle*** that will run prior to the submission of the application to TDHCA. This advertisement will run on both Tuesday, June 24, and Thursday, June 26 daily addition of "This Week" which will notify local citizens of our plans for the subject site and give them the opportunity to contact us directly with any questions. The notice has been enclosed for your information.

We welcome your comments and recommendations regarding Primrose Northview Park. Please contact me at (214) 891-1402 if you would like additional information.

Best regards,

Brian Potashnik
Managing Member of the General Partner
Primrose Houston 9 Housing, L.P.

Enclosure

Shipment Details

FedEx. Ship Track/History Address Book Preferences Fast Ship Reports

<< Log out Home

Shipment Details

Ship To:	Tally Jenkins Chaparral Management 3934 FM 1960 W., Suite 200 Houston, TX 77068 US 281-537-0957	Type of Package: Pickup/Drop Off Total Weight: Declared Value: Shipper Account Number: Bill Shipment To: Courtesy Rate Quote*: Special Services	FedEx Envelope Drop Off 1 LBS 0 USD 231070273 231070273 *12.50
From:	CANDY VERA SOUTHWEST HOUSING MANAGEMENT 5910 NORTH CENTRAL EXPRESSWAY SUITE 1145 DALLAS,TX 75206 US 2148911402		Previous Next
Tracking Number:	791422254612		
Your reference	Northview Park		
Ship date:	Jun 25 2003		
Type of service:	Priority Overnight		

Return to History

Print

Please Note

*The courtesy rate shown here may be different than the actual charges for your shipment. Differences may occur based on actual weight, dimensions, and other factors. Consult the applicable FedEx Service Guide or the FedEx Rate Sheets for details on how shipping charges are calculated.

FedEx will not be responsible for any claim in excess of $100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, document your actual loss and file a timely claim. Limitations found in the current FedEx Service Guide apply. Your right to recover from FedEx for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of $100 or the authorized declared value. Recovery cannot exceed actual documented loss. Maximum for items of extraordinary value is $500, e.g., jewelry, precious metals, negotiable instruments and other items listed in our Service Guide. Written claims must be filed within strict time limits; Consult the applicable FedEx Service Guide for details.

Close Window

FedEx.

Print

Track Shipments

Detailed Results

Select another track: 791422254612 Previous | Next

Tracking number	791422254612	Reference number	NORTHVIEW PARK
Signed for by	D.OGRODOWU	Delivered to	Recept/Frnt desk
Ship date	Jun 25, 2003	Delivery location	HOUSTON TX
Delivery date/Time	Jun 26, 2003 9:11 am	Service type	Priority Envelope

Signature Proof of Delivery
Click Request copy of signature to view delivery information for this shipment.

Request copy of signature

Date/Time		Status	Location	Comments
Jun 26, 2003	9:11 am	Delivered	HOUSTON TX	
	7:53 am	On FedEx vehicle for delivery	HOUSTON TX	
	7:12 am	Arrived at FedEx Destination Location	HOUSTON TX	
	6:07 am	Left FedEx Ramp	HOUSTON TX	
	5:11 am	Arrived at FedEx Ramp	HOUSTON TX	
	3:40 am	Left FedEx Sort Facility	FORT WORTH TX	
Jun 25, 2003	11:48 pm	Left FedEx Sort Facility	FORT WORTH TX	
	11:27 pm	Arrived at Sort Facility	FORT WORTH TX	
	9:22 pm	Left FedEx Origin Location	GARLAND TX	

Track more shipments | << Track summary

Email your detailed tracking results (optional)

Enter your email, submit up to three email addresses (seperated by commas), add your message (optional), and click Send email.

From

To

Add a message to this email.

Send email

Close Window

AFFIDAVIT OF PUBLICATION

STATE OF TEXAS:

COUNTY OF HARRIS:

Before me, the undersigned authority, a Notary Public in and for the State of Texas, on the day personally appeared: GAIL FEAGINS, who after being duly sworn, says that she is the SUPERVISOR-ACCOUNTS RECEIVABLE at the HOUSTON CHRONICLE, a daily newspaper published in Harris County, Texas, and that the publication, of which the annexed herein, or attached to, is a true and correct copy, was published to-wit:

SOUTHWEST HOUSING DEVELOPEME 17262459 33494935
RAN A LEGAL NOTICE
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hc	Jul 30 2003	1245.0	E_wed__L12
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Gail Feagins

GAIL FEAGINS
SUPERVISOR - ACCOUNTS RECEIVABLE

Sworn and subscribed to before me, this the 31st Day of July A.D. 2003

PENNY STOW
NOTARY PUBLIC
STATE OF TEXAS
My Commission Expires Feb. 4, 2006

Penny Stow

Notary Public in and for the State of Texas

i2459 SOUTHWEST HOUSING DEVELOPEME Jul 30 2003

TICE TO PUBLIC
rose Houston 9 Hous-
.P. is making an ap-
ion to the Texas De-
ment of Housing and
munity Affairs for tax
ts in conjunction with
xempt bond financing
Senior Development
n as Northview Park,
h will be located on the
heast side of Richey
and Northview Park
Houston, Texas. This
development is a Se-
community com-
ed of 150 units of which
% will have rents af-
dable to tenants with in-
mes less than 50% of the
a's median income.
e number of units and
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ces) for the proposed
velopment are:
-1 bedroom units for
73
6-2 bedroom units for
42
awarded tax credits, this
velopment will be ready
r occupancy by fall 2004.
or further information,
lease contact Primrose
ouston 9 Housing, L.P.,
710 N. Central Expy., Ste.
245, Dallas, Texas 75206.
214) 891-1402.

TEXAS
DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
WWW.TDHCA.STATE.TX.US

August 19, 2003

Dru Childre
Primrose Houston 9 Housing, LP
5910 N. Central Expressway, Ste. 1145
Dallas, TX 75206
Telephone: (214) 891-1402
Fax: (214) 987-4032

Re: Response to appeal received August 15, 2003
Northview Park Apartments, TDHCA Project No. 03419

Consistent with §49.18(b) of the 2003 Qualified Allocation Plan and Rules (QAP), I am writing in response to the appeal that we received on August 15, 2003 on the above-referenced development.

Appeal Review

I have carefully reviewed the application you submitted, as well as your appeal as it relates to §49.9(e)(7)(A) of the QAP, which requires all Applicants to submit a copy of the public notice published in the most widely circulated newspaper in the area in which the proposed Development will be located.

While I understand that the TEFRA Hearing notices were published, it is unfortunate that the public notice required in the Application, with all required information, was not published until July 30th and 31st, 2 days after the submission of the Application to the Department. However, §49.9(e)(7)(A) QAP is explicit in its requirement that, "Such notice must be published prior to the submission of the Application to the Department..."

Appeal Determination

Based on the above reason, your appeal is denied and the application will not be reinstated.

Please note that §49.18(b)(4) of the 2003 QAP states that if you are not satisfied with this response to your appeal, you may appeal directly in writing to the Board of the Texas Department of Housing and Community Affairs. Please note that an appeal filed with the Board must be received by the Board <u>before the seventh day preceding</u> the date of the Board meeting at which the relevant commitment decision is expected to be made. To have an appeal considered by the Board at the September 11, 2003 Board meeting, the appeal must be received by Delores Groneck, Board Secretary, no later than September 3, although it is strongly suggested that you submit it by August 27, 2003.

If you have questions or comments, please call Jennifer Joyce at (512) 475-3995.

Sincerely,

Edwina Carrington

Edwina Carrington
Executive Director

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS
WWW.TDHCA.STATE.TX.US

FAXED 8/20/03

August 19, 2003

MAILED
8/20/03 overnight

Dru Childre
Primrose Houston 9 Housing, LP
5910 N. Central Expressway, Ste. 1145
Dallas, TX 75206
Telephone: (214) 891-1402
Fax: (214) 987-4032

**Re: Response to appeal received August 15, 2003
Northview Park Apartments, TDHCA Project No. 03419**

Consistent with §49.18(b) of the 2003 Qualified Allocation Plan and Rules (QAP), I am writing in response to the appeal that we received on August 15, 2003 on the above-referenced development.

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Appeal Determination

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If you have questions or comments, please call Jennifer Joyce at (512) 475-3995.

Sincerely,

Edwina Carrington

Edwina Carrington
Executive Director

Texas Department of Housing and Community Affairs
Multi-Family Finance Production Division

2003 APPEALS REVIEW AND PROCESSING FORM

Development Number: 03419 **Development Name:** Northview Park Apartments

PLEASE NOTE THAT ALL APPEALS MUST BE IN WRITING!! (Email is acceptable)

Essential Dates to Track:	Enter Date Here
Date Appeal Received:	8/15/03
14 Day Deadline for Response from Executive Director: (enter upon receipt of appeal!)	8/29/03
If Board Appeal, notify DG of need to put on agenda:	
Date the ED Response was Sent Out to Appellant	

I. Nature of Appeal

Please identify the Nature of the Appeal by checking the appropriate box. Note that appeals may NOT be filed for anything other than one of these reasons. An Applicant may not appeal a decision made regarding an Application filed by another Applicant!

☒ A. A determination regarding the Applications relating to:
- ☒ A1. Pre-Application or Application Threshold Criteria
- ☐ A2. Underwriting Criteria; or

☐ B. The scoring of the application under the Pre-Application or Application Selection Criteria; or

☐ C. The amount of housing tax credits recommended to be allocated to the Application.

C1.Has the applicant requested a copy of the underwriting report? ☐ No ☐ Yes

C2. If applicable, has the underwriting report been sent? ☐ No ☐ Yes (Date:_____)

II. Timing of Appeal

☒ Check here to confirm that the appeal has been filed within 7 days of release of the results for which the appeal is based.

RECEIVED
AUG 15 2003
LIHTC

SOUTHWEST HOUSING

FACSIMILE TRANSMITTAL SHEET

DATE:	***August 15,2003***
TO:	***Shannon Roth***
COMPANY:	***TDHCA***
FAX NUMBER:	***512-475-0764***
FROM:	***Jeff Spicer***
Number of Pages (including cover)	***12***

MESSAGE:

Shannon,

Please accept the following Appeal letter regarding the decision to terminate our Primrose Northview Park Tax Credit Application.

This has already been sent to Edwina Carrington.

Thank you
Jeff Spicer
Senior Vice President
Director of Development & Finance

SOUTHWEST HOUSING
5910 North Central Expressway, Suite 1145
Dallas, Texas 75206
Phone: 214 891-1402 Fax: 214 987-4032

SOUTHWEST HOUSING

RECEIVED
AUG 15 2003
LIHTC

August 15, 2003

Ms. Edwina Carrington
Texas Department of Housing and Community Affairs
507 Sabine Street, Suite 400
Austin, TX 78711-3941

RE: Primrose Northview Park Tax Credit Application, #03419

Dear Ms. Carrington,

This letter is in response to the termination notice dated August 12, 2003 for the Primrose Northview Park tax credit application. We wish to appeal this termination based on the following facts.

On June 24th and 26th, we ran our TEFRA notice in the Houston Chronicle. A copy of the notice and affidavit of publication is attached.

On July 2nd we held a neighborhood meeting to answer questions related to the project. Notices about the meeting and development were sent to representatives of the local neighborhood associations. A copy of the notice is attached. The meeting was attended by the following homeowner associations: Northview HOA, Northridge Park HOA, Northridge Park West HOA, Willow West HOA, and Northview Park HOA.

On July 9th we held our TEFRA hearing in conjunction with the Harris County HFC board meeting. There was no opposition to the project.

On July 28th we submitted our tax credit application. However due to an administrative oversight, the public notice required in the application was not published until July 30th and 31st. A copy of the notice and affidavit of publication is attached.

In addition to the above public meetings and notices, a member of Southwest Housing met with Jerry Eversole the Harris County Commissioner whose district the project is in, on several occasions to discuss the project and get feedback from his constituents. Although the project is a senior development, a representative of Southwest Housing met with the School Superintendent Mike Hinjosa since we will be seeking a PILOT agreement with the district.

Despite not meeting the strictest interpretation of Section 49.9(e)(7)(A) of the 2003 QAP, we had certainly met both the intent and spirit of the rule which is to provide the public adequate notice about the project and an opportunity to voice their concerns about the project. In addition, our TEFRA notice could certainly be viewed as a public notice under this rule despite it not being in the exact format prescribed in the application manual.

In addition to the above facts, the county has shown strong support for the project as evidenced by its commitment of over $2,000,000 in HOME funding from two separate agencies – Harris County HFC and Harris County office of Community Development.

In light of the above facts including solid support for the project, we ask that you grant our appeal and reinstate the tax credit application of Primrose Northview Park.

Sincerely,

Jeff Spicer
Senior Vice President
Director of Development & Finance

5910 N. Central Expressway, Suite 1145 • Dallas, Texas 75206 • 214.891.1402 • Fax: 214.987.4032
www.southwesthousing.com

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AUG 15 2003
LIHTC

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

August 12, 2003

Dru Childre
Primrose Houston 9 Housing, LP
5910 N. Central Expressway, Ste. 1145
Dallas, TX 75206
Telephone: (214) 891-1402
Fax: (214) 987-4032

Re: **Northview Park Apartments** **TDHCA# 03419**

On July 28, 2003, you submitted a Low Income Housing Tax Credit Application for the above-referenced development located in Houston, Texas. Our staff has completed a review of the Threshold Criteria. In our review it was determined that public notice was not published in a timely manner in the local newspaper.

Section 49.9(e)(7)(A) of the QAP requires all Applicants to submit a copy of the public notice published in the most widely circulated newspaper in the area in which the proposed Development will be located. Additionally, "Such notice must be published prior to the submission of the Application to the Department..."

In your application, you did not provide evidence of notification. On August 4, you were issued a deficiency notice requesting evidence that the notice was published in the local newspaper prior to July 28. Your reply, on August 7, provided evidence of notification being published July 30 and 31, which was after July 28, the date the application was received by the Department.

Failure to publish the notice prior to submission of the Application to the Department constitutes a Material Deficiency as defined in Section 49.3(52) of the 2003 QAP. Per Section 49.3(52), "Deficiencies caused by the omission of Threshold Criteria documentation specifically required by §49.9(e) of this title shall automatically be considered Material Deficiencies and shall be cause for termination".

Please be informed that pursuant to this section of the QAP, the Department has terminated this Application and no further action will be taken on it.

If you have any questions, please do not hesitate to contact me at 512.475.3296.

Sincerely,

Brooke Boston

Brooke Boston
Director
Multifamily Finance Production Division

AFFIDAVIT OF PUBLICATION

STATE OF TEXAS:

COUNTY OF HARRIS:

Before me, the undersigned authority, a Notary Public in and for the State of Texas, on the day personally appeared: GAIL FEAGINS, who after being duly sworn, says that she is the SUPERVISOR-ACCOUNTS RECEIVABLE at the HOUSTON CHRONICLE, a daily newspaper published in Harris County, Texas, and that the publication, of which the annexed herein, or attached to, is a true and correct copy, was published to-wit:

VINSON & ELKINS 17085807 8174515
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Gail Feagins
GAIL FEAGINS
SUPERVISOR - ACCOUNTS RECEIVABLE

Sworn and subscribed to before me, this the 24th Day of June A.D. 2003

PENNY STOW
NOTARY PUBLIC
STATE OF TEXAS
My Commission Expires Feb. 4, 2006

Penny Stow
Notary Public in and for the State of Texas

NOTICE OF PUBLIC HEARING
HARRIS COUNTY HOUSING
FINANCE CORPORATION
MULTIFAMILY HOUSING
REVENUE BONDS
(PRIMROSE NORTHVIEW PARK APARTMENTS)

Notice is hereby given of a public hearing to be held by Harris County Housing Finance Corporation (the "Issuer") on Wednesday, July 9, 2003, at 10:00 a.m., at Bank One, National Association, 2nd Floor Board Room, 1421 North Loop West, Houston, Texas, with respect to an issue of multifamily housing revenue bonds (the "Bonds") to be issued by the Issuer in one or more series of tax-exempt bonds in an aggregate principal amount not to exceed $15,000,000. The proceeds of the Bonds will be loaned to Primrose Houston 9 Housing, L.P. (or a related person or affiliate thereof) (the "Borrower"), to finance a portion of the costs of acquiring, constructing and equipping a multifamily residential rental development to be known as Primrose Northview Park Apartments (the "Development") containing approximately 180 units and to be located within Harris County, Texas on the north side of Richey Road, between Northview Park Drive and Edgeglen Drive, Houston, Texas 77073. The Development will be initially owned by the Borrower. It is anticipated that units in the Development will be leased to seniors, age 55 and over. The manager of the Development will be Southwest Housing Management Corporation, Attn: Beth Thompson, Vice President, (214) 891-1402. For information about the Development prior to the hearing contact Southwest Housing Development Corporation, Attn: Jeff Spicer, Senior Vice President, (214) 891-7838.

All interested persons are invited to attend such public hearing to express their views with respect to the Development and the issuance of the Bonds. Questions or requests for additional information may be directed to Ms. Genie Frye, Vinson & Elkins L.L.P., 2300 First City Tower, 1001 Fannin, Houston, Texas 77002-6760 (713/758-2957).

Persons who intend to appear at the hearing and express their views are invited to contact Ms. Frye either in writing or by telephone in advance of the hearing. Any interested persons unable to attend the hearing may submit their views in writing to Ms. Frye prior to the date scheduled for the hearing.

This notice is published and the above-described hearing is to be held in satisfaction of the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended, regarding the public approval prerequisite to the exclusion from gross income for federal income tax purposes of the interest on the Bonds, other than any taxable bonds.

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AUG 15 2003
LIHTC

AFFIDAVIT OF PUBLICATION

STATE OF TEXAS:

COUNTY OF HARRIS:

Before me, the undersigned authority, a Notary Public in and for the State of Texas, on the day personally appeared: GAIL FEAGINS, who after being duly sworn, says that she is the SUPERVISOR-ACCOUNTS RECEIVABLE at the HOUSTON CHRONICLE, a daily newspaper published in Harris County, Texas, and that the publication, of which the annexed herein, or attached to, is a true and correct copy, was published to-wit:

VINSON & ELKINS 17085805 8174515
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Gail Feagins

GAIL FEAGINS
SUPERVISOR - ACCOUNTS RECEIVABLE

Sworn and subscribed to before me, this the 26th Day of June A.D. 2003

PENNY STOW
NOTARY PUBLIC
STATE OF TEXAS
My Commission Expires Feb. 4, 2006

Penny Stow

Notary Public in and for the State of Texas

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LIHTC

NOTICE OF PUBLIC HEARING
HARRIS COUNTY HOUSING FINANCE CORPORATION MULTIFAMILY HOUSING REVENUE BONDS
(PRIMROSE NORTHVIEW PARK APARTMENTS)

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All interested persons are invited to attend such public hearing to express their views with respect to the Development and the issuance of the Bonds. Questions or requests for additional information may be directed to Ms. Genie Frye, Vinson & Elkins L.L.P., 2300 First City Tower, 1001 Fannin, Houston, Texas 77002-6760 (713/758-2957).

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Primrose Houston 9 Housing, L.P.

June 25, 2003

Tally Jenkins
Northview Home Owners Assoc.
Chaparral Management
3934 FM 1960 W., Suite 200
Houston, Texas 77068

Re: Primrose Northview Park at Richey Rd. between Northview Park & Edgeglen Dr.
Pre-Application Notification of Proposed Development

Dear Tally Jenkins,

Primrose Houston 9 Housing, L.P. ("Applicant") has been awarded a reservation of $15,000,000 in tax exempt financing through the Texas Department of Housing and Community Affairs ("TDHCA") for the development of Primrose Northview Park Apartments located within Harris County, Texas on the north side of Richey Road, between Northview Park Dr. and Edgeglen Dr. in the City of Houston. The Applicant is in the process of making an application for tax credits to be used in conjunction with the tax exempt bonds to complete the financing of the construction of the development. This new development will be a **Senior multi-family** community comprised of 280 units.

The units will have rents that will be affordable to families earning 50% of area median income and whose income level is less than 60% of area median income, which is currently $35,760 annually for a family of four. We firmly believe that there is a substantial shortage of this type of housing in Harris County and that our commitment to quality development will be an asset to the area.

Please be advised that we will be placing a public notice advertisement in the ***Houston Chronicle*** that will run prior to the submission of the application to TDHCA. This advertisement will run on both Tuesday, June 24, and Thursday, June 26 daily addition of "This Week" which will notify local citizens of our plans for the subject site and give them the opportunity to contact us directly with any questions. The notice has been enclosed for your information.

We welcome your comments and recommendations regarding Primrose Northview Park. Please contact me at (214) 891-1402 if you would like additional information.

Best regards,

Brian Potashnik
Managing Member of the General Partner
Primrose Houston 9 Housing, L.P.

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AUG 15 2003
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Enclosure

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Shipment Details

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		Pickup/Drop Off	Drop Off
		Total Weight:	1 LBS
		Declared Value:	0 USD
		Shipper Account Number:	231070273
From:	CANDY VERA SOUTHWEST HOUSING MANAGEMENT 5910 NORTH CENTRAL EXPRESSWAY SUITE 1145 DALLAS,TX 75206 US 2148911402	Bill Shipment To:	231070273
		Courtesy Rate Quote*:	*12.50
		Special Services	
Tracking Number:	791422254612		
Your reference	Northview Park		
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Type of service:	Priority Overnight		

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Delivery date/Time	Jun 26, 2003 9:11 am	**Service type**	Priority Envelope

Signature Proof of Delivery
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	5:11 am	Arrived at FedEx Ramp	HOUSTON TX	
	3:40 am	Left FedEx Sort Facility	FORT WORTH TX	
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AFFIDAVIT OF PUBLICATION

STATE OF TEXAS:

COUNTY OF HARRIS:

Before me, the undersigned authority, a Notary Public in and for the State of Texas, on the day personally appeared: GAIL FEAGINS, who after being duly sworn, says that she is the SUPERVISOR-ACCOUNTS RECEIVABLE at the HOUSTON CHRONICLE, a daily newspaper published in Harris County, Texas, and that the publication, of which the annexed herein, or attached to, is a true and correct copy, was published to-wit:

SOUTHWEST HOUSING DEVELOPEME 17262459 33494915
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Gail Feagins

GAIL FEAGINS
SUPERVISOR - ACCOUNTS RECEIVABLE

Sworn and subscribed to before me, this the 31st Day of July A.D. 2003

PENNY STOW
NOTARY PUBLIC
STATE OF TEXAS
My Commission Expires Feb. 4, 2006

Penny Stow

Notary Public in and for the State of Texas

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AUG - 4 2003

NOTICE TO PUBLIC

imrose Houston 9 Hous-
g, L.P. is making an ap-
ication to the Texas De-
artment of Housing and
ommunity Affairs for tax
edits in conjunction with
x-exempt bond financing
r a Senior Development
nown as Northview Park,
hich will be located on the
ortheast side of Richey
d and Northview Park
d., Houston, Texas. This
ew development is a Se-
or community com-
rised of 280 units of which
0% will have rents af-
rdable to tenants with in-
omes less than 50% of the
rea's median income.

he number of units and
roposed rents based on
ear 2003 area median in-
omes (less utility allow-
nces) for the proposed
evelopment are:

4-1 bedroom units for
553

96-2 bedroom units for
662

awarded tax credits, this
evelopment will be ready
or occupancy by fall 2004.

For further information,
lease contact Primrose
louston 9 Housing, L.P.,
910 N. Central Expy., Ste.
145, Dallas, Texas 75206,
214) 891-1402.

Real Estate Analysis Division
Board Action Request
September 11, 2003

Action Items

Request approval of an increase in the tax credit allocation amount for transactions with 4% Low Income Housing Tax Credits (LIHTC) associated with private activity tax exempt mortgage revenue bonds for the following developments:

- 01416 Palomino Place Apartments (A.K.A. Aristocrat Apartments, Bill Wenson developer), rehabilitation asking for $88,170 in additional credits
- 00044T Redhill Villas Apartments (John Paul, Ike Monty, James Hunt developers), new construction asking for $2,913 in additional credits

Recommendation and Requested Action

Approve the increase in credits as follows:

- 01416 Palomino Place: $88,144 for a total of $422,813
- 00044T Redhill Villas: $2,913 for a total of $435,964

Background

The Department has, over the years, routinely issued 8609's in amounts *less* than the original determination notice based upon the request of the applicant, or in rare instances as a result of irreconcilable error discovered during the cost certification process without further Board action. Since 2001 the Qualified Action Plan (QAP) has included a provision for tax credits associated with private activity bonds which states that a determination notice issued by the Department and any subsequent IRS Form(s) 8609 will reflect the amount of tax credits for which the project is determined to be eligible, and the amount of credits reflected may be greater than or less than the amount set forth in the determination notice, based upon the Department's and the bond issuer's determination as of each building's placement in service date. Prior to 2001, the QAP did not specifically address this issue. It is and has generally been the belief by the industry and staff that the 4% tax credits can and should be treated differently than the 9% credits. This is due in part to the automatic and unlimited features of the 4% credit which, from a federal perspective, mean that the private activity bond transaction meeting a certain percentage of the whole transaction criteria is automatically entitled to a credit allocation and that the amount of such an allocation is not subject to a state's cap on credits which affects the 9% credit allocation. The credit allocation for 4% credits is, however, subject to our state QAP, except where the QAP has itself exempted 4% transactions. Moreover, current state law requires that multifamily private activity bond transactions make application for the 4% tax credits before they may receive a bond reservation.

The requested action requires the Board to act upon one case which was originally submitted under the pre-2001 QAP and one under the 2001 QAP. The Board, by its previous actions with 2000 QAP transactions and at the request of staff has agreed to, on a case-by-case basis, increase tax credit award amounts for 4% LIHTC developments over the amount previously approved and indicated in the determination notice. Criteria inferred from the previous Board meetings for the consideration of approval of increases included acceptable re-underwriting by Department staff and a substantiation that the request for increased credits are a result of circumstances beyond the developer/owner's control. Staff believes the following applications have met these criteria as evidenced by the attached underwriting addenda and the brief summaries of each below.

01416 Palomino Place This transaction involved the acquisition and rehabilitation of a 272-unit, 30-year old development located in Houston. The applicant was previously approved for credits in the amount of $334,669, which was $43K less than the requested amount at that time. With the current request the applicant cited unpredicted increases in rehabilitation and security costs as the primary reason for the requested increase in tax credits of $88,170 to $422,839. The applicant has subsequently revised the request downward by $26. The underwriting addendum has confirmed that rehabilitation cost increase is the primary reason for the increase.

00044T Redhill Villas This transaction involved the development of 168 units in Round Rock. The applicant was previously approved for credits in the amount of $433,051 which was $44K less than the requested amount at that time. The underwriting report at that time reflected the underwriter's lower anticipated construction costs and recommended a lower tax credit allocation based upon the gap of funds needed pursuant to the underwriter's costs. The current request recognizes lower hard construction costs than either the original application or underwritten costs but significantly higher ineligible costs than the original request, which expands the gap to allow the development to utilize all of the eligible development costs to determine the credit amount. The attached underwriting addendum confirms that the requested increase in tax credits of $2,913 to $435,964 is justified.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM

DATE: September 2, 2003 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 01416

DEVELOPMENT NAME

Palomino Place (FKA Aristocrat Apartments)

APPLICANT

Name:	Palomino Place Apartments, LP			**Type:**	For Profit		
Address:	7010 Hwy 71 West, Suite 340-354			**City:**	Austin	**State:**	TX
Zip:	78735	**Contact:**	Michelle Wenson	**Phone:**	(512) 288-7200	**Fax:**	(512) 288-7282

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Palomino Place GP, LLC	**(%):**	0.09	**Title:**	Managing General Partner
Name:	OWT Investments, LLC	**(%):**	N/A	**Title:**	Developer

PROPERTY LOCATION

Location:	4400 West Airport			☐ **QCT**	☐ **DDA**
City:	Houston	**County:**	Harris	**Zip:**	77045

REQUEST

AWARDED

Amount	Interest Rate	Amortization	Term
1) $334,669	N/A	N/A	N/A

ADDITIONAL REQUEST

1) $88,170	N/A	N/A	N/A

Other Requested Terms: 1) Annual ten-year allocation of low-income housing tax credits (TOTAL: $422,839)

Proposed Use of Funds: Acquisition/Rehabilitation **Property Type:** Multifamily

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED A TOTAL OF $422,813 ANNUALLY FOR TEN YEARS.

ADDENDUM

At Cost Certification, Palomino Place Apartments, LP requested an additional allocation of tax credits in the amount of $88,170 for a total allocation of $422,839 annually. The request is based upon an increase in eligible basis due to unforeseen construction costs. A letter from the owner, dated April 8, 2003, indicates an increase in rehabilitation hard construction costs and a higher than normal cost for security during the course of construction.

A work write-up included as a cost certification exhibit and signed by a representative of Daniels Building & Construction in December of 2002 includes all site work and direct construction costs indicated in the development cost schedule save $597,519. The excess has been labeled as “Owner’s Contribution.” Upon request, a further breakdown of the costs associated with “Owner’s Contribution” was provided and showed $20,312 spent on security, $126,753 on fencing, $19,500 on the boiler system, $158,451 on structural costs, and $93,003 on tenant relocation. An independent auditor, Dauby O’Connor & Zaleski, LLC, has confirmed an eligible basis of $12,080,964 and total development cost of $13,998,099. The owner submitted a cost schedule in August 2003 indicating a lower total development cost of $13,994,224. The final August 2003 costs represent a 15% overall increase from the Applicant's original budget. The eligible basis claimed is $595 less than that claimed in the cost certification document, but still represents a 12% increase from the original application. Based on the August 2003 documentation, the Applicant's total request is $422,813.

The final total development cost of $13,994,224 results in an eligible basis of $12,080,369, as calculated by the Underwriter, and qualified annual tax credits of $422,813. The final cost is $1,783,730 higher than the estimate presented at application. Much of this difference can be attributed to hard construction costs including additional security during construction and lease-up, but it should be noted that indirect construction and financing costs also increased. The hard costs have increase 37% in addition to the 10% contingency originally included in the budget. It should be noted the Applicant originally anticipated an 18% contingency. Also, the contractor fees appear to have increased by 39.9% and developer fees have increased by a nominal 2%. There is no indication that the increase in costs was foreseeable or could have been prevented.

A re-evaluation of the development due to the request for additional tax credits also involved review of the TDHCA income and operating expense projections. Current income projections are based upon current HAP contract rents and actual rental rates per the rent roll for August 2003. The difference since underwriting at application is an increase of $19,734 in effective gross income. Current line-item operating expense projections are based upon not only database information available, but also the development's actual performance over the last seven months. In most cases, the development's actual performance would be most heavily relied upon for expense information; however, conversations with the owner revealed that the development's first several months of operating expenses are skewed due to higher than normal costs related to lease-up and initial security needs.

Overall, the owner's net operating income projection has increased by $65K since application, while the Underwriter's estimate has decreased by $139K. The owner's anticipated income and expenses have increased significantly, 22% and 26%, respectively. The Underwriter's income and expense have not increased by the same levels, though expense increases have outstripped potential income increases. The owner's current projections do not fall within 5% of the Underwriter's estimates; therefore, the Underwriter's profroma is used to determine debt service capacity. Assuming annual debt service of $707,418 and private mortgage insurance premium of $50,076, the Underwriter estimates the development's initial debt coverage ratio at 1.03. The proposed debt on the property has increased from $9,046,000 to $10,016,000 as a result of a slightly better interest rate. Because the initial debt coverage ratio falls below the Department's minimum guideline of 1.10, it is suggested that the Department pay close attention to the development's performance over the compliance period.

Final total development costs support the need for additional syndication proceeds. Therefore, it is recommended that the owner receive the total eligible LIHTC allocation of $422,813 annually for ten years. The developer will also be required to defer $588,451 in fees, which appear to be repayable between years five and ten of stabilized operation assuming that private mortgage insurance is not required after year five.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.

Underwriter:	*Lisa Vecchietti*	**Date:**	September 2, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	September 2, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Palomino Place (FKA Aristocrat Apartments), Houston, 4% LIHTC #01416 **ADDENDUM**

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.		Net Rent per Unit	Rent per Month		Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 50% / S8	9	1	1	612	$558		$474	$4,266		$0.77	$54.00	
TC 50% / S8	5	1	1	612	$558		464	2,320		0.76	$54.00	
TC 50%	10	1	1	612	$558		464	4,640		0.76	$54.00	
TC 50% / S8	56	2	1	825	670		605	33,880		0.73	69.00	
TC 50% / S8	11	2	1	825	670		661	7,271		0.80	69.00	
TC 50%	38	2	1	825	670		575	21,850		0.70	69.00	
TC 50% / S8	54	3	2	1,024	775		694	37,476		0.68	83.00	
TC 50% / S8	9	3	2	1,024	775		679	6,111		0.66	83.00	
TC 50%	21	3	2	1,024	775		659	13,839		0.64	83.00	
TC 50% / S8	15	3	2	1,050	775		694	10,410		0.66	83.00	
TC 50% / S8	3	3	2	1,050	775		679	2,037		0.65	83.00	
TC 50%	19	3	2	1,050	775		659	12,521		0.63	83.00	
TC 50% / S8	14	4	2	1,152	863		727	10,178		0.63	103.00	
TC 50% / S8	2	4	2	1,152	863		711	1,422		0.62	103.00	
TC 50%	6	4	2	1,152	863		690	4,140		0.60	103.00	
TOTAL:	272		**AVERAGE:**	925	$722		$634	$172,361		$0.69	$76.65	$0.00

INCOME	Total Net Rentable Sq Ft:	251,523	TDHCA-2001	TDHCA	APPLICANT	CC-2003	APP-2001	USS Region	6
POTENTIAL GROSS RENT			$2,049,710	$2,068,332	$2,053,164	$2,053,164	$1,800,984	IREM Region	Houston
Secondary Income	Per Unit Per Month:	$10.83	32,640	35,352	31,008	31,008	31,200	$9.50	Per Unit Per Month
Other Support Income: (describe)			0	0	0	0	0		
POTENTIAL GROSS INCOME			$2,082,350	$2,103,684	$2,084,172	$2,084,172	$1,832,184		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(156,176)	(157,776)	(13,026)	(13,026)	(137,412)	-0.62%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0	0	0	0	0		
EFFECTIVE GROSS INCOME			$1,926,173	$1,945,908	$2,071,146	$2,071,146	$1,694,772		

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA-2001	TDHCA	APPLICANT	CC-2003	APP-2001	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.88%	$421	0.46	$82,174	$114,465	$80,800	$80,800	$33,000	$0.32	$297	3.90%
Management	4.61%	330	0.36	96,309	89,760	$111,000	111,000	$95,056	0.44	408	5.36%
Payroll & Payroll Tax	8.75%	626	0.68	211,128	170,336	$243,000	243,000	$175,000	0.97	893	11.73%
Repairs & Maintenance	7.35%	526	0.57	148,961	143,043	$80,700	80,700	$65,000	0.32	297	3.90%
Utilities	7.11%	509	0.55	82,297	138,395	$113,000	113,000	$112,000	0.45	415	5.46%
Water, Sewer, & Trash	7.78%	557	0.60	128,458	151,401	$168,000	168,000	$153,000	0.67	618	8.11%
Property Insurance	4.11%	294	0.32	40,244	79,883	$124,000	124,000	$50,000	0.49	456	5.99%
Property Tax 2.904	6.09%	436	0.47	88,934	118,483	$85,000	85,000	$60,000	0.34	313	4.10%
Reserve for Replacements	4.19%	300	0.32	81,600	81,600	$81,600	81,600	$81,600	0.32	300	3.94%
Other Expenses:	4.17%	299	0.32	50,000	81,200	$98,800	98,800	$50,000	0.39	363	4.77%
TOTAL EXPENSES	60.05%	$4,296	$4.65	$1,010,105	$1,168,568	$1,185,900	$1,185,900	$874,656	$4.71	$4,360	57.26%
NET OPERATING INC	39.95%	$2,858	$3.09	$916,069	$777,340	$885,246	$885,246	$820,116	$3.52	$3,255	42.74%
DEBT SERVICE											
First Lien Mortgage	36.35%	$2,601	$2.81	$643,274	$707,418	$707,424	$707,500	$643,272	$2.81	$2,601	34.16%
Private Mortgage Insurance	2.57%	$184	$0.20	0	50,076	0	0	0	$0.00	$0	0.00%
3% Subordinated Mgt Fee	3.00%	$215	$0.23	0	58,377	0	0	0	$0.00	$0	0.00%
(Asset Oversight Fees & Compliance-2001	0.00%	$0	$0.00	17,000	0	0	0	23,800	$0.00	$0	0.00%
NET CASH FLOW	0.59%	$42	$0.05	$255,795	$11,545	$177,822	$177,746	$153,044	$0.71	$654	8.59%
INITIAL AGGREGATE DEBT COVERAGE RATIO				1.39	0.95	1.25	1.25	1.23			
INITIAL BONDS & INSURANCE-ONLY DEBT COVERAGE RATIO				1.42	1.03						
INITIAL BONDS-ONLY DEBT COVERAGE RATIO				1.25	1.10						

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA-2001	TDHCA	APPLICANT	CC-2003	APP-2001	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		38.59%	$20,026	$21.66	$5,450,000	$5,447,000	$5,447,000	$5,450,000	$5,450,000	$21.66	$20,026	38.92%
Off-Sites		0.00%	0	0.00	0	0	0	0	0	0.00	0	0.00%
Sitework		2.12%	1,102	1.19	443,000	299,844	299,844	710,929	443,000	1.19	1,102	2.14%
Direct Construction		27.20%	14,114	15.26	2,311,000	3,839,026	3,839,026	3,546,767	2,311,000	15.26	14,114	27.43%
Contingency	0.00%	0.00%	0	0.00	275,400	0	0	0	497,000	0.00	0	0.00%
General Req'ts	5.44%	1.59%	827	0.89	165,240	225,005	225,005	225,005	167,050	0.89	827	1.61%
Contractor's G & A	1.70%	0.50%	259	0.28	55,080	70,543	70,543	70,543	55,515	0.28	259	0.50%
Contractor's Profit	5.89%	1.73%	897	0.97	165,240	243,863	243,863	243,863	167,050	0.97	897	1.74%
Indirect Construction		2.09%	1,087	1.18	213,500	295,588	295,588	149,538	213,500	1.18	1,087	2.11%
Ineligible Costs		8.38%	4,349	4.70	573,885	1,182,925	1,182,925	1,183,205	573,885	4.70	4,349	8.45%
Developer's G & A	0.01%	0.00%	2	0.00	376,469	631	0	0	385,000	0.00	0	0.00%
Developer's Profit	13.00%	9.99%	5,182	5.60	1,000,000	1,409,369	1,410,000	1,410,000	1,000,000	5.61	5,184	10.08%
Interim Financing		4.82%	2,502	2.71	358,000	680,430	680,430	708,249	358,000	2.71	2,502	4.86%
Reserves		2.98%	1,546	1.67	470,405	420,451	300,000	300,000	590,494	1.19	1,103	2.14%
TOTAL COST		100.00%	$51,892	$56.12	$11,857,219	$14,114,675	$13,994,224	$13,998,099	$12,211,494	$55.64	$51,449	100.00%
Recap-Hard Construction Costs		*33.14%*	***$17,200***	***$18.60***		***$4,678,281***	***$4,678,281***			***$18.60***	***$17,200***	*33.43%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Tax-Exempt Bonds	70.96%	$36,824	$39.82	$10,016,000	$10,016,000	$10,016,000	Developer fee Avalable
Taxable Bonds/ Additional Financing	0.00%	$0	$0.00	0	0	0	$1,410,000
LIHTC Syndication Proceeds	24.02%	$12,462	$13.48	3,389,773	3,389,773	3,389,773	% of Dev. Fee Deferred
Deferred Developer Fees	4.20%	$2,178	$2.35	592,326	592,326	588,451	42%
Additional (excess) Funds Required	0.83%	$429	$0.46	116,576	(3,875)	0	15 yr cumulative cash flow
TOTAL SOURCES				$14,114,675	$13,994,224	$13,994,224	$1,872,645.89

Palomino Place (FKA Aristocrat Apartments), Houston, 4% LIHTC #01416 ADDENDUM

PAYMENT COMPUTATION

Primary	$10,016,000	Term	456
Int Rate	6.45%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.02

All-In Rate		Term	
		Aggregate DCR	1.02

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$707,418
Private Mortgage Insurance	50,076
3% Subordinated Mgt Fee	58,377
NET CASH FLOW	($38,531)

Primary	$10,016,000	Term	456
Int Rate	6.45%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.03

All-In Rate		Term	
		Aggregate DCR	0.95

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,068,332	$2,130,382	$2,194,293	$2,260,122	$2,327,926	$2,698,704	$3,128,538	$3,626,833	$4,874,160
Secondary Income	35,352	36,413	37,505	38,630	39,789	46,127	53,473	61,990	83,310
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,103,684	2,166,795	2,231,799	2,298,753	2,367,715	2,744,831	3,182,011	3,688,823	4,957,470
Vacancy & Collection Loss	(157,776)	(162,510)	(167,385)	(172,406)	(177,579)	(205,862)	(238,651)	(276,662)	(371,810)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,945,908	$2,004,285	$2,064,414	$2,126,346	$2,190,137	$2,538,968	$2,943,360	$3,412,161	$4,585,659
EXPENSES at 4.00%									
General & Administrative	$114,465	$119,044	$123,806	$128,758	$133,908	$162,920	$198,217	$241,161	$356,977
Management	89,760	92,453	95,227	98,084	101,026	117,117	135,771	157,395	211,526
Payroll & Payroll Tax	170,336	177,149	184,235	191,605	199,269	242,441	294,966	358,872	531,218
Repairs & Maintenance	143,043	148,765	154,716	160,904	167,341	203,595	247,705	301,371	446,103
Utilities	138,395	143,931	149,688	155,676	161,903	196,979	239,656	291,578	431,606
Water, Sewer & Trash	151,401	157,457	163,756	170,306	177,118	215,491	262,178	318,980	472,168
Insurance	79,883	83,079	86,402	89,858	93,452	113,699	138,332	168,302	249,129
Property Tax	118,483	123,223	128,151	133,277	138,609	168,639	205,175	249,626	369,508
Reserve for Replacements	81,600	84,864	88,259	91,789	95,460	116,142	141,305	171,919	254,482
Other	81,200	84,448	87,826	91,339	94,993	115,573	140,612	171,076	253,234
TOTAL EXPENSES	$1,168,568	$1,214,413	$1,262,065	$1,311,595	$1,363,078	$1,652,596	$2,003,916	$2,430,280	$3,575,950
NET OPERATING INCOME	$777,340	$789,872	$802,349	$814,751	$827,058	$886,372	$939,444	$981,882	$1,009,709
DEBT SERVICE									
First Lien Mortgage	$707,418	$707,418	$707,418	$707,418	$707,418	$707,418	$707,418	$707,418	$707,418
Private Mortgage Insurance	50,076	50,076	50,076	50,076	50,076				
TDHCA Asset Oversight									
NET CASH FLOW	$19,846	$32,378	$44,855	$57,257	$69,564	$178,954	$232,026	$274,463	$302,291
BONDS-ONLY DCR	1.03	1.04	1.06	1.08	1.09	1.25	1.33	1.39	1.43

LIHTC Allocation Calculation - Palomino Place (FKA Aristocrat Apartments), Houston, 4% LIHTC #01416 ADDENDUM

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	$430,930	$260,000				
Purchase of buildings	$5,016,070	$5,187,000	$5,016,070	$5,187,000		
(2) Rehabilitation/New Construction Cost						
On-site work	$299,844	$299,844			$299,844	$299,844
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	$3,839,026	$3,839,026			$3,839,026	$3,839,026
(4) Contractor Fees & General Requirements						
Contractor overhead	$70,543	$70,543			$70,543	$70,543
Contractor profit	$243,863	$243,863			$243,863	$243,863
General requirements	$225,005	$225,005			$225,005	$225,005
(5) Contingencies						
(6) Eligible Indirect Fees	$295,588	$295,588			$295,588	$295,588
(7) Eligible Financing Fees	$680,430	$680,430			$680,430	$680,430
(8) All Ineligible Costs	$1,182,925	$1,182,925				
(9) Developer Fees						
Developer overhead		$631		$302		$329
Developer fee	$1,410,000	$1,409,369	$662,832	$674,310	$747,168	$735,059
(10) Development Reserves	$300,000	$420,451	[illegible]	[illegible]	[illegible]	[illegible]
TOTAL DEVELOPMENT COSTS	$13,994,224	$14,114,675	$5,678,902	$5,861,612	$6,401,467	$6,389,687

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		$5,678,902	$5,861,612	$6,401,467	$6,389,687
High Cost Area Adjustment				100%	100%
TOTAL ADJUSTED BASIS		$5,678,902	$5,861,612	$6,401,467	$6,389,687
Applicable Fraction		100%	100%	100%	100%
TOTAL QUALIFIED BASIS		$5,678,902	$5,861,612	$6,401,467	$6,389,687
Applicable Percentage		3.50%	3.50%	3.50%	3.50%
TOTAL AMOUNT OF TAX CREDITS		$198,762	$205,156	$224,051	$223,639
Syndication Proceeds	**0.8183**	**$1,626,392**	**$1,678,719**	**$1,833,329**	**$1,829,955**

Total Credits (Eligible Basis Method)	**$422,813**	**$428,795**
Syndication Proceeds	**$3,459,721**	**$3,508,674**
Requested Credits	**$422,839**	
Syndication Proceeds	**$3,459,935**	
Gap of Syndication Proceeds Needed	**$3,978,224**	
Credit Amount	**$486,179**	

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS 2nd ADDENDUM

DATE: September 3, 2003 **PROGRAM:** LIHTC/MFB **FILE NUMBER:** 00044T

DEVELOPMENT NAME

Redhill Villas Apartments

APPLICANT

Name:	SouthCreek Housing, Ltd.	**Type:**	☒ For Profit	☐ Non-Profit	☐ Municipal	☐ Other	
Address:	7103 Guadalupe Street	**City:**	Austin		**State:**	TX	
Zip:	78752	**Contact:**	John Paul	**Phone:**	(512) 380-0123	**Fax:**	(512) 380-0136

PRINCIPALS of the APPLICANT

Name:	Hunt Building Corporation	**(%):**	41%	**Title:**	Managing General Partner
Name:	Investment Builders, Inc.	**(%):**	40%	**Title:**	Co-General Partner
Name:	JNP Properties, Inc.	**(%):**	19%	**Title:**	Co-General Partner
Name:	W.L. Hunt	**(%):**		**Title:**	Chairman/CEO & owner of MGP
Name:	Ike Monty	**(%):**		**Title:**	Pres. & owner of Co-GP #1
Name:	John Paul	**(%):**		**Title:**	Sec. & owner of co-GP #2

GENERAL PARTNER

Name:	Hunt Building Corporation	**Type:**	☒ For Profit	☐ Non-Profit	☐ Municipal	☐ Other	
Address:	4401 N. Mesa, Suite 201	**City:**	El Paso		**State:**	TX	
Zip:	79902	**Contact:**	Chris Hunt	**Phone:**	(915) 533-1122	**Fax:**	(915) 545-2631

PROPERTY LOCATION

Location: 1100 South Creek ☐ **QCT** ☐ **DDA**

City: Round Rock **County:** Williamson **Zip:** 78664

REQUEST

Amount	Interest Rate	Amortization	Term
❶$435,964	N/A	N/A	N/A
❷ $9,900,000	7.4%	40	40
❸ $400,000	7.4%	40	40

Other Requested Terms:
❶ $433,051 LIHTC awarded in 2000; $2,913 increase requested in 2002
❷ Tax-exempt mortgage revenue bonds
❸ Taxable mortgage revenue bonds

Proposed Use of Funds: New construction

ADDENDUM

The Applicant originally requested a 4% LIHTC allocation of $477,410; the original underwriting report recommended a credit allocation of only $372,957 but was amended prior to the Board meeting to a recommended allocation of $433,051, conditioned upon the following:

1. Receipt, review, and acceptance of a previous participation certificate for Hemma, Ltd.;
2. Receipt, review, and acceptance of substantiation that the City of Round Rock will construct the "Arterial B" access road at no cost to the Applicant;
3. Receipt, review, and acceptance of a third party detailed sitework cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project;
4. An LIHTC allocation not to exceed $433,051 annually for ten years.
5. The project's first year of total debt service should remain in the range of $739,156 to $839,951 unless the final permanent bond size is reduced through mandatory redemption. It is likely that all or a portion of the TDHCA fees may need to be deferred or waived in the first two years.

The original award of $433,051 was restricted due to the gap of funds method and a significant difference in the direct construction costs estimate. At cost certification, the Applicant has now requested an increase of the LIHTC allocation by $2,913 annually for a total of $435,964. The development's final costs, certified by Novogradac & Company, LLC, were provided as part of the Applicant's cost certification package, and indicate an eligible basis of $12,315,373. TDHCA's estimate of eligible basis at allocation was $11,824,160, a difference of $491,213. Although the additional credits would provide approximately $24,178 in additional equity (per Section 3.4.B.(i) of the limited partnership agreement), the total equity provided of $3,618,178 would be less than TDHCA's original estimate of $3,625,870 made at the time of allocation, based on the estimated eligible basis of the development. Although the final credit price of $0.83 is higher than the underwritten price of $0.82, changes in the applicable percentage from 3.74% estimated at the time of allocation to 3.54% at cost certification is the reason behind this decrease in equity.

The total final project costs of $14,994,877 are higher than TDHCA's projected costs of $13,850,665 by $1,144,212, and are relatively consistent with the Applicant's total cost estimate at the time of application ($14,725,514). As the transaction currently stands, the resulting gap between sources of funds and project costs will be covered by the developer deferring payment of $1,100,877 (or 71%) of the $1,556,870 in developer fees. Considering the increase in project costs and the decrease in the sources of funds, the "gap of funds" method for determining the tax credit amount is no longer applicable, and the Applicant's request for additional tax credits based on the final determination of eligible basis would seem warranted.

In justifying the increase in eligible basis, the Applicant contends that additional sitework required for preparing the paving and drainage associated with the entrance was unforeseen, and cites other increased costs due to additional retaining walls, carports, upgrades to the swimming pool and the iron fencing, the use of concrete instead of asphalt paving, and other drainage work. Although receipt of a detailed sitework cost estimate was a condition to the original underwriting report, it appears that such was never received. A review of the survey and a visit to the site by staff, however, do not indicate any obvious cause to doubt the information provided by the developer regarding increased sitework costs.

Although the Applicant's final sitework costs of $9,259 per unit are a significant increase from TDHCA's estimate of $6,500 per unit at allocation, direct construction costs decreased from $39,545 per unit to $36,690 per unit, resulting in a slight decrease of $15,518 in total sitework and direct construction costs together ($92 per unit). Although the unit mix proposed at application remains the same, the floor area of the units and the total number of buildings has changed. The Underwriter, therefore, performed a revised direct construction cost analysis. Partially due to a reduction in the local cost multiplier, the Underwriter's direct cost estimate also decreased, and the final conclusion confirmed the appropriateness of the Applicant's final direct construction costs. Corresponding to the overall decrease in sitework and direct costs together, the eligible portions of the contractor's general requirements, overhead, and profit were all reduced. The excess portion of the allowance for construction contingencies which was not necessary during construction, appears to have been added to the contractor's profit, but as an ineligible cost.

While the Applicant also cites an increase in costs related to the unexpected acquisition of a small piece of land negotiated with the city to develop access to the site, the ineligible cost to acquire the land would not have had any bearing on the adjustment of tax credits. Final indirect construction costs of $842,410 were only slightly lower compared to the estimate of $866,108 at the time of the award.

The main factor, then, contributing to the increase in eligible basis is the interim construction loan costs, which increased overall by $466,555 over the Department's original estimates. This is largely attributable to an increase in construction loan fees from $97,815 to $206,000, and to new line items of "236A Interest" in the amount of $317,781, inspection fees in the amount of $10,325, and performance bond fees in the amount of $63,254. Although construction loan interest costs increased from $741,761 to $1,242,413, the eligible portion decreased from $741,761 to $546,015.

The recommendations of this addendum are based upon the assumption that the first four conditions listed above have either been met or are no longer relevant. Both the Underwriter's and the Applicant's proformas indicate a bonds-only debt coverage ratio above the Department's minimum guideline of 1.10. However, it is likely that all or a portion of the TDHCA fees may need to be deferred or waived. Therefore, only the first part of condition #5 has been satisfied.

SUMMARY OF SALIENT RISKS AND ISSUES

- Items identified in previous reports or analyses have not been satisfactorily addressed.
- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED A TOTAL OF $435,964 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

- It is likely that all or a portion of the TDHCA fees may need to be deferred or waived.

Credit Underwriting Supervisor:	*Lisa Vecchietti*	**Date:**	September 3, 2003
Director of Credit Underwriting:	*Tom Gouris*	**Date:**	September 3, 2003

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Red Hill Villas Apartments, Round Rock, 4% LIHTC/MFB #00044T 2ND ADDENDUM

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 60%	36	1	1	675	$800	$710	$25,561	$1.05	$89.98	$46.80
TC 60%	60	2	1	886	960	846	50,743	0.95	114.28	64.48
TC 60%	24	2	2	962	960	846	20,297	0.88	114.28	64.48
TC 60%	48	3	2	1,143	1,109	970	46,576	0.85	138.66	73.97
TOTAL:	168		**AVERAGE:**	925	$968	$852	$143,178	$0.92	$116.04	$63.40

					TDHCA	APPLICANT			
INCOME	Total Net Rentable Sq Ft:	155,424							
POTENTIAL GROSS RENT					$1,718,130	$1,659,168			
Secondary Income		Per Unit Per Month:		$15.00	30,240	24,120	$11.96	Per Unit Per Month	
Other Support Income: Carport Rental						50,400	$25.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$1,748,370	$1,733,688			
Vacancy & Collection Loss		% of Potential Gross Income:		-7.50%	(131,128)	(130,027)	-7.72%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$1,617,242	$1,603,661			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		2.62%	$252	$0.27	$42,307	$30,696	$0.20	$183	1.91%
Management		5.00%	481	0.52	80,862	75,859	0.49	452	4.73%
Payroll & Payroll Tax		8.95%	862	0.93	144,816	106,936	0.69	637	6.67%
Repairs & Maintenance		4.17%	401	0.43	67,443	33,898	0.22	202	2.11%
Utilities		3.69%	355	0.38	59,653	54,048	0.35	322	3.37%
Water, Sewer, & Trash		5.12%	493	0.53	82,795	81,563	0.52	485	5.09%
Property Insurance		1.54%	148	0.16	24,868	27,413	0.18	163	1.71%
Property Tax	2.592861	9.27%	892	0.96	149,870	146,317	0.94	871	9.12%
Reserve for Replacements		2.08%	200	0.22	33,607	42,000	0.27	250	2.62%
Other:		0.13%	12	0.01	2,072	2,072	0.01	12	0.13%
TOTAL EXPENSES		42.56%	$4,097	$4.43	$688,294	$600,802	$3.87	$3,576	37.46%
NET OPERATING INC		57.44%	$5,529	$5.98	$928,949	$1,002,859	$6.45	$5,969	62.54%
DEBT SERVICE									
Tax-Exempt Bonds		51.64%	$4,971	$5.37	$835,134	$835,134	$5.37	$4,971	52.08%
Trustee Fee		0.22%	$21	$0.02	$3,500	0	$0.00	$0	0.00%
TDHCA Admin. Fees		0.61%	$59	$0.06	9,900	0	$0.00	$0	0.00%
Asset Oversight & Compliance Fee		0.42%	$40	$0.04	6,720	0	$0.00	$0	0.00%
NET CASH FLOW		4.56%	$439	$0.47	$73,695	$167,725	$1.08	$998	10.46%
AGGREGATE DEBT COVERAGE RATIO					1.09	1.20			
BONDS-ONLY DEBT COVERAGE RATIO					1.11				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldng)		6.81%	$6,023	$6.51	$1,011,923	$1,012,372	$6.51	$6,026	6.75%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.48%	7,500	8.11	1,260,000	1,555,532	10.01	9,259	10.37%
Direct Construction		41.29%	36,540	39.50	6,138,791	6,164,587	39.66	36,694	41.11%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
General Req'ts	6.00%	2.99%	2,642	2.86	443,927	458,189	2.95	2,727	3.06%
Contractor's G & A	2.00%	1.00%	881	0.95	147,976	154,402	0.99	919	1.03%
Contractor's Profi	6.00%	2.99%	2,642	2.86	443,927	463,207	2.98	2,757	3.09%
Indirect Construction		5.67%	5,014	5.42	842,410	842,410	5.42	5,014	5.62%
Ineligible Costs		11.20%	9,910	10.71	1,664,817	1,664,817	10.71	9,910	11.10%
Developer's G & A	1.97%	1.38%	1,222	1.32	205,233	0	0.00	0	0.00%
Developer's Profit	13.00%	9.09%	8,045	8.70	1,351,637	1,556,870	10.02	9,267	10.38%
Interim Financing		7.53%	6,668	7.21	1,120,176	1,120,176	7.21	6,668	7.47%
Reserves		1.59%	1,407	1.52	236,302	2,315	0.01	14	0.02%
TOTAL COST		100.00%	$88,495	$95.66	$14,867,120	$14,994,877	$96.48	$89,255	100.00%
Recap-Hard Construction Costs		*56.73%*	***$50,206***	***$54.27***	***$8,434,621***	***$8,795,917***	***$56.59***	***$52,357***	*58.66%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED
Tax-Exempt Bonds	66.59%	$58,929	$63.70	$9,900,000	$9,900,000	$9,900,000
Taxable Bonds	2.69%	$2,381	$2.57	400,000	400,000	400,000
LIHTC Syndication Proceeds	24.17%	$21,393	$23.12	3,594,000	3,594,000	3,594,000
Deferred Developer's Fee	7.40%	$6,553	$7.08	1,100,877	1,100,877	1,100,877
Additional (excess) Funds Required	-0.86%	($760)	($0.82)	(127,757)	0	0
TOTAL SOURCES				$14,867,120	$14,994,877	$14,994,877

Red Hill Villas Apartments, Round Rock, 4% LIHTC/MFB #00044T 2ND ADDENDUM

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.94	$6,518,397
Adjustments				
Exterior Wall Fini	3.20%		$1.34	$208,589
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.67)	(104,652)
Floor Cover			1.92	298,414
Porches/Balconies	$29.24	14,066	2.65	411,302
Plumbing	$615	216	0.85	132,840
Built-In Appliance	$1,625	168	1.76	273,000
Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	228,473
Carports			0.00	0
Comm &/or Aux Bldg	$59.56	3,194	1.22	190,241
FireSprinkler	$1.55	155,424	1.55	240,907
SUBTOTAL			54.03	8,397,511
Current Cost Multiplie	1.03		1.62	251,925
Local Multiplier	0.87		(7.02)	(1,091,676)
TOTAL DIRECT CONSTRUCTION COSTS			$48.63	$7,557,760
Plans, specs, survy, b	3.90%		($1.90)	($294,753)
Interim Construction I	3.38%		(1.64)	(255,074)
Contractor's OH & Prof	11.50%		(5.59)	(869,142)
NET DIRECT CONSTRUCTION COSTS			$39.50	$6,138,791

PAYMENT COMPUTATION

Primary	$9,900,000	Amort	480
Int Rate	7.40%	DCR	1.11

Secondary	$400,000	Amort	120
Int Rate	9.50%	Subtotal DCR	1.10

Additional	$3,594,000	Amort	
Int Rate		Aggregate DCR	1.09

ALTERNATIVE FINANCING STRUCTURE:

Primary Debt Service	$773,023
Trustee Fee	3,500
TDHCA Fees	16,620
NET CASH FLOW	$135,806

Primary	$9,900,000	Amort	480
Int Rate	7.40%	DCR	1.20

Secondary	$400,000	Amort	120
Int Rate	9.50%	Subtotal DCR	1.20

Additional	$3,594,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.17

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME a 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,718,130	$1,769,674	$1,822,764	$1,877,447	$1,933,771	$2,241,770	$2,598,826	$3,012,752	$4,048,886
Secondary Income	30,240	31,147	32,082	33,044	34,035	39,456	45,741	53,026	71,263
Other Support Income: Ca	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,748,370	1,800,821	1,854,846	1,910,491	1,967,806	2,281,227	2,644,567	3,065,778	4,120,149
Vacancy & Collection Los	(131,128)	(135,062)	(139,113)	(143,287)	(147,585)	(171,092)	(198,343)	(229,933)	(309,011)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,617,242	$1,665,760	$1,715,733	$1,767,205	$1,820,221	$2,110,135	$2,446,224	$2,835,844	$3,811,138
EXPENSES at 4.00%									
General & Administrative	$42,307	$43,999	$45,759	$47,590	$49,493	$60,216	$73,262	$89,134	$131,941
Management	80,862	83,288	85,787	88,360	91,011	105,507	122,311	141,792	190,557
Payroll & Payroll Tax	144,816	150,609	156,633	162,898	169,414	206,118	250,774	305,105	451,631
Repairs & Maintenance	67,443	70,141	72,947	75,865	78,899	95,993	116,790	142,093	210,333
Utilities	59,653	62,039	64,521	67,102	69,786	84,905	103,300	125,680	186,037
Water, Sewer & Trash	82,795	86,107	89,551	93,133	96,858	117,843	143,374	174,436	258,209
Insurance	24,868	25,863	26,897	27,973	29,092	35,395	43,063	52,393	77,554
Property Tax	149,870	155,865	162,100	168,584	175,327	213,312	259,527	315,754	467,393
Reserve for Replacements	33,607	34,951	36,349	37,803	39,315	47,833	58,196	70,804	104,808
Other	2,072	2,155	2,241	2,331	2,424	2,949	3,588	4,365	6,462
TOTAL EXPENSES	$688,294	$715,017	$742,784	$771,638	$801,620	$970,071	$1,174,186	$1,421,559	$2,084,924
NET OPERATING INCOME	$928,949	$950,743	$972,948	$995,567	$1,018,601	$1,140,064	$1,272,038	$1,414,286	$1,726,214
DEBT SERVICE									
First Lien Financing	$773,023	$773,023	$773,023	$773,023	$773,023	$773,023	$773,023	$773,023	$773,023
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees	9,900	9,858	9,813	9,765	9,712	9,385	8,912	8,227	5,806
Asset Oversight & Compli	6,720	6,989	7,268	7,559	7,861	9,565	11,637	14,158	20,957
Cash Flow	135,806	157,373	179,344	201,720	224,504	344,591	474,967	615,378	922,928
AGGREGATE DCR	1.17	1.20	1.23	1.25	1.28	1.43	1.60	1.77	2.15

LIHTC Allocation Calculation - Red Hill Villas Apartments, Round Rock, 4% LIHTC/MFB

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,012,372	$1,011,923		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,555,532	$1,260,000	$1,555,532	$1,260,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	$6,164,587	$6,138,791	$6,164,587	$6,138,791
(4) Contractor Fees & General Requirements				
Contractor overhead	$154,402	$147,976	$154,402	$147,976
Contractor profit	$463,207	$443,927	$463,207	$443,927
General requirements	$458,189	$443,927	$458,189	$443,927
(5) Contingencies				
(6) Eligible Indirect Fees	$842,410	$842,410	$842,410	$842,410
(7) Eligible Financing Fees	$1,120,176	$1,120,176	$1,120,176	$1,120,176
(8) All Ineligible Costs	$1,664,817	$1,664,817		
(9) Developer Fees				
Developer overhead		$205,233		$205,233
Developer fee	$1,556,870	$1,351,637	$1,556,870	$1,351,637
(10) Development Reserves	$2,315	$236,302		
TOTAL DEVELOPMENT COSTS	$14,994,877	$14,867,120	$12,315,373	$11,954,077

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$12,315,373	$11,954,077
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$12,315,373	$11,954,077
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$12,315,373	$11,954,077
Applicable Percentage		3.63%	3.63%
TOTAL AMOUNT OF TAX CREDITS		$447,048	$433,933
Syndication Proceeds	**0.8112**	**$3,626,424**	**$3,520,035**

HOUSING TAX CREDIT PROGRAM

BOARD ACTION REQUEST

September 11, 2003

Action Item

The Department requests Board action regarding a request for extension of the deadline to place in service for King Fisher Creek Apartments, #03000 (previously 00062).

Required Action

Make a determination on a request for extension of the deadline to place in service associated with a 9% special commitment made in 2003.

Background

Pertinent facts about the development requesting an extension of the deadline to place in service are given below. The request was accompanied by a mandatory $2,500 extension request fee. Staff has reviewed the information and recommends that the Board deny the extension request. The request for an extension to place in service may be granted or denied at the Department's discretion pursuant to Section 49.21(k) of the 2003 QAP. The Department requests Board action because of the special circumstances of this case.

Summary of Request and Background: This development received an allocation of tax credits in 2000. In March 2003, the Applicant was granted a subsequent 2003 award of tax credits. These credits were awarded by the Board to replace the 2000 carryover allocation that was canceled by the Department (pursuant to IRS requirements) for failing to place the development in service by December 31, 2002. In issuing the 2003 tax credits, staff placed accelerated deadlines on the development consistent with their original representations regarding completion. The Applicant now requests an extension to assure compliance with the October 1 deadline to place in service.

It should be noted that in the request for credits provided by the Applicant to the Board in March 2003, the Applicant noted that Buildings 1 and 2 were already placed in service (in December 2002 and January 2003 respectively) and that Building 3 was underway. Counsel for the Applicant stated, "If the Tax Credit allocation is restored as requested in this letter, the Partnership expects that the Housing Complex will be providing affordable housing to Austin residents by April 2003. All three buildings will commence occupancy at the same time due to the pace of construction occurring on the site, though Buildings 1 and 2 are ready for certificates of occupancy at this time." **Based on these comments, staff does not recommend an extension.**

Applicant:	King Fisher Creek, Ltd.
General Partner:	YBOR IV Group, Inc.
Principals/Interested Parties:	Tom McMullen
Syndicator:	MMMA Financial (aka Midland Equity Corp.)
Lender:	MMMA Financial (aka Midland Mortgage)
City/County:	Austin/Travis
Set-Aside:	General/Family
Type of Development:	New Construction

Units:	35 LIHTC units
2003 Allocation:	$225,813
Allocation per LIHTC Unit:	$6,452
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Placement in service
Note on Time of Request:	Request was submitted within the deadline for requests.
Current Deadline:	October 1, 2003
New Deadline Requested:	December 1, 2003
Prior Extensions:	Commencement of construction extended from 11/15/01 to 4/15/02 Placement in service extended from 10/31/02 to 12/31/02 Board granted new credits in March 2003
Staff Recommendation:	**Deny extension**

SEP 2 AM 9:04

KING FISHER CREEK, LTD.
2109 E. PALM AVENUE, SUITE 206
TAMPA, FLORIDA 33605
813-247-2828 TEL
813-247-3326 FAX

August 29, 2003

Ms. Brooke Boston
Director of Multifamily Finance Production
Low Income Housing Tax Credit Program
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, Texas 78701 ***Via Hand Delivery***

SUBJECT: KING FISHER CREEK (TDHCA #: 03000)—EXTENSION REQUEST

Dear Ms. Boston:

By virtue of this letter, we are requesting an extension of the Placed In Service Deadline for the above referenced project.

We are filing this request in the event that we meet some unanticipated delays—in reality, we believe that we will be able to place all buildings in the Development in service by the October 1, 2003 deadline. The inspection process with the City of Austin is going well to date.

To that end, the following is offered:

1. A check for $2,500 is attached.
2. We believe that the October 1st requirement will be met, but want to be proactive in the event of unanticipated delays. When the Partnership returned its FY 2000 LIHTC's, construction continued at a minimal/marginal level until the Board of Directors of the TDHCA reauthorized the issuance of a FY 2003 LIHTC Allocation at it's March meeting, said Commitment Notice having been received by the Partnership on May 12, 2003. The period of time between the end of 2002 and May 12, 2003 was a time of great uncertainty with respect to the project and work was centered on the finish out of Buildings 1 and 2 (of 3 total buildings). Building 3 was at a virtual standstill until the receipt of the Commitment Notice on May 12, 2003 due the absence of an equity funding source for Building 3. At the same time, when the Commitment Notice was received by the Partnership on May 12th, we were unaware that there would be an October 1st requirement. We erroneously assumed that we would be held to the same requirements of all FY 2003 LIHTC allocations, in which case, meeting that Placed In Service deadline requirement was not even on the radar screen as an issue. Having said that, we

want to emphasize that we are not complaining about the October 1st deadline. We are so thankful and grateful for the assistance and work of the Department with respect to our project, to date. Further, we appreciate that the Department seems to recognize that we have only been trying to meet our obligations to the Department given some very trying circumstances and your assistance and efforts have allowed us to stave off a disaster.

3. The focus of construction activity now centers on Building 3, the last of the 3 buildings. Buildings 1 and 2 are essentially complete; however, the City of Austin will not grant Certificates of Occupancy to any buildings in our project until all 3 Buildings are complete. Building 3 is under roof and Drywall has been hung. The interior and exterior finishes are in process.
4. The Placed In Service date of October 1st is requested to be extended until December 1st. Again, it is not believed that any extension approved by the Department will be utilized, but we want to allow for a margin of error. This request is necessary due to the Department's 30-day pre-deadline request filing requirement in relation to the uncertainty of knowing what, if any, unanticipated delays that may be encountered during the month of September. Of course, if the Department is uncomfortable with the length of this extension request, the Partnership would be grateful for any such shorter extension that may be granted beyond October 1st.

Should the Department grant this extension request, it will be necessary to receive the corresponding extension of the November 1, 2003 Cost Certification Manual and Compliance Monitoring Fee submittal deadline from November 1st to 30 days beyond the date of the approved Placed In Service deadline extension. Of course, we also understand that we will need to provide the Carryover Allocation Documentation not later than November 1st should this request be granted by the Department.

We continue to appreciate your consideration of our plight as well as your patience and to trumpet our thanks and appreciation for your help.

Respectfully,

Th. J. McMullen, Jr.

Thomas J. McMullen, Jr.
Vice President, YBOR IV Group, Inc.
It's General Partner

Low Income Housing Tax Credit Program
Board Action Request
September 11, 2003

Action Item

Request review and board determination of four (4) four percent (4%) tax credit applications with other issuers for tax exempt bond transaction.

Recommendation

Staff is recommending board approval of staff recommendations for the issuance of four percent (4%) Tax Credit Determination Notices with **other issuers** for tax exempt bond transaction known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Recommended Credit Allocation
03419	Northview Park	Houston	Harris County HFC	280	280	$22,078,721	$13,820,000	$0
03421	Empire Village Apartments	Pasadena	Harris County HFC	240	240	$11,445,321	$7,000,000	$0
03422	Willow Park	Houston	Victory Street Public Utility Corp.	260	260	$20,712,258	$14,860,000	$615,864
03426	Longboat Key Apartments	Houston	Houston HFC	272	272	$21,196,974	$13,900,000	$634,096

2003 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Northview Park** TDHCA#: 03419

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Houston	QCT: N	DDA: N	TTC: N
Development Owner:	Primrose Houston 9 Housing, LP			
General Partner(s):	Primrose Houston 9 Development, LLC, 100%, Contact: Brian Potashnik			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond Bond Issuer: Harris County HFC			
Development Type:	Elderly			

Annual Tax Credit Allocation Calculation

Applicant Request: $649,235 Eligible Basis Amt:$ $658,656 Equity/Gap Amt.: $609,035

Annual Tax Credit Allocation Recommendation: $0

Total Tax Credit Allocation Over Ten Years:$0

PROPERTY INFORMATION

Unit and Building Information

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

Gross Square Footage: 256,094 Net Rentable Square Footage: 250,650

Average Square Footage/Unit: 895

Number of Buildings: 6

Currently Occupied: N

Development Cost

Total Cost: $22,078,721 Total Cost/Net Rentable Sq. Ft.: $88.09

Income and Expenses

Effective Gross Income:[1] $1,876,300 Ttl. Expenses: $1,145,878 Net Operating Inc.: $730,422

Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Southwest Housing Management
Attorney:	Shackelford, Melton & McKinley	Architect:	Beeler Guest Owens
Accountant:	Reznick, Fedder & Silverman	Engineer:	Kimley-Horn & Assoc.
Market Analyst:	Apartment Market Data Research	Lender:	Newman Capital
Contractor:	Affordable Housing Construction	Syndicator:	Wachovia

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. John Whitmire, District 8 - NC Rep. Senfronia Thompson, District 141 - NC Judge Robert Eckels - NC David Turkel, Director, Office of Housing & Economic Development; Consistent with the 2003 Consolidated Plan for Harris County.

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

CONDITION(S) TO COMMITMENT

N/A

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

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

Other Comments including discretionary factors (if applicable). **Not Recommended.** Staff does not recommend this development for approval because it is not found to be financially feasible. Staff is unable to accept the additional owner information that would allow the tax exemption, because it was not received by the required deadline.

Robert Onion, Multifamily Finance Manager ____ Date ____ Brooke Boston, Director of Multifamily Finance Production Date

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

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

Other Comments including discretionary factors (if applicable).________________________________

____

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

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

____

____

Chairperson Signature: ______________________ ____________
Michael E. Jones, Chairman of the Board Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: September 3, 2003 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 03419

DEVELOPMENT NAME

Northview Park Apartments

APPLICANT

Name:	Primrose Houston 9 Housing, LP	**Type:**	For Profit		
Address:	5910 North Central Expwy., Suite 1145	**City:**	Dallas	**State:**	TX
Zip:	75206 **Contact:** Dru Childre	**Phone:**	(214) 891-1402	**Fax:**	(214) 987-4032

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Primrose Houston 9 Development, LLC	**(%):**	.01	**Title:**	General Partner
Name:	SWH GP Holdings, LP	**(%):**	100% of MGP	**Title:**	Managing Member of GP
Name:	Southwest Housing Development Corp., Inc.	**(%):**	N/A	**Title:**	.10% owner of SWH GP Holdings, LP
Name:	Brian Potashnik	**(%):**	N/A	**Title:**	Owner of GP

PROPERTY LOCATION

Location:	200-300 E. Richey Road		☐ **QCT**		☐ **DDA**
City:	Houston	**County:**	Harris	**Zip:**	77073

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
1) $649,235	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

☒

NOT RECOMMENDED DUE TO THE INSUFICIENT NET OPERATING INCOME PROVIDING A SIGNIFICNATLY REDUCED ESTIMATED SERVICEABLE DEBT RESULTING IN A GAP OF FUNDS WHICH:

- EXCEEDS THE AVAILABLE DEVELOPER FEE TO DEFER
- IS MORE FUNDS THAN CAN BE REPAID IN 15 YEARS AND
- WOULD REPRESENT LESS THAN 50% OF THE DEVELOPMENTS TOTAL COSTS MAKING IT INELIGIBLE FOR THE TAX CREDITS ASSOCIATED WITH PRIVATE ACTIVITY TAX EXEMPT BONDS

TTHEREFOR THE DEVELOPMENT INFEASIBLE AS PROPOSED.

☒ ANY BOARD APPROVAL OF FUNDS FOR THIS DEVELOPMENT SHOULD BE CONDITIONED ON THE FOLLOWING:

CONDITIONS

1. TDHCA Board acceptance of the substitution of the recently proposed non-profit partner to the development and waiver of the deadlines for submission of threshold information regarding the new partner to the Department;
2. Receipt, review and acceptance of organizational documents, current financial statement, and previous participation documents for the proposed sole member of the General Partner;
3. Receipt, review and acceptance of documentation of CHDO status of the for the proposed sole member of the General Partner conforming to the state statute regarding property tax exemptions or an executed PILOT agreement with the appropriate local taxing jurisdictions;
4. Receipt, review and acceptance of final firm financing commitments for the bonds, interim loan facility, permanent mortgage, syndication of tax credits, Harris County HFC loan and Harris county HOME loan in amounts consistent with those identified in this report;
5. An LIHTC allocation, if overruled by the Board, should not exceed the $649,235 requested; and
6. 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

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	280	**# Rental Buildings**	6	**# Common Area Bldngs**	1	**# of Floors**	3	**Age:**	N/A yrs	**Vacant:**	N/A at / /

Net Rentable SF: 250,650 **Av Un SF:** 895 **Common Area SF:** 5,444 **Gross Bldg SF:** 256,094

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab, 65% stucco/25% stone veneer exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, ceiling fans, laminated counter tops, cable

ON-SITE AMENITIES

5,444 square foot community building with activity room, management offices, fitness facilities, kitchen, restrooms, computer/business center, media room, central mailroom and swimming pool are located at the entrance to the property. The site plan also shows a separate 552 square foot laundry facility located in the middle of the property. In addition perimeter fencing with limited access gate is also planned for the site.

Uncovered Parking: 232 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Northview Park is a relatively dense 23.33 units per acre new construction development of 280 units of affordable housing located in northeast Houston. The development is comprised of 6 evenly distributed large elevator served low-rise residential buildings as follows:

- (3) Building Type A with 12 one-bedroom/ one-bath units, 30 two-bedroom/ one-bath units and 12 two-bedroom/ two-bath units;
- (2) Building Type B with 12 one-bedroom/ one-bath units, 18 two-bedroom/ one-bath units and 6 two-bedroom/ two-bath units; and
- (1) Building Type C with 24 one-bedroom/ one-bath units, 12 two-bedroom/ one-bath units and 10 two-bedroom/ two-bath units;

Architectural Review: The building elevations are functional with varied rooflines. All units are of average size for LIHTC units. Each unit will have an exterior entry that is off a common interior breezeway. The building elevations and unit floor plans are attractive and functional. Each building is designed with one centrally located elevator. This means that between 20 and 36 upper floor units in each building will be served by one elevator.

Supportive Services: The Applicant has contracted with Housing Services of Texas to provide supportive services to tenants at no extra cost. The cost for the services is $2,000/month, according to the agreement. The Applicant has budgeted $21,000/annually for these services.

Schedule: The Applicant anticipates construction to begin in January of 2004 and to be completed in April of 2005. The development should be placed in service in December of 2005 and substantially leased-up in October of 2005.

SITE ISSUES

SITE DESCRIPTION

Size:	12 acres	522,720 square feet		**Zoning/ Permitted Uses:**	No zoning ordinance
Flood Zone Designation:	Zone X			**Status of Off-Sites:**	Fully Improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the northeast area of Houston, approximately 17 miles from the central business district. The site is situated on the north side of Richey Street.

Adjacent Land Uses:

- **North:** single-family residential
- **South:** Richey Road, undeveloped land
- **East:** single-family residential subdivision
- **West:** undeveloped land, Sam's Wholesale Club

Site Access: Access to the property is from the east or west along Richey Road. The development is to have one main entry from the east or west from Richey Road. Access to Interstate Highway 45 is 0.5 miles west, which provides connections to all other major roads serving the Houston area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within 4 miles of four major grocery/pharmacies, a shopping center and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on August 22, 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 July 14, 2003 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations:

"ALPHA has performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of ASTM Practice E 1527-00 for an approximately 12-acre, irregular shaped, undeveloped tract of land located of Richey Road in the City of Houston, Harris County, Texas, the Site…This assessment has revealed no evidence of recognized environmental conditions in connection with the Site." (p. 16)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 280 of the units (100% of the total) will be reserved for low-income, elderly tenants. All of the units will be reserved for households earning 50% or less of AMGI. As a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

A market feasibility study dated July 18, 2003 was prepared by Apartment Market Data and highlighted the following findings:

Definition of Primary Market Area: "For this analysis we utilized a "primary market area" comprising a 98 square mile Trade Area in the north Houston/Houston area." (p. 31)

Population: The estimated 2002 population of the PMA was 251,204 and is expected to increase by 9.7% to approximately 264,631 by 2007. Within the primary market area there were estimated to be 88,420 households in 2002.

Total Primary Market Demand for Rental Units: "…utilizing household growth analysis, and based on the forecast growth in population and households, it is projected that the market will accommodate an average of 114 additional senior units per year into 2007." (p. 58)

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	10	1%	14	4%
Resident Turnover	941	99%	357	96%
Other Sources: 10 yrs pent-up demand	N/A	N/A	N/A	N/A
TOTAL ANNUAL DEMAND	951	**100%**	371	**100%**

Ref: p. 46

Inclusive Capture Rate: The Market Analyst calculated a capture rate of 29% based on a supply of 280 (the subject) unstabilized comparable affordable units divided by a demand of 951. The Underwriter calculated a concentration capture rate of 75% based upon a revised supply of unstabilized comparable affordable units of 280 (the subject) divided by a revised demand of 371. Both are within the 100% Department tolerance for elderly developments.

Market Rent Comparables: The Market Analyst surveyed nine comparable apartment projects totaling 2,780 units in the market area. (Rent Comps Section)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (50%)	$513	$513	$0	$674	-$161
2-Bedroom (50%)	$614	$614	$0	$760	-$146

(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)

Primary Market Occupancy Rates: "The current occupancy of the market area is 92.3% as a result of ever increasing demand. Demand for new rental apartment units is considered to be stable." (p. 106)

Absorption Projections: "Absorption in the Primary Market Area has been high over the last decade…we opine that the market will readily accept the subject's units." (p. 107)

Known Planned Development: The Market Analyst did not provide information on any known planned developments.

Effect on Existing Housing Stock: "The subject should not have a detrimental effect on any existing projects, as occupancies are strong throughout north Houston, and especially at quality affordable housing communities." (p. p. 83)

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. The Applicant's estimate of secondary income is significantly higher than the $15/unit/month maximum allowed by TDHCA underwriting guidelines. Based on information in the TDHCA database for the Houston area, this estimate is acceptable. Additionally, the Applicant utilized a lower vacancy and collection loss rate of 7.00% but this lower than typical rate was not supported... As a result, the Applicant's gross income estimate is $28K or 1% higher than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of $3,103 per unit is more than 5% lower than a TDHCA database-derived estimate of $4,092 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($20K lower), management ($25K lower), payroll ($15K lower), repairs and maintenance ($21K higher), water, sewer, and trash ($11K lower), insurance ($13K higher) and property tax ($243K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. It should be noted that the Applicant has estimated their property tax expense based on an unsupported property tax exemption. The Underwriter inquired about the anticipated tax exemption and the basis for an exemption since the application did not identify a non-profit in the organizational structure for the Applicant entity. The Applicant indicated that there was a non-profit involved in the Applicant entity and forwarded a copy of the 35-day filing borrower formation letter as well as a copy of the resolution authorizing the Southeast Texas Housing Partners, Inc. to accept the general partnership interest in Primrose Northview Park Apartments. This information was not made available to the program or Underwriting staff until August 9, 2003 and only after the Applicant was questioned about the property tax exemption. Moreover, the information provided by itself is insufficient to substantiate the likelihood that an exemption will be granted or a PILOT agreement can be reached. The newly proposed sole member of the general partner appears to be, according to the 35 day filing, a different entity than who was originally proposed. Historically, the General Partner in a transaction has not been allowed to change pursuant to the Bond Review Boards rules limiting the ability of a pre-closing sale of the bond reservation. Thus it is unclear at this late date whether the change in general partnership is allowed much less valid given he lack of any organizational documentation having been provided thus far. The Applicant's anticipated property tax exemption would be necessary in order for this development to be feasible. Therefore, receipt, review and acceptance of documentation supporting and exemption or an executed PILOT agreement is a condition of this report.

Conclusion: The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 0.75 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project would be limited to $664,010 by a reduction of the bond-financed loan amount and/or a reduction in the interest rate and/or an extension of the term. The anticipated reduction in the bond amount would render the transaction no longer eligible for the tax credits associated with multifamily private activity tax exempt bonds.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 12 acres	$1,573,000		**Date of Valuation:**	08/ 08/ 2003	
Appraiser:	Rafael C. Luebbert, MAI, SRA	**City:**		**Phone:**	( )

APPRAISED ANALYSIS/CONCLUSIONS

The submitted appraisal for the subject property concluded a land value estimate of $1,573,000 using five comparable land sales. However, the Applicant indicated that a revised appraisal was forthcoming with the correct unit mix and rents for the proposed development reflected.

ASSESSED VALUE

Land: 29.4532 acres	$641,490	**Assessment for the Year of:**	2003
Per acre:	$21,780	**Valuation by:**	Harris County Appraisal District
Total Assessed Value (12 acres):	$261,360	**Tax Rate:**	3.89

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest Money Contract		
Contract Expiration Date:	10/ 31/ 2003	**Anticipated Closing Date:**	10/ 31/ 2003
Acquisition Cost:	$1,600,000	**Other Terms/Conditions:**	$10,000 earnest money
Seller:	Northview Park 96 L.P.	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $1,600,000 ($133,333/acre) is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $6,541 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $85K or 1% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

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 $37,395, 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 $5,609.

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 $18,245,309 is used to determine a credit allocation of $658,656 from this method. This is more than the Applicant's most recent requested amount of $649,235 and therefore the latter is the maximum that could be recommended. 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:	Newman Capital	**Contact:**	Jerry Wright		
Principal Amount:	$13,820,000	**Interest Rate:**	6.60%		
Additional Information:	Term sheet only				
Amortization:	40 yrs	**Term:**	32.5 yrs	**Commitment:**	☒ LOI ☐ Firm ☐ Conditional
Annual Payment:	$982,760	**Lien Priority:**	1st	**Commitment Date**	07/ 23/ 2003

ADDITIONAL FINANCING

Source: Harris County HOME **Contact:** Unknown

Principal Amount: $1,300,000 **Interest Rate:** Unknown

Additional Information: Meeting agenda item only. Sources and used and application have conflicting amounts

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

Annual Payment: Unknown **Lien Priority:** unk **Commitment Date** 07/ 23/ 2003

ADDITIONAL FINANCING

Source: Harris County Housing Finance Corporation **Contact:** Unknown, term sheet is not even on HFC letterhead

Principal Amount: $700,000 **Interest Rate:** 1% during construction and for 10 year and 4% thereafter

Additional Information: Term sheet only indicates non-amortizing for 10 years. Sources and used and application have conflicting amounts. Term sheet says maturity is same date as bond but no latter than 30 years (bonds are proposed to be 40 years) the loan is said to be secured by personal guarantees of the Potashniks which during the permanent period could effect the equity and eligibility of the tax credits

Amortization: 30 yrs **Term:** 32.5 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $982,760 **Lien Priority:** 1st **Commitment Date** 07/ 23/ 2003

LIHTC SYNDICATION

Source: Wachovia Securities **Contact:** Not provided

Net Proceeds: $5,362,517 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 83¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 07/ 21/ 2003

Additional Information: Term sheet only

APPLICANT EQUITY

Amount: $1,101,574 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The bond-financed permanent financing commitment is inconsistent with the terms reflected in the sources and uses listed in the application. In particular, the commitment letter states the total loan amount to be $13,820,000 rather than the $13,520,000 indicated in the Applicant's sources and uses. The bonds are said to be based on a 40 year amortization period. According to the commitment the bonds shall bear interest at a rate of 6.60% after the initial 24-month period. Based upon the Underwriter's analysis the development can support a debt service of not more than $664,010 in order to stay within the Department's debt coverage ratio guidelines and at the proposed rates and terms would result in a debt of $9,239,160 or less than 50% of the total development costs.

LIHTC Syndication: Wachovia Securities has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $5,362,517 based on a syndication factor of 83%. The Applicant's sources and uses of funds statement anticipates total syndication proceeds of $5,388,651. Based on the Applicant's requested credits the Underwriter anticipates total syndication proceeds $5,388,112

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,101,576 amounts to 46% of the total fees. Based on the Underwriter' analysis the developer's fee will increase to $5,451,449 if the property tax exemption is not secured by the Applicant, thus making this development infeasible as it will not be repaid within 15 years from development cashflow.

Financing Conclusions: The Applicant's proposed development costs establish a need for $22,078,721 in sources of funds. As stated previously, the Underwriter's NOI was used to evaluate the development's debt service capacity primarily because the Applicant did not provide evidence of a property tax exemption and PILOT agreement. As a result, the Underwriter's analysis reflects the projection that the bond-financed debt portion of these sources will be reduced to $9,239,160 due to the minimum debt coverage issues. No clear and firm financial commitments for any of the proposed financing have been provided; receipt review and acceptance of same are a condition of this report. While the Applicant's eligible basis qualifies the development to receive annual tax credits in the amount of $658,656, the Applicant is limited to their original request of $649,235. As a result, total syndication proceeds will be $5,388,112. The resulting gap of $5,451,449 cannot be funded through deferred developer fee within 15 years; therefore, this development is characterized as infeasible and is not recommended.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor and Property Manager firm are all related entities. 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 principal of the General Partner, Brian Potashnik, submitted an unaudited financial statement as of February 20, 2003 and is anticipated to be guarantor of the development.
- While a new non-profit partner has been proposed no financial statements, organizational documents, or previous participation documents for this entity have been provided.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Brian Potashnik, the principal of the General Partner, has completed 8 LIHTC housing developments totaling 2,034 units since 2000.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Raquel Morales*	**Date:**	September 3, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	September 3, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Northview Park Apartments, Houston, LIHTC# 03419

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
TC50%	84	1	1	750	$558	$513	$43,092	$0.68	$45.00	$30.00
TC50%	138	2	1	950	670	$614	84,732	0.65	56.00	36.00
TC50%	58	2	2	975	670	$614	35,612	0.63	56.00	36.00
TOTAL:	280		AVERAGE:	895	$636	$584	$163,436	$0.65	$52.70	$34.20

INCOME			TDHCA	APPLICANT		
Total Net Rentable Sq Ft:		250,650			USS Region	6
POTENTIAL GROSS RENT			$1,961,232	$1,980,384	IREM Region	Houston
Secondary Income	Per Unit Per Month:	$20.00	67,200	67,200	$20.00	Per Unit Per Month
Other Support Income: (describe)			0	0		
POTENTIAL GROSS INCOME			$2,028,432	$2,047,584		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(152,132)	(143,328)	-7.00%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions			0			
EFFECTIVE GROSS INCOME			$1,876,300	$1,904,256		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.32%	$289	0.32	$80,971	$60,760	$0.24	$217	3.19%
Management		5.00%	335	0.37	93,815	$68,942	0.28	246	3.62%
Payroll & Payroll Tax		12.98%	870	0.97	243,600	$228,959	0.91	818	12.02%
Repairs & Maintenance		5.12%	343	0.38	96,063	$117,100	0.47	418	6.15%
Utilities		2.41%	161	0.18	45,153	$47,600	0.19	170	2.50%
Water, Sewer, & Trash		5.66%	379	0.42	106,255	$95,200	0.38	340	5.00%
Property Insurance		2.64%	177	0.20	49,512	$62,750	0.25	224	3.30%
Property Tax	3.89177	17.42%	1,168	1.30	326,909	$84,000	0.34	300	4.41%
Reserve for Replacements		2.98%	200	0.22	56,000	$56,000	0.22	200	2.94%
Other Expenses: Supp Svcs, compliance f		2.54%	170	0.19	47,600	$47,600	0.19	170	2.50%
TOTAL EXPENSES		61.07%	$4,092	$4.57	$1,145,878	$868,912	$3.47	$3,103	45.63%
NET OPERATING INC		38.93%	$2,609	$2.91	$730,422	$1,035,344	$4.13	$3,698	54.37%
DEBT SERVICE									
Newman		51.24%	$3,434	$3.84	$961,427	$1,000,286	$3.99	$3,572	52.53%
HCHFC		0.37%	$25	$0.03	7,000		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		-12.68%	($850)	($0.95)	($238,005)	$35,058	$0.14	$125	1.84%
AGGREGATE DEBT COVERAGE RATIO					0.75	1.04			
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)		7.18%	$5,714	$6.38	$1,600,000	$1,600,000	$6.38	$5,714	7.25%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.22%	6,541	7.31	1,831,491	1,831,491	7.31	6,541	8.30%
Direct Construction		46.33%	36,867	41.18	10,322,639	10,407,401	41.52	37,169	47.14%
Contingency	2.08%	1.14%	903	1.01	252,949	252,949	1.01	903	1.15%
General Req'ts	6.00%	3.27%	2,604	2.91	729,248	750,360	2.99	2,680	3.40%
Contractor's G & A	2.00%	1.09%	868	0.97	243,083	250,120	1.00	893	1.13%
Contractor's Profit	6.00%	3.27%	2,604	2.91	729,248	750,360	2.99	2,680	3.40%
Indirect Construction		4.32%	3,438	3.84	962,500	962,500	3.84	3,438	4.36%
Ineligible Costs		9.27%	7,376	8.24	2,065,408	2,065,408	8.24	7,376	9.35%
Developer's G & A	2.00%	1.42%	1,126	1.26	315,377	0	0.00	0	0.00%
Developer's Profit	13.00%	9.20%	7,321	8.18	2,049,951	2,385,432	9.52	8,519	10.80%
Interim Financing		3.13%	2,492	2.78	697,700	697,700	2.78	2,492	3.16%
Reserves		2.15%	1,712	1.91	479,222	125,000	0.50	446	0.57%
TOTAL COST		100.00%	$79,567	$88.88	$22,278,816	$22,078,721	$88.09	$78,853	100.00%
Recap-Hard Construction Costs		*63.33%*	***$50,388***	***$56.29***	***$14,108,657***	***$14,242,681***	***$56.82***	***$50,867***	*64.51%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Newman	60.69%	$48,286	$53.94	$13,520,000	$13,520,000	$9,239,160	Developer Fee Available
HCHFC	3.14%	$2,500	$2.79	700,000	700,000	700,000	$2,365,329
HOME Funds- grant				1,300,000	1,300,000	1,300,000	
LIHTC Syndication Proceeds	24.19%	$19,245	$21.50	5,388,651	5,388,651	5,388,112	% of Dev. Fee Deferred
GIC Income	0.00%	$0	$0.00		68,494		
Deferred Developer Fees	4.94%	$3,934	$4.39	1,101,576	1,101,576	5,451,449	230%
Additional (excess) Funds Required	1.21%	$959	$1.07	268,589	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$22,278,816	$22,078,721	$22,078,721	$1,959,773.83

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Northview Park Apartments, Houston, LIHTC# 03419

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.81	$10,479,095
Adjustments				
Exterior Wall Finish	1.60%		$0.67	$167,666
Elderly	5.00%		2.09	523,955
Roofing			0.00	0
Subfloor			(0.67)	(168,771)
Floor Cover			1.92	481,248
Porches/Balconies	$29.24	27,890	3.25	815,504
Plumbing	$615	174	0.43	107,010
Built-In Appliances	$1,625	280	1.82	455,000
Stairs/Fireplaces	$1,575	12	0.08	18,900
Elevators	$43,750	6	1.05	262,500
Heating/Cooling			1.47	368,456
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$55.70	5,444	1.21	303,239
Other:			0.00	0
SUBTOTAL			55.11	13,813,800
Current Cost Multiplier	1.03		1.65	414,414
Local Multiplier	0.89		(6.06)	(1,519,518)
TOTAL DIRECT CONSTRUCTION COSTS			$50.70	$12,708,696
Plans, specs, survy, bld prm	3.90%		($1.98)	($495,639)
Interim Construction Interest	3.38%		(1.71)	(428,918)
Contractor's OH & Profit	11.50%		(5.83)	(1,461,500)
NET DIRECT CONSTRUCTION COSTS			$41.18	$10,322,639

PAYMENT COMPUTATION

Primary	$13,520,000	Term	480
Int Rate	6.60%	DCR	0.76

Secondary	$700,000	Term	NA
Int Rate	1.00%	Subtotal DCR	0.75

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	0.75

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$657,010
Secondary Debt Service	7,000
Additional Debt Service	0
NET CASH FLOW	$66,412

Primary	$9,239,160	Term	480
Int Rate	6.60%	DCR	1.11

Secondary	$700,000	Term	NA
Int Rate	1.00%	Subtotal DCR	1.10

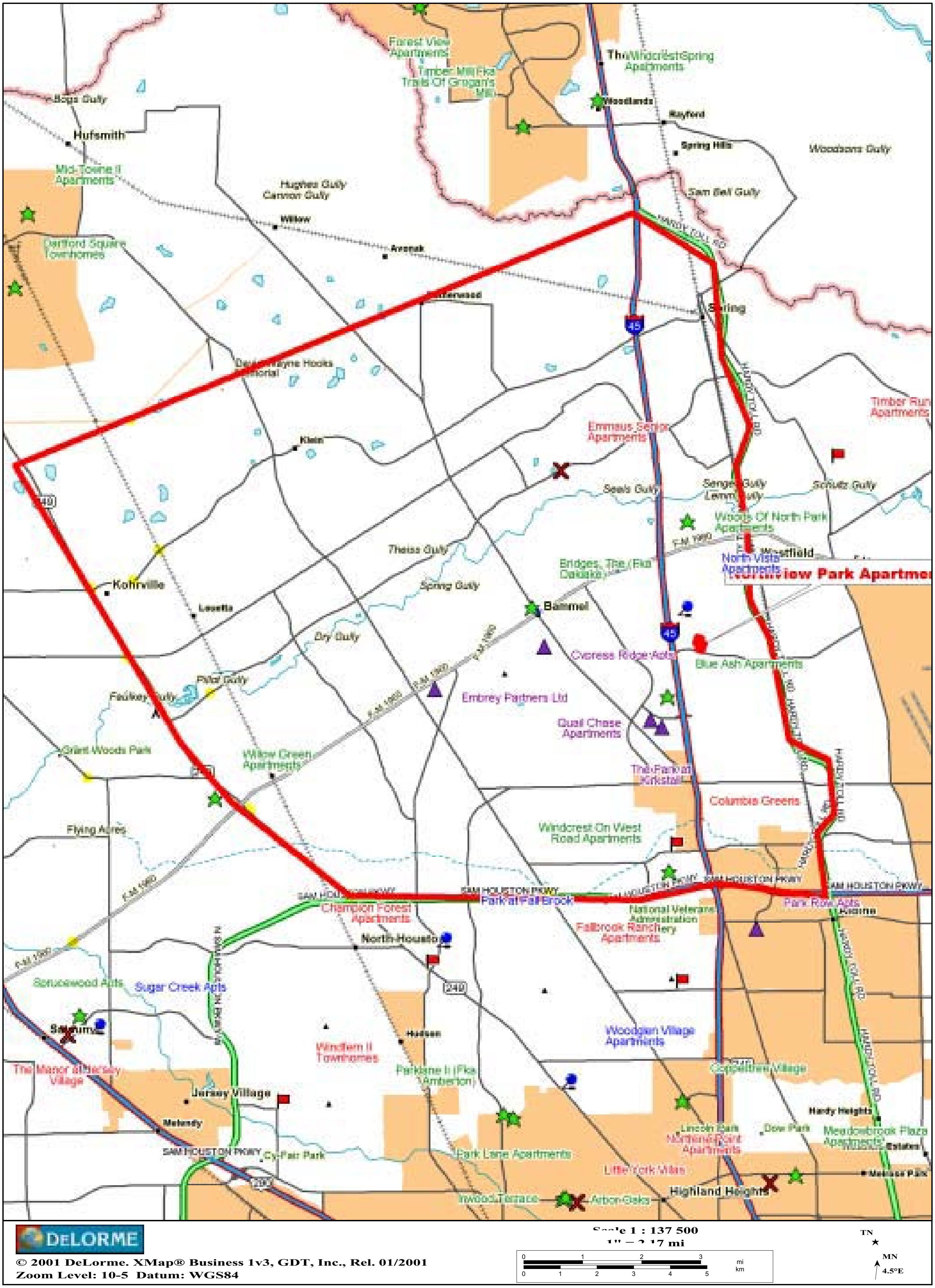
Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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	$1,961,232	$2,020,069	$2,080,671	$2,143,091	$2,207,384	$2,558,963	$2,966,539	$3,439,032	$4,621,772
Secondary Income	67,200	69,216	71,292	73,431	75,634	87,681	101,646	117,836	158,361
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,028,432	2,089,285	2,151,964	2,216,522	2,283,018	2,646,644	3,068,185	3,556,868	4,780,133
Vacancy & Collection Loss	(152,132)	(156,696)	(161,397)	(166,239)	(171,226)	(198,498)	(230,114)	(266,765)	(358,510)
Employee or Other Non-Rental I	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,876,300	$1,932,589	$1,990,566	$2,050,283	$2,111,792	$2,448,145	$2,838,071	$3,290,103	$4,421,623
EXPENSES at 4.00%									
General & Administrative	$80,971	$84,209	$87,578	$91,081	$94,724	$115,246	$140,215	$170,593	$252,519
Management	93,815	96,629	99,528	102,514	105,590	122,407	141,904	164,505	221,081
Payroll & Payroll Tax	243,600	253,344	263,478	274,017	284,978	346,719	421,836	513,228	759,703
Repairs & Maintenance	96,063	99,905	103,902	108,058	112,380	136,727	166,350	202,390	299,586
Utilities	45,153	46,959	48,838	50,791	52,823	64,267	78,191	95,131	140,818
Water, Sewer & Trash	106,255	110,506	114,926	119,523	124,304	151,235	184,000	223,864	331,373
Insurance	49,512	51,493	53,553	55,695	57,922	70,472	85,739	104,315	154,412
Property Tax	326,909	339,985	353,584	367,728	382,437	465,293	566,100	688,747	1,019,514
Reserve for Replacements	56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Other	47,600	49,504	51,484	53,544	55,685	67,750	82,428	100,286	148,448
TOTAL EXPENSES	$1,145,878	$1,190,775	$1,237,440	$1,285,942	$1,336,355	$1,619,821	$1,963,736	$2,381,043	$3,502,099
NET OPERATING INCOME	$730,422	$741,814	$753,127	$764,341	$775,437	$828,324	$874,335	$909,059	$919,524
DEBT SERVICE									
First Lien Financing	$657,010	$657,010	$657,010	$657,010	$657,010	$657,010	$657,010	$657,010	$657,010
Second Lien	7,000	7,000	7,000	7,000	7,000	7,000	51,507	51,507	51,507
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$66,412	$77,804	$89,116	$100,331	$111,427	$164,314	$165,818	$200,542	$211,007
DEBT COVERAGE RATIO	1.10	1.12	1.13	1.15	1.17	1.25	1.23	1.28	1.30

LIHTC Allocation Calculation - Northview Park Apartments, Houston, LIHTC# 03419

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,600,000	$1,600,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,831,491	$1,831,491	$1,831,491	$1,831,491
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$10,407,401	$10,322,639	$10,407,401	$10,322,639
(4) Contractor Fees & General Requirements				
Contractor overhead	$250,120	$243,083	$244,778	$243,083
Contractor profit	$750,360	$729,248	$734,334	$729,248
General requirements	$750,360	$729,248	$734,334	$729,248
(5) Contingencies	$252,949	$252,949	$252,949	$252,949
(6) Eligible Indirect Fees	$962,500	$962,500	$962,500	$962,500
(7) Eligible Financing Fees	$697,700	$697,700	$697,700	$697,700
(8) All Ineligible Costs	$2,065,408	$2,065,408		
(9) Developer Fees			$2,379,823	
Developer overhead		$315,377		$315,377
Developer fee	$2,385,432	$2,049,951		$2,049,951
(10) Development Reserves	$125,000	$479,222		
TOTAL DEVELOPMENT COSTS	$22,078,721	$22,278,816	$18,245,309	$18,134,185
Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			$18,245,309	$18,134,185
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			$18,245,309	$18,134,185
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			$18,245,309	$18,134,185
Applicable Percentage			3.61%	3.61%
TOTAL AMOUNT OF TAX CREDITS			$658,656	$654,644
Syndication Proceeds		**0.8299**	**$5,466,295**	**$5,433,003**
Total Credits (Eligible Basis Method)			**$658,656**	**$654,644**
Syndication Proceeds			**$5,466,295**	**$5,433,003**
Requested Credits			**$649,235**	
Syndication Proceeds			**$5,388,112**	


Forest View Apartments
Timber Mill Fka Trails Of Grogan's Mill
Woodlands
Rayford
Spring Hills
Woodsons Gully
Sam Bell Gully
Bogs Gully
Hufsmith
Mid-Towne II Apartments
Hughes Gully
Cannon Gully
Willow
Dartford Square Townhomes
Spring
Timber Run Apartments
Emmaus Senior Apartments
Klein
Seals Gully
Schultz Gully
Woods Of North Park Apartments
Theiss Gully
Westfield
North Vista Apartments
Bridges, The (Fka Oakake)
Kohrville
Spring Gully
Bammel
Dry Gully
Cypress Ridge Apts
Blue Ash Apartments
Embrey Partners Ltd
Quail Chase Apartments
Grant Woods Park
Willow Green Apartments
Columbia Greens
Flying Acres
Windcrest On West Road Apartments
Champion Forest Apartments
Park at Fall Brook
National Veterans Administration
Fallbrook Ranch Apartments
Park Row Apts
North Houston
Sprucewood Apts
Sugar Creek Apts
Windfern II Townhomes
Hudson
Woodglen Village Apartments
The Manor at Jersey Village
Parklane II (Fka Amberton)
Jersey Village
Melendy
Hardy Heights
Meadowbrook Plaza Apartments
Lincoln Park
Dow Park
Cy-Fair Park
Park Lane Apartments
Little York Villas
Inwood Terrace
Arbor Oaks
Highland Heights
SAM HOUSTON PKWY
HARDY TOLL RD
F.M. 1960
45
249
290
DELORME
© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001
Zoom Level: 10-5 Datum: WGS84
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Developer Evaluation

Project ID # **03419** Name: **Northview Park** City:

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: 10 Projects grouped by score 0-9 10 10-19 0 20-29 0

Total # monitored with a score less than 30: 10 # not yet monitored or pending review: 5

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 ay, August 19, 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 S Roth Date 8 /14/2003

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 ________ Date ________

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 8 /14/2003

Executive Director: Edwina Carrington **Executed:** day, September 03, 2003

LOW INCOME HOUSING TAX CREDIT PROGRAM

2003 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Empire Village Apartments** TDHCA#: 03421

DEVELOPMENT AND OWNER INFORMATION

Development Location: Pasadena QCT: Y DDA: N TTC: N
Development Owner: FDI-EV 2003, Ltd.
General Partner(s): Fieser Real Estate Investments, Inc., 100%, Contact: James W. Feiser
Construction Category: Acquis/Rehab
Set-Aside Category: Tax Exempt Bond Bond Issuer: Harris County HFC
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $984,037 Eligible Basis Amt: $391,566 Equity/Gap Amt.: $609,035
Annual Tax Credit Allocation Recommendation: $0
Total Tax Credit Allocation Over Ten Years: $0

PROPERTY INFORMATION

Unit and Building Information
Total Units: 240 LIHTC Units: 240 % of LIHTC Units: 100
Gross Square Footage: 178,447 Net Rentable Square Footage: 176,720
Average Square Footage/Unit: 736
Number of Buildings: 15
Currently Occupied: Y
Development Cost
Total Cost: $11,445,321 Total Cost/Net Rentable Sq. Ft.: 64.77
Income and Expenses
Effective Gross Income:[1] $1,484,874 Ttl. Expenses: $958,824 Net Operating Inc.: $526,050
Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Wilmic Ventures, Inc.
Attorney:	Wilson, Cribbs, Goren & Flaum	Architect:	David J. Albright
Accountant:	Marshall & Shafer, PC	Engineer:	To Be Determined
Market Analyst:	Gerald Teel Co.	Lender:	Newman Capital
Contractor:	Construction Supervisors, Inc.	Syndicator:	Raymond James Tax Credit Funds, Inc.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Mario Gallegos, District 6 - S Rep. Joe Moreno, District 143 - NC Mayor John Manlove - S John Manlove, Mayor, City of Pasadena; Consistent with the local consolidated plan.

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

CONDITION(S) TO COMMITMENT

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

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

Other Comments including discretionary factors (if applicable). **Not recommended due to the likely reduction in the estimated serviceable debt resulting in a GAP of funds of approximately $1,624,789 which exceeds the available developer fee to defer and is more funds than can be repaid in 15 years rendering the development infeasible as proposed.**pment infeasible as proposed.

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

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

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

Other Comments including discretionary factors (if applicable).

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

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

Chairperson Signature:
Michael E. Jones, Chairman of the Board Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: September 2, 2003 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 03421

DEVELOPMENT NAME

Empire Village Apartments

APPLICANT

Name:	FDI-EV 2003, LTD	**Type:**	For Profit		
Address:	26753 Stockdick School Road	**City:**	Katy	**State:**	TX
Zip:	77493 **Contact:** James Fieser	**Phone:**	(281) 371-7320	**Fax:**	(281) 371-2470

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Fieser Real Estate Investments, Inc.	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Fieser Development, Inc.	**(%):**	N/A	**Title:**	Developer
Name:	James Fieser	**(%):**	N/A	**Title:**	100% owner of G.P. & Developer
Name:	Patricia Fieser	**(%):**	N/A	**Title:**	Secretary of G.P. & Developer
Name:	Donald Sowell	**(%):**	N/A	**Title:**	Guarantor & owner of property manager & supportive services provider

PROPERTY LOCATION

Location:	1100 Burke Road		☒ **QCT**		☐ **DDA**
City:	Pasadena	**County:**	Harris	**Zip:**	77506

REQUEST

Amount	Interest Rate	Amortization	Term
$384,037	N/A	N/A	N/A

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

Proposed Use of Funds: Acquisition/rehabilitation **Property Type:** Multifamily

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

RECOMMENDATION

☒ NOT RECOMMENDED DUE TO THE LIKLEY REDUCTION IN THE ESTIMATED SERVICEABLE DEBT RESULTING IN A GAP OF FUNDS OF APPROXIMATELY $1,624,789 WHICH EXCEEDS THE AVAILABLE DEVELOPER FEE TO DEFER AND IS MORE FUNDS THAN CAN BE REPAID IN 15 YEARS RENDERING THE DEVELOPMENT INFEASIBLE AS PROPOSED.

☒ ANY APPROVAL OF FUNDING FOR THIS DEVELOPMENT SHOULD BE SUBJECT TO THE FOLLOWING CONDITIONS:

CONDITIONS

1. TDHCA Board waiver of the Department's Underwriting rules pertaining to the financial feasibility of

a development;
2. An LIHTC allocation, if overruled by the Board, should not exceed $384,037 annually for ten years;
3. Receipt, review, and acceptance of evidence of a commitment of soft financing in the amount of at least $554,820;
4. Receipt, review, and acceptance of an asbestos management plan prepared by a TDH-licensed asbestos management planner and a report of the results of further water lead-content testing as recommended by the Phase I ESA inspector; and,
5. 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

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	240	**# Rental Buildings**	15	**# Common Area Bldngs**	0	**# of Floors**	2	**Age:**	25 yrs	**Vacant:**	3%	at	6/ 23/ 2003
Net Rentable SF:	176,720	**Av Un SF:**	736	**Common Area SF:**	1,727	**Gross Bldg SF:**	178,447						

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 50% brick veneer/50% cement fiber siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

A 1,727-SF community building with management offices, laundry & maintenance facilities, restrooms, & central mailroom & a swimming pool are located near the main entrance to the property. Additional laundry facilities are attached to one of the residential buildings. In addition a sports courts and perimeter fencing with limited access gates are also planned for the property.

Uncovered Parking: 444 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Empire Village Apartments is a relatively dense (25 units per acre) acquisition and rehabilitation development of 240 units of affordable housing located in northeast Pasadena. The development was built in 1978 and is comprised of 14 evenly distributed, two-story medium-sized, garden style, walk-up residential buildings.

Existing Subsidies: The property currently operates under a HUD Section 8 project-based Housing Assistance Payment (HAP) for 48 units. This contract will expire on April 30, 2004 and the Applicant has submitted a formal request to assume and continue the contract.

Development Plan: The buildings are currently approximately 97% occupied and in average to good condition according to the Appraiser. The major repair items include the installation of accessibility features (including modification of 12 units for persons with disabilities and five units for the visually and hearing impaired); repair of drives, parking areas, and sidewalks; stabilization of foundation settlement; replacement of damaged wood siding with cement fiber siding; repair of termite damage; repair and/or replacement of perimeter fencing, landscaping, doors, floor covering, and electrical fixtures; and replacement of all air conditioning equipment with 12 SEER equipment.

Architectural Review: The buildings appear to be attractive and in good repair in the photographs provided. The units feature private exterior entries and individual patios or balconies.

Supportive Services: The Applicant has indicated that Wilmic Ventures, Inc. will be used to provide the following supportive services at no cost to the tenants: GED services, English as a second language, and job training. The Applicant anticipates using service providers which will provide the services at no cost and therefore has not included any estimated expense in the operating budget.

Schedule: The Applicant anticipates construction to begin in October of 2003 and to be completed in October of 2004. The development should be placed in service and substantially leased-up in June of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 9.4508	acres	411,677	square feet	**Zoning/ Permitted Uses:**	No zoning in Pasadena
Flood Zone Designation:	Zone X		**Status of Off-Sites:**	Fully improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Pasadena is located in the Houston MSA in Harris County. The site is a rectangularly-shaped parcel located in the northeast area of the city, approximately ten miles from the Houston central business district. The site is situated on the west side of Burke Road.

Adjacent Land Uses:

- **North:** Jenkins Road with a public elementary school and multifamily residential beyond.
- **South:** Easthaven Drive with elderly multifamily and vacant land beyond
- **East:** Burke Road with multifamily residential, self-storage units, and a building under construction beyond
- **West:** multifamily residential

Site Access: Access to the property is from the north or south from Burke Road or the east or west from Jenkins Road or Easthaven Drive. The development has a main entry from Burke Road and secondary entries from Easthaven and Jenkins. Access to State Highway 225 is one mile northwest and Beltway 8 is two miles east, both of which provide connections to all other major roads serving the Houston area.

Public Transportation: Public transportation is not available in Pasadena.

Shopping & Services: The site is within walking distance (one block) a grocery-anchored neighborhood shopping center. A local mall and 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.

Site Inspection Findings: TDHCA staff performed a site inspection on August 12, 2003 and found the location to be acceptable for the proposed development. The inspectors noted the property is maintained very well and is located across from an elementary school.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated July 3, 2003 was prepared by HBC Terracon and contained the following findings and recommendations:

Findings:

- **Asbestos-Containing Materials (ACM):** "Limited asbestos sampling was performed, including the collection and analysis of 30 bulk samples of suspect ACM. Two of the samples (floor tiles) were identified as containing asbestos through PLM analysis. Please note that this limited sampling event was not sufficient to constitute an asbestos survey, and all suspect building materials at the site are required to be assumed ACM unless proven otherwise through laboratory analysis." (p. 23)
- **Water:** "First-draw (static) and three-minute draw (dynamic) water samples were collected from each of eight vacant apartment units. One of the eight water samples collected and analyzed was found to contain concentrations of lead above the maximum contaminant level for lead of 0.015 mg/L…" (p. 23"

Recommendations:

- "Based on the scope of services and limitations of this assessment, HBC/Terracon did not identify recognized environmental conditions in connection with the site which, in our opinion, warrant additional investigation at this time.
- As previously discussed, all suspect building materials at the site are required to be assumed ACM,

including those sampled by HBC/Terracon. It is recommended that either, 1) a thorough asbestos survey be performed to evaluate suspect building materials at the site or, 2) all suspect building materials at the site be presumed ACM. All confirmed or presumed ACM should be managed through an asbestos management plan prepared by a TDH-licensed asbestos management planner. Such a plan will specify the in-place management and/or removal of the confirmed and/or presumed ACM at the site.

- Further testing would be required to evaluate the lead content of the drinking water at the site. As a precaution, it is recommended that any drinking water source not in regular use be flushed for at least three minutes prior to obtaining water for potable purposes, particularly in vacant units which have been regularly occupied following a period of time where the water taps have not been in regular use." (p.24)

Receipt, review, and acceptance of an asbestos management plan prepared by a TDH-licensed asbestos management planner and a report of the results of further water lead-content testing are conditions of this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

A market feasibility study dated July 16, 2003 was prepared by The Gerald A. Teel Company, Inc. and highlighted the following findings:

Definition of Primary Market Area: "For the purposes of this analysis, the competitive market area is considered to be the delineated Zip Codes 77502, 77503, and 77506." (p. 5)

Population: The estimated 2002 population of the primary market area was 102,532 and is expected to increase by 5.3% to approximately 108,004 by 2007. Within the primary market area there were estimated to be 32,208 households in 2002.

Total Primary Market Demand for Rental Units: "There appears to be sufficient demand to warrant conversion of the subject to LIHTC units. The demographics imply that demand for up to 1,501 units could exist, which bodes well for the subject…" (p. 66)

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	15	1%	21	1%
Resident Turnover	1,386	92%	1,393	99%
Other Sources: 10 yrs pent-up demand	100	6%	0	0%
TOTAL ANNUAL DEMAND	**1,501**	**100%**	**1,414**	**100%**

Ref: p. 64

Inclusive Capture Rate: The Analyst calculated a capture rate of 16.1% (p. 65) The Underwriter calculated an inclusive capture rate of 17% based upon a slightly lower estimated demand.

Local Housing Authority Waiting List Information: No information provided.

Market Rent Comparables: The Market Analyst surveyed six comparable apartment projects totaling 1,637 units in the market area. (p. 29)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Est. Market**	**Differential**
1-BR, 567 SF (50%)	$465	$506	-$41	$440	***+$25***
1-BR, 649 SF (50%)	$490	$506	-$16	$465	***+$25***
2-BR, 756 SF (50%)	$579/$588	$596	-$17/-$8	$580	-$1/***+$8***
2-BR, 853 SF (50%)	$579/$596	$596	-$17/$0	$605	-$26/-$9
2-BR, 875 SF (50%)	$579/$596	$596	-$17/$0	$620	-$41/-$24
3-BR, 1,058 SF (50%)	$646/$674	$676	-$30/-$2	$720	-$74/-$46

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

Primary Market Occupancy Rates: "This submarket is presently experiencing average occupancy rates that have been relatively consistent over the past ten years. A slight upward trend was noticed in occupancies in the last three months, reversing a slight downward trend over the last 18 months. With no new construction proposed, the bulk of demand is coming from within the submarket. The Class C sector is averaging 91.6% occupancy, while our survey of the immediate vicinity indicates an average occupancy of 90.6%, including the subject. The newer and newly renovated product appears to command occupancy rates above the averages. The subject property is experiencing the highest occupancies in the immediate vicinity." (p. 24)

Absorption Projections: No projection was made for the subject, although the Analyst noted that, "…the total absorption over the last 5.25 years was 305 per annum totaling 1,599 units versus 962 over the last 10.25 years. The last 2.25 years have witnessed positive absorption each year totaling 479 units for an average of 213 units per annum." (p. 22) As an existing property with a 98% occupancy rate, absorption is not a significant concern.

Known Planned Development: "The new product currently under construction represents an elderly apartment project on Fairmont Parkway, near Strawberry, and a Class A+ project on Crenshaw, just west of Beltway 8, south of Fairmont Parkway. Neither is considered competitive to the subject in terms of location or product type. Therefore, competitive supply is not likely to increase in the near term. No new LIHTC product is proposed for the immediate vicinity." (p. 24)

Effect on Existing Housing Stock: "As an existing property, the subject property will have minimal if any effect on the market or surrounding properties, as the potential renters have effectively already been captured. With a current occupancy of 98%, the success of the property has historically been above average. According to the management, the majority of tenants would already qualify for the LIHTC program." (p. 66)

The Underwriter found the market study to be acceptable.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are from $2-$41 lower than the maximum rents allowed under LIHTC guidelines, and are based on the rents currently being collected, exclusive of the HAP contract rents. Although the proposed HAP unit rents are from $25-$60 in excess of the current HAP contract rents, the Applicant stated that the contract rents will be increased upon contract renewal and completion of the rehabilitation, and also indicated that the Pasadena Section 8 rents are above the contract rents. The Underwriter increased the rents on the 567-, 756-, and 1,058-SF non-HAP units to the lower of the program maximum or currently achieved rent, resulting in an additional $10,757 in potential gross rental income. The Applicant stated that the property will supply hot water from a central boiler system, and rents and expenses were calculated accordingly. The Applicant's estimate of secondary income is in line with TDHCA underwriting guidelines, although the Applicant utilized a lower vacancy and collection loss rate of 5% that contributed to the $29.9K (2 %) higher gross income estimate than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of $3,615 per unit is 10% lower than the Underwriter's estimate of $3,995 per unit for comparably-sized developments. The Underwriter relied heavily on historical expense information supplied by the Applicant for the years 2000-2003, which showed per unit expenses of $3,356 to $4,320, exclusive of replacement reserves, compliance fees, and supportive services. The Applicant's budget shows several line item estimates that deviate significantly when compared to the historical information as well as the database averages, particularly general and administrative and payroll. The Applicant included replacement reserves of $250/unit as required by the proposed equity provider; the Underwriter used the TDHCA underwriting guideline of $300/unit for rehabilitation properties. The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. (NOTE: The Appraiser's operating expense estimate would equal $3,939/unit with the inclusion of $300 replacement reserves.)

Conclusion: The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in estimated operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 0.98 is significantly less than the TDHCA minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to $478,246 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only:	$515,000	**Date of Valuation:**	7/ 14/ 2003
Improvements:	$6,485,000		7/ 14/ 2003
Total Development: "as is"	$7,000,000	**Date of Valuation:**	7/ 14/ 2003

Appraiser: The Gerald A. Teel Co., Inc. **City:** Houston **Phone:** (713) 467-5858

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The Appraiser elected not to provide a cost approach valuation due to the property's age and the amount of depreciation which would require estimation. The Appraiser also rejected the sales comparison approach as not applicable for LIHTC properties due to the very limited number of developments which have been sold. The Appraiser's concluded valuation is therefore based solely on the income approach using LIHTC rents.

Conclusion: The appraisal is acceptable as submitted.

ASSESSED VALUE

Land:	$514,550	**Assessment for the Year of:**	2002
Building:	$4,283,600	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$4,798,150	**Tax Rate:**	3.03148

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Restated agreement of sale and purchase (assigned from D.W. Sowell Development, LTD.)

Contract Expiration Date:	10/ 7/ 2003	**Anticipated Closing Date:**	9/ 30/ 2003
Acquisition Cost:	$7,000,000	**Other Terms/Conditions:**	$70,000 earnest money, original purchaser: Donald Sowell

Seller: Pasadena 240, Ltd. **Related to Development Team Member:** No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition cost of $7,000,000 ($29,167/unit) is substantiated by the "as-is" appraised value of the same amount and is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant used the tax assessed land value of $514K to attribute an acquisition eligible basis of $6,486,000; the Underwriter used the appraised land value of $515K to derive an acquisition eligible basis of $6,485,000.

Sitework Cost: The Applicant's minimal claimed sitework costs of $523 per unit are considered reasonable compared to historical sitework costs for multifamily rehabilitation projects.

Direct Construction Cost: The proposed work write-up is detailed and generally consistent with the Applicant's cost breakdown. Line item costs appear reasonable and the direct construction cost of $1,386,597 ($5,777/unit) is therefore regarded as reasonable as submitted.

Ineligible Costs: The Applicant's contingency allowance exceeds the 10% maximum allowed for rehabilitation projects by $21,894 based on their own construction costs, resulting in an equivalent reduction in the Applicant's eligible basis.

Fees: The Applicant's contractor's profit exceeds the 6% maximum allowed by LIHTC guidelines by $7,258 based on their own construction costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis by $4,372. Consequently the Applicant's eligible fees in these areas have been reduced with the overage effectively moved to ineligible costs.

Conclusion: 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 $10,064,912 is used to determine a credit allocation of $391,566 from this method. This is $7,529 more than requested due to the Applicant's use of a lower applicable percentage of 3.40% for the acquisition portion and 3.55% for the rehabilitation portion rather than the 3.61% underwriting rate used for applications received in June 2003. The resulting syndication proceeds based on the Applicant's request 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 FINANCING

Source: Newman Capital **Contact:** Jerry Wright

Principal Amount: $7,000,000 **Interest Rate:** 5.25% plus trustee & issuer fees

Additional Information:

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

PERMANENT FINANCING

Source: Newman Capital **Contact:** Jerry Wright

Principal Amount: $7,000,000 **Interest Rate:** A spread of 150 basis points over the MMD 30-Year Municipal Housing Bond Index, with a minimum of 6.75%, estimated & underwritten at 7%

Additional Information:

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

Annual Payment: $558,854 **Lien Priority:** 1st **Commitment Date** 7/ 25/ 2003

LIHTC SYNDICATION

Source: Raymond James Tax Credit Funds, Inc. **Contact:** Terence Coyne

Address: 880 Carillon Parkway **City:** St. Petersburg

State: FL **Zip:** 33716 **Phone:** (800) 438-8088 **Fax:** (727) 567-8455

Net Proceeds: $3,183,808 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 83¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 7/ 25/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $861,731 **Source:** Deferred developer fee

OTHER SOURCE

Amount: $400,000 **Source:** Cash flow from operations during rehabilitation

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, although the Applicant's estimated debt service amount of $532,401 is understated by $26,453.

LIHTC Syndication: The LIHTC syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application, although the ratio of net proceeds to total credits reflects a syndication rate of 87.9% instead of the 83% rate indicated in the commitment.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $861,731 amount to approximately 66% of the total eligible fees.

Cash Flow from Operations: The Applicant also proposed the use of $400,000 of cash flow form operation to support the development as a source of funds. This source of funds is typically considered to be highly speculative by the Department due to lease-up delays and typically insufficient reserves of operating expenses during lease-up. However in this case, minimal displacement of residents is expected to occur during the rehabilitation of the property. Since the property is running at over 90% occupancy and since the Applicant has budgeted for a reasonable reserve to cover operating expenses during the rehabilitation period, it is plausible that significant cash flow from operations would be available for use as a source of development funds.

Financing Conclusions: Due to the difference in estimated net operating income, the Underwriter's bonds-only debt coverage ratio (DCR) of .98 is less than the program minimum standard of 1.10. This suggests that the requested bond amount should be adjusted downward to allow for a debt service amount of no more than $478,125 annually. It is anticipated the bond amount will be reduced by a mandatory redemption of approximately $763,276 in bond funds at conversion to permanent. To compensate for the reduction in loan funds the Applicant's deferred developer fee will be increased to $1,624,789, which amounts to over 100% of the total fee and is not repayable within 15 years.

Based on the Applicant's requested credits, the LIHTC allocation should not exceed $384,037 annually for ten years, resulting in syndication proceeds of approximately $3,187,507. Based on the underwriting analysis and the reduced estimated serviceable debt amount, if 100% ($1,312,665) of the Applicant's eligible developer fee is deferred and the $400K in cash flow from operations is used as a source of funds, a funding gap of $554,820 still exists which renders the proposed development infeasible as structured. While it is plausible that an arrangement to defer contractor fees in addition to all of the developer fee in order to support the transaction, the amount of fees needed to be deferred cannot reasonably be repaid within the Department 15 year guideline and therefore the transaction must be characterized as infeasible. Therefore the transaction is not recommended for funding.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

Donald Sowell is the original land purchaser, the owner of the property manager and supportive services provider, and is a guarantor of the development. These appear to be acceptable 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 Developer, Fieser Development, Inc., submitted an unaudited financial statement as of August 1, 2003 reporting total assets of $87.3K and consisting of $42K in cash, $33K in receivables, and $12K in machinery, equipment, and fixtures. No liabilities were reported.
- The principal of the General Partner and the Developer, James Fieser, and Donald Sowell submitted unaudited financial statements 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.
- James Fieser listed participation in two previous LIHTC housing developments totaling 64 units since 1999.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant environmental risks exist regarding the potential presence of asbestos-containing materials and/or water contamination by lead.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Jim Anderson*	**Date:**	September 2, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	September 2, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Empire Village Apartments, Pasadena, 4% LIHTC #03421

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC (50%)/HAP	10	1	1	567	$558	$465	$4,650	$0.82	$52.39	$48.17
TC (50%)	70	1	1	567	558	$475	33,250	0.84	52.39	48.17
TC (50%)/HAP	5	1	1	649	558	$490	2,450	0.76	52.39	48.17
TC (50%)	27	1	1	649	558	$490	13,230	0.76	52.39	48.17
TC (50%)/HAP	9	2	1	756	670	$579	5,211	0.77	74.26	54.29
TC (50%)	23	2	1	756	670	$596	13,702	0.79	74.26	54.29
TC (50%)/HAP	8	2	2	853	670	$579	4,632	0.68	74.26	54.29
TC (50%)	16	2	2	853	670	$596	9,532	0.70	74.26	54.29
TC (50%)/HAP	13	2	2	875	670	$579	7,527	0.66	74.26	54.29
TC (50%)	43	2	2	875	670	$596	25,617	0.68	74.26	54.29
TC (50%)/HAP	3	3	2	1,058	775	$646	1,938	0.61	98.56	65.90
TC (50%)	13	3	2	1,058	775	$676	8,794	0.64	98.56	65.90
TOTAL:	240		**AVERAGE:**	736	$625	$544	$130,532	$0.74	$65.67	$52.21

INCOME	Total Net Rentable Sq Ft: 176,720		TDHCA	APPLICANT			
						USS Region	6
POTENTIAL GROSS RENT			$1,566,389	$1,555,632		IREM Region	Houston
Secondary Income	Per Unit Per Month:	$13.50	38,880	38,880	$13.50	Per Unit Per Month	
Other Support Income:			0	0			
POTENTIAL GROSS INCOME			$1,605,269	$1,594,512			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(120,395)	(79,728)	-5.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$1,484,874	$1,514,784			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.13%	$255	0.35	$61,307	$19,988	$0.11	$83	1.32%
Management		5.00%	309	0.42	74,244	$75,468	0.43	314	4.98%
Payroll & Payroll Tax		14.01%	867	1.18	208,088	$165,452	0.94	689	10.92%
Repairs & Maintenance		7.61%	471	0.64	113,024	$93,860	0.53	391	6.20%
Utilities		4.67%	289	0.39	69,358	$68,400	0.39	285	4.52%
Water, Sewer, & Trash		8.07%	499	0.68	119,844	$126,160	0.71	526	8.33%
Property Insurance		5.72%	354	0.48	84,905	$84,968	0.48	354	5.61%
Property Tax	3.06179	9.59%	594	0.81	142,454	$159,600	0.90	665	10.54%
Reserve for Replacements		4.85%	300	0.41	72,000	$60,000	0.34	250	3.96%
Other: compl fees, security		0.92%	57	0.08	13,600	$13,600	0.08	57	0.90%
TOTAL EXPENSES		64.57%	$3,995	$5.43	$958,824	$867,496	$4.91	$3,615	57.27%
NET OPERATING INC		35.43%	$2,192	$2.98	$526,050	$647,288	$3.66	$2,697	42.73%
DEBT SERVICE									
Newman Capital		37.64%	$2,329	$3.16	$558,854	$532,401	$3.01	$2,218	35.15%
Cash from Operations		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Cash from Operations		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		-2.21%	($137)	($0.19)	($32,804)	$114,887	$0.65	$479	7.58%
AGGREGATE DEBT COVERAGE RATIO					0.94	1.22			
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)		61.34%	$29,167	$39.61	$7,000,000	$7,000,000	$39.61	$29,167	61.16%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.10%	523	0.71	125,404	125,404	0.71	523	1.10%
Direct Construction		12.15%	5,777	7.85	1,386,597	1,386,597	7.85	5,777	12.11%
Contingency	10.00%	1.32%	630	0.86	151,200	173,094	0.98	721	1.51%
General Req'ts	6.00%	0.79%	378	0.51	90,720	90,720	0.51	378	0.79%
Contractor's G & A	2.00%	0.26%	126	0.17	30,240	30,240	0.17	126	0.26%
Contractor's Profit	6.00%	0.79%	378	0.51	90,720	97,978	0.55	408	0.86%
Indirect Construction		1.13%	536	0.73	128,702	128,702	0.73	536	1.12%
Ineligible Costs		4.28%	2,037	2.77	488,911	488,911	2.77	2,037	4.27%
Developer's G & A	2.00%	1.53%	729	0.99	175,022	0	0.00	0	0.00%
Developer's Profit	13.00%	9.97%	4,740	6.44	1,137,643	1,317,187	7.45	5,488	11.51%
Interim Financing		2.30%	1,094	1.49	262,514	262,514	1.49	1,094	2.29%
Reserves		3.01%	1,433	1.95	343,974	343,974	1.95	1,433	3.01%
TOTAL COST		100.00%	$47,549	$64.57	$11,411,647	$11,445,321	$64.77	$47,689	100.00%
Recap-Hard Construction Costs		*16.43%*	***$7,812***	***$10.61***	***$1,874,881***	***$1,904,033***	***$10.77***	***$7,933***	*16.64%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
Newman Capital	61.34%	$29,167	$39.61	$7,000,000	$7,000,000	$5,990,329	Developer Fee Available
Cash from Operations	3.51%	$1,667	$2.26	400,000	400,000	400,000	$1,312,665
LIHTC Syndication Proceeds	27.90%	$13,266	$18.02	3,183,808	3,183,808	3,187,507	% of Dev. Fee Deferred
Deferred Developer Fees	7.55%	$3,591	$4.88	861,731	861,731	1,867,485	142%
Additional (excess) Funds Required	-0.30%	($141)	($0.19)	(33,892)	(218)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$11,411,647	$11,445,321	$11,445,321	$1,318,814

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Empire Village Apartments, Pasadena, 4% LIHTC #03421

PAYMENT COMPUTATION

Primary	$7,000,000	Term	360
Int Rate	7.00%	DCR	0.94

Secondary	$400,000	Term	
Int Rate	0.00%	Subtotal DCR	0.94

Additional	$3,183,808	Term	
Int Rate		Aggregate DCR	0.94

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$478,246
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$47,804

Primary	$5,990,329	Term	360
Int Rate	7.00%	DCR	1.10

Secondary	$400,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	$3,183,808	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

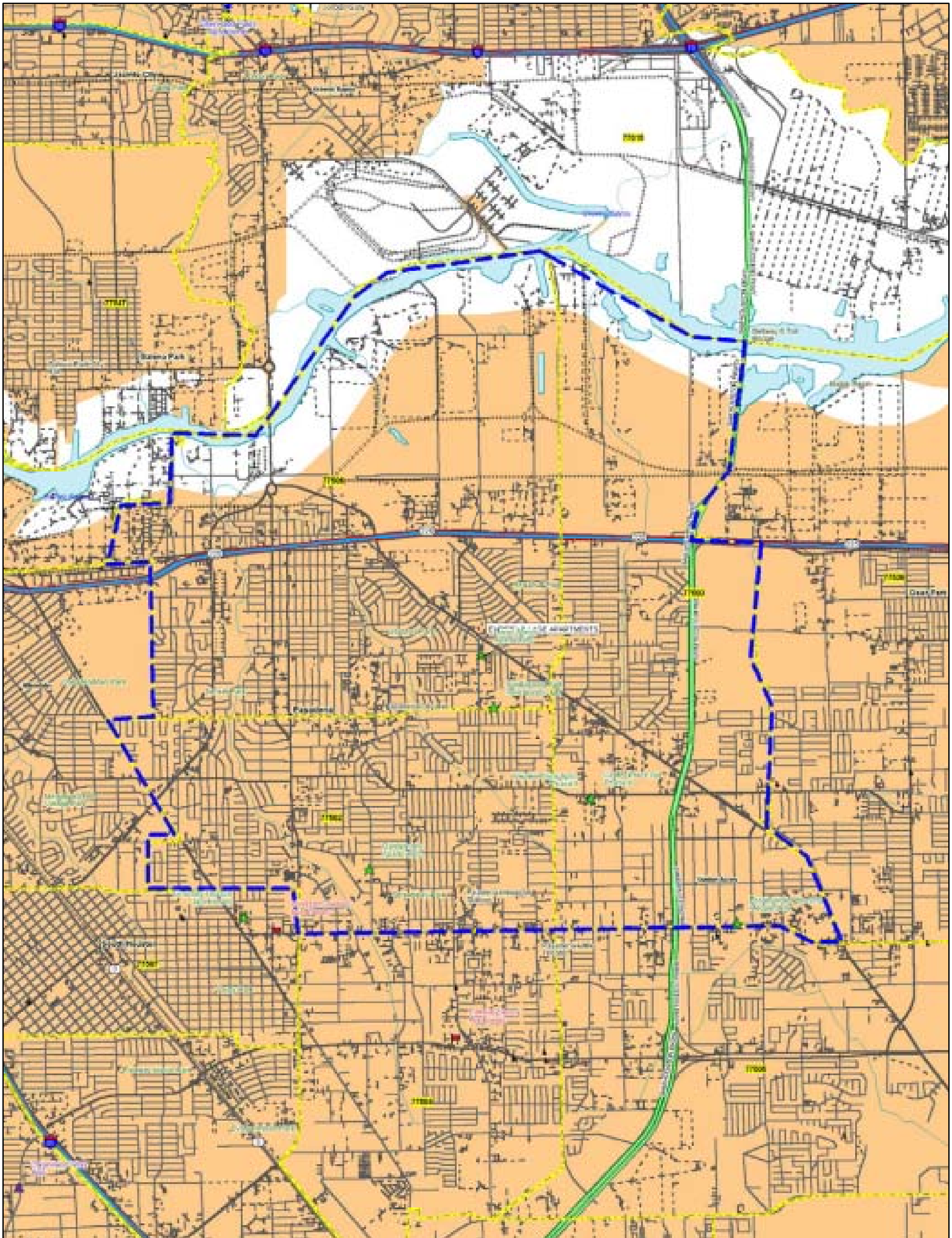
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	$1,566,389	$1,613,380	$1,661,782	$1,711,635	$1,762,984	$2,043,782	$2,369,304	$2,746,672	$3,691,298
Secondary Income	38,880	40,046	41,248	42,485	43,760	50,730	58,809	68,176	91,623
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,605,269	1,653,427	1,703,030	1,754,121	1,806,744	2,094,512	2,428,113	2,814,849	3,782,921
Vacancy & Collection Loss	(120,395)	(124,007)	(127,727)	(131,559)	(135,506)	(157,088)	(182,108)	(211,114)	(283,719)
Employee or Other Non-Rental Ur	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,484,874	$1,529,420	$1,575,302	$1,622,562	$1,671,238	$1,937,423	$2,246,005	$2,603,735	$3,499,202
EXPENSES at 4.00%									
General & Administrative	$61,307	$63,759	$66,310	$68,962	$71,721	$87,259	$106,164	$129,165	$191,195
Management	74,244	76,471	78,765	81,128	83,562	96,871	112,300	130,187	174,960
Payroll & Payroll Tax	208,088	216,411	225,068	234,071	243,433	296,174	360,341	438,410	648,954
Repairs & Maintenance	113,024	117,545	122,247	127,137	132,222	160,869	195,721	238,125	352,483
Utilities	69,358	72,132	75,017	78,018	81,139	98,717	120,105	146,126	216,302
Water, Sewer & Trash	119,844	124,638	129,623	134,808	140,201	170,575	207,531	252,493	373,752
Insurance	84,905	88,301	91,833	95,507	99,327	120,846	147,028	178,882	264,789
Property Tax	142,454	148,153	154,079	160,242	166,651	202,757	246,685	300,130	444,266
Reserve for Replacements	72,000	74,880	77,875	80,990	84,230	102,478	124,681	151,693	224,543
Other	13,600	14,144	14,710	15,298	15,910	19,357	23,551	28,653	42,414
TOTAL EXPENSES	$958,824	$996,434	$1,035,527	$1,076,160	$1,118,396	$1,355,905	$1,644,107	$1,993,864	$2,933,657
NET OPERATING INCOME	$526,050	$532,985	$539,775	$546,401	$552,843	$581,519	$601,898	$609,871	$565,545
DEBT SERVICE									
First Lien Financing	$478,246	$478,246	$478,246	$478,246	$478,246	$478,246	$478,246	$478,246	$478,246
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	$47,804	$54,740	$61,530	$68,155	$74,597	$103,273	$123,652	$131,625	$87,299
DEBT COVERAGE RATIO	1.10	1.11	1.13	1.14	1.16	1.22	1.26	1.28	1.18

LIHTC Allocation Calculation - Empire Village Apartments, Pasadena, 4% LIHTC #03421

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	$514,000	$515,000				
Purchase of buildings	$6,486,000	$6,485,000	$6,486,000	$6,485,000		
(2) Rehabilitation/New Construction Cost						
On-site work	$125,404	$125,404			$125,404	$125,404
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	$1,386,597	$1,386,597			$1,386,597	$1,386,597
(4) Contractor Fees & General Requirements						
Contractor overhead	$30,240	$30,240			$30,240	$30,240
Contractor profit	$97,978	$90,720			$90,720	$90,720
General requirements	$90,720	$90,720			$90,720	$90,720
(5) Contingencies	$173,094	$151,200			$151,200	$151,200
(6) Eligible Indirect Fees	$128,702	$128,702			$128,702	$128,702
(7) Eligible Financing Fees	$262,514	$262,514			$262,514	$262,514
(8) All Ineligible Costs	$488,911	$488,911				
(9) Developer Fees			$972,900	$972,750	$339,915	$339,915
Developer overhead		$175,022				
Developer fee	$1,317,187	$1,137,643				
(10) Development Reserves	$343,974	$343,974				
TOTAL DEVELOPMENT COSTS	$11,445,321	$11,411,647	$7,458,900	$7,457,750	$2,606,012	$2,606,012

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			$7,458,900	$7,457,750	$2,606,012	$2,606,012
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			$7,458,900	$7,457,750	$3,387,815	$3,387,815
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$7,458,900	$7,457,750	$3,387,815	$3,387,815
Applicable Percentage			3.61%	3.61%	3.61%	3.61%
TOTAL AMOUNT OF TAX CREDITS			$269,266	$269,225	$122,300	$122,300
Syndication Proceeds		**0.8300**	**$2,234,910**	**$2,234,566**	**$1,015,091**	**$1,015,091**
Total Credits (Eligible Basis Method)					**$391,566**	**$391,525**
Syndication Proceeds					**$3,250,001**	**$3,249,657**
Requested Credits					**$384,037**	
Syndication Proceeds					**$3,187,507**	
Gap of Syndication Proceeds Needed					**$5,054,992**	
Credit Amount					**$609,035**	



DELORME

Scale 1 : 68 750

1" = 1.09 mi

0	¼	½	¾	1	mi
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TN

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Zoom Level: 11-5 Datum: WGS84

Developer Evaluation

Project ID # **03421** Name: **Empire Village Apartments** City:

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: 3 Projects grouped by score 0-9 3 10-19 0 20-29 0

Total # monitored with a score less than 30: 3 # 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 ay, August 19, 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 S Roth Date

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 ________ Date ________

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 8 /14/2003

Executive Director: Edwina Carrington **Executed:** day, September 03, 2003

LOW INCOME HOUSING TAX CREDIT PROGRAM

2003 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Willow Park Apartments** TDHCA#: 03422

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Houston	QCT: N	DDA: N	TTC: N
Development Owner:	APV-Fondren Road Apartments, L.P.			
General Partner(s):	APV-Fondren Road GP, LLC, 100%, Contact: Jim Bruner			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond Bond Issuer: Victory Street Public Utility Corp.			
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $615,864 Eligible Basis Amt:$ 653,267 Equity/Gap Amt.: $718,826

Annual Tax Credit Allocation Recommendation: $615,864

Total Tax Credit Allocation Over Ten Years: $ 6,158,640

PROPERTY INFORMATION

Unit and Building Information

Total Units: 260 LIHTC Units: 260 % of LIHTC Units: 100

Gross Square Footage: 256,888 Net Rentable Square Footage: 252,632

Average Square Footage/Unit: 87

Number of Buildings: 10

Currently Occupied: N

Development Cost

Total Cost: $20,712,258 Total Cost/Net Rentable Sq. Ft.: 81.99

Income and Expenses

Effective Gross Income:[1] $1,929,495 Ttl. Expenses: $807,419 Net Operating Inc.: $1,122,076

Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Embrey Management Services
Attorney:	Coats, Rose, Yale, Ryman & lee	Architect:	Chiles Architects
Accountant:	To Be Determined	Engineer:	R. G. Miller Engineers, Inc.
Market Analyst:	O'Connor & Associates	Lender:	Newman Capital
Contractor:	Arbor Construction	Syndicator:	MMA Financial, LLC

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Rodney Ellis, District 13 - NC Rep. Doro Olivo, District 27 - NC Mayor Lee P. Brown - NC Daisy A. Stiner, Director, City of Houston, Housing & Community Development Department; Consistent with the local consolidated plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA").
2. Receipt, review, and acceptance of executed PILOT agreements or confirmation of the property's tax exemption from each of the taxing entities with jurisdiction over the subject prior to issuance of a determination notice.
3. Receipt, review, and acceptance of a third party detailed cost breakdown for all off-site costs, certified by an engineer.
4. Acceptance of the potential mandatory redemption of $460,000 in bonds resulting from a likely debt service maximum of $1,024,005.
5. Should the terms of the proposed debt or syndication change or the PILOT of the tax exemption be continued, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

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

Other Comments including discretionary factors (if applicable).

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

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

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

Other Comments including discretionary factors (if applicable).

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

Date

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

Chairperson Signature:

Michael E. Jones, Chairman of the Board

Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: September 1, 2003 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 03422

DEVELOPMENT NAME

Willow Park Apartments

APPLICANT

Name:	APV-Fondren Road Apartments, L.P.	**Type:**	For Profit w/ Non-profit General Partner		
Address:	2640 Fountainview, suite 409	**City:**	Houston	**State:**	TX
Zip:	77057 **Contact:** Ernest Etuk	**Phone:**	(713) 260-0502	**Fax:**	(713) 260-0805

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	APV-Fondren Road GP, LLC	**(%):**	.01	**Title:**	Managing General Partner
Name:	APV Redevelopment Corporation	**(%):**	.01	**Title:**	Sole member of G.P.
Name:	Housing Authority of the City of Houston	**(%):**	N/A	**Title:**	Affiliate of G.P.
Name:	Embry Partners, Ltd.	**(%):**	N/A	**Title:**	Fee Developer

PROPERTY LOCATION

Location:	14001 Fondren	☐ **QCT**		☐ **DDA**	
City:	Houston	**County:**	Fort Bend	**Zip:**	77489

REQUEST

Amount	Interest Rate	Amortization	Term
$615,864	N/A	N/A	N/A

Other Requested Terms: Determination of annual low-income housing tax credits.

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $615,864 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of executed PILOT agreements or confirmation of the property's tax exemption from each of the taxing entities with jurisdiction over the subject prior to issuance of a determination notice;
2. Receipt, review, and acceptance of a third party detailed cost breakdown for all off-site costs, certified by an engineer;
3. Acceptance of the potential mandatory redemption of $460,000 in bonds resulting from a likely debt service maximum of $1,024,005;
4. Should the terms and rates of the proposed debt or syndication change or the Pilot or the tax exemption be continued, 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: 260 **# Rental Buildings** 10 **# Common Area Bldngs** 1 **# of Floors** 3 **Age:** N/A yrs **Vacant:** N/A

Net Rentable SF: 252,632 **Av Un SF:** 972 **Common Area SF:** 4,256 **Gross Bldg SF:** 256,888

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 40% hardiplank siding and 60% hardipanel siding with stucco finish exterior wall covering with wood trim, drywall interior wall surfaces, and 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, cable and internet connections, ceiling fans, laminated counter tops, individual water heaters

ON-SITE AMENITIES

4,256 SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, and a computer/business center. A swimming pool and an equipped children's play area are located in the center of the property. In addition a sports courts and perimeter fencing with limited access gates are also planned for the site.

Uncovered Parking: 412 spaces **Carports:** 130 spaces **Garages:** 6 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Willow Park Apartments will be a relatively dense (18 units per acres) new development of 260 units of affordable housing located in southwest Houston. The development is comprised of 10 evenly distributed, large, garden style, walk-up, low-rise residential buildings as follows:

- (2) Building Type I with 12 one-bedroom/ one-bath units, 12 two- bedroom/ two-bath units, and 8 three-bedroom/ two-bath units;
- (3) Building Type II with 12 two-bedroom/ one-bath units, 12 two- bedroom/ two-bath units, and 8 three - bedroom/ two-bath units;
- (5) Building Type III with 12 two-bedroom/ two-bath units, and 8 three- bedroom/ two-bath units.

Architectural Review: The general appearances of the proposed apartments is attractive, with a roofline combining hips and gables, planked and stucco exterior walls and some ornamentation around window sills and entry ways. Each of the unit plans appear to be well laid with bedrooms of an adequate size, a sufficient number of windows, and a sufficient number of closets in each floor plan.

Supportive Services: The Applicant has entered into a five-year contract with Texas Inter-Faith Management Corporation for the provision of supportive services. Supportive services will be offered from among team sports for children and youth, drug and alcohol awareness, gang prevention and fire prevention classes, self-esteem courses, neighborhood and family classes, cooking, ESL, and computer literacy classes, job training, mentoring and tutoring, bingo parties, dances and dinners, bus services to grocery stores and shopping centers, and consultation and advice pertaining to other social assistance available in the community.

Schedule: The Applicant anticipates construction to begin in November of 2003 and to be completed in July of 2005. The development should be placed in service in August of 2005 and substantially leased-up in August of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 14.141 acres 615,982 square feet **Zoning/ Permitted Uses:** Unzoned

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the southwest area of Houston, approximately 14 miles from the central business district. The site is situated on the east side of Fondren Road, south of Beltway 8.

Adjacent Land Uses:

- **North:** Vacant land "restricted to commercial use," and Beltway 8;
- **South:** Sand pit and radio tower;
- **East:** Offices of Kinder-Morgan Pipeline (light industrial);
- **West:** Land under development as a fast food resaurant and gas station at the northwest corner, and Fondren Road along western property line.

Site Access: The development is to have one main entry from the east along Fondren Road. Access to Beltway 8 is within $1/10^{th}$ mile north, which provides connections to all other major roads serving the Houston area.

Public Transportation: According to the market study, a METRO bus system Park and Ride facility is located immediately across Beltway 8 to the north of the property.

Shopping & Services: The site is within 2 miles major grocery stores, schools and libraries. Pharmacies, shopping centers, churches, hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on August 11, 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 May, 2003 was prepared by Berg Oliver Associates, Inc. and contained the following findings and recommendations:

Findings: "This assessment has revealed no evidence of recognized environmental conditions in connection with the property (p. 2)."

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although, as a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

A market feasibility study dated July 15, 2003 was prepared by Patrick O'Conner & Associates, L.P. and highlighted the following findings:

Definition of Primary Market Area: "For the purposes of this report, the subject's primary market area is delineated by South Braeswood Boulevard to the north, the Southwest Freeway and Dulles Avenue to the west, South Post Oak Road to the east, and Cartwright Road/FM2234 to the west, and Clear Creek and

Hobby Airport on the south. This geographic area essentially is contained within the following zip codes: 77031, 77035, 77071, 77085, 77477, and 77489 (p. 18)."

"The subject's secondary market is defined as that area within the primary market area plus zip codes 77053 and 77096. This area is slightly larger than the subject's primary market area and is heavily influenced by the same factors as the primary market. As the subject's secondary market is only slightly larger than the primary market, the apartment analysis for the primary market is also applicable to the secondary market. Specifically, the discussion of average rents, occupancies, and absorption for the primary market are applicable to the secondary market (p. 10)."

Population: The estimated 2003 population of the primary market area was 156,679 and is expected to increase by 2.45% annually to approximately 175,866 by 2008. Within the primary market area there were estimated to be 53,742 households in 2003.

Total Primary Market 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	115	0%	115	4%
Resident Turnover	2,288	100%	2,288	87%
Other Sources: 10 yrs pent-up demand	240	0%	240	9%
TOTAL ANNUAL DEMAND	2,643	**100%**	2,643	**100%**

Ref: p. 5

Inclusive Capture Rate: "The subject property will feature 260 total units. Thus based on our analysis, there are 548 units (including the subject) that are under construction, approved, proposed, or unstabilized in the subject's primary market area which are in direct competition with the subject. As indicated earlier, there are approximately 2,643 potential households based on income eligibility, housing preference, and taking into consideration the typical turnover rate in the subject's primary market. Capture rate for 548 proposed units: 20.73% (p. 70)."

Local Housing Authority Waiting List Information: "The waiting list for local Section 8 vouchers was closed in 1994, when the list had grown to more than 26,000 households. According to a September 2000 article in the Houston Chronicle, the waiting list for Section 8 vouchers is approximately six years (p.)."

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 1,239 units in the market area (pp.48-65)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (50%)	$521	$521	$0	$680	-$159
2-Bedroom (50%)	$625	$625	$0	$835	-$210
3-Bedroom (50%)	$720	$720	$0	$975	-$255

(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)

Primary Market Occupancy Rates: "The average occupancy in the subject's primary market area was reported at 92.22%. Occupancy rates and rental rates in this area have remained strong over the past few years, with consistent gradual increases in rental rates, while occupancies have increased slightly in recent months but remain strong. Occupancies and rents in the area appear to have been affected by overall softer market conditions, but have remained reasonably stable due to the low level of new construction over the past several years (p. 10)."

Absorption Projections: "Absorption in the subject's primary market area over the past eight quarters ending June 2003 totals negative 155 units. Absorption has been positive four out of the past eight quarters… The limited amount of new product in that entered the market over the past year appears to be successfully absorbed. Based on our research, most projects that are constructed in the Houston area typically lease up within 12 months (p. 12)."

Known Planned Development: "To the best of our knowledge, there are two proposed LIHTC projects in which applications will be filed with the TDHCA located within the subjects secondary market area. However, these projects in the secondary market area have not yet been approved. According to the TDHCA LIHTC Reference Manual, there are five existing LIHTC projects in the subject's primary market area and two additional projects in the subject's secondary market (p. 22)."

Effect on Existing Housing Stock: "Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration (p. 12)."

The Underwriter found the market study to be acceptable.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are consistent with the maximum rents allowed under LIHTC guidelines.

The Applicant's estimate of secondary income from vending, late fees, and the rental of washer and dryer units, storage space, and garages and carport results in in projected income of $26.96 per unit per month. For secondary income the Underwriter used $23.94 per unit per month, which represents TDHCA's database average of secondary income properties in the Houston area.

The Applicant further utilized a lower unsubstantiated vacancy and collection loss rate of 5% that contributed to the $61,101 (3%) higher gross income estimate than the Underwriter's estimate.

Expenses:

The Applicant's total expense estimate of $742,344 per unit is within 8% of TDHCA's database-derived estimate of $807,419. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative expenses which are $63,056, less than TDHCA's estimate.

Total estimated expenses of $3,105 per unit are less than typical, primarily due to the management company's lower-than-market fees of 4% of effective gross income, and due to property tax exemptions eligible to the Housing Authority of the City of Houston. Although the property is expected to be tax-exempt, the applicant has included historic tax expenses as a proforma operating expense, contemplating the possibility that the ownership entity might enter into agreements for payments in lieu of taxes (or "PILOT" agreements) with the various taxing entities. The provision of executed PILOT agreements or the confirmation of the property's tax exemption from the taxing entities in Fort Bend County prior to TDHCA's issuance of a determination notice is a condition of this report.

Conclusion: The Applicant's estimated income and total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

Due to the differences in effective gross income and expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.06 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project is estimated to be $1,024,005, annually, resulting in a maximum loan amount of approximately $14,400,000, for the project to be considered feasible. A mandatory redemption of bonds to this level is likely.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 28.49 acres	$936,820 (approx.)	**Assessment for the Year of:**	2002
		Valuation by:	Fort Bend County Appraisal District
Prorated Assessed Value:	$460,229 (approx.)	**Tax Rate:**	$2.87624

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Purchase And Sale Agreement		
Contract Expiration Date:	10/ 10/ 2003	**Anticipated Closing Date:**	10/ 10/ 2003
Acquisition Cost:	$1,063,197	**Other Terms/Conditions:**	
Seller:	Fondren Beltway 8, Ltd.	**Related to Development Team Member:**	Yes

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: In an agreement between HACH and Embry Partners, dated July 22, 2003, the acquisition price of the land was determined to be the amount necessary to reimburse Embry Partners for the purchase of the land, plus property taxes and eight percent interest during the holding period, resulting in a final cost of approximately $1,063,197 to acquire the property. Neither of the stipulations for reimbursement of property taxes or payment of eight percent interest during the holding period are unreasonable, and the original purchase price and closing costs of $1,020,297.50 have been documented through a closing statement which represents an arms-length transaction with an unrelated seller. The acquisition cost, therefore, appears to be reasonable. Out of the 19.996 acres being purchased, HACH intends to convey 14.141 acres to the limited partnership through a 55-year ground lease. The ground lease will call for an initial payment of approximately $1,063,197 to HACH, which will be passed through to Embry Partners for the purchase of the property. Annual rental payments for the ground lease will be waived as long as the property is operated in accordance with a regulatory and operating agreement imposed by HACH. Although HACH is only transferring 71% of the purchased acreage to the limited partnership, HACH is also providing subordinate financing in the amount of $346,000 (33% of the acquisition cost) specifically for the purchase of the excess land. Both the cost of acquiring the excess land and the subordinate financing could be deducted from the sources and uses without any significant bearing on the transaction, but the Underwriter has left them in as proposed by the Applicant for ease of comparison.

Off-Site Costs: The Applicant claimed off-site costs of $297,000 for the extension of sanitary sewerage lines and a pump station, and did not provided a third party engineering cost certification to justify these costs however the engineers statement included one line item identified as “off site utilities” for a total of $297,000. The form itself requires more detail to describe the proposed activities and detailed unit costs. Receipt, review, and acceptance of a third party engineering off-site cost certification are a condition of this report.

Sitework Cost: The Applicant’s claimed sitework costs of $7,129 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant’s direct construction cost estimate is $98,359 or 1% higher than the Underwriter’s Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted. The Applicant’s direct construction estimates included costs associated with the construction of garages, carports, storage units, and washers and dryers for rent to residents over and above the maximum program rents. Because the Applicant included such costs in its calculation of eligible basis, the Underwriter did so as well. However, at some point in the development process the Applicant may have to resolve the discrepancy in some way by not charging rents for garages, carports, and storage, ensuring that the rents charged are below programmatic maximum rental rates, or excluding any ineligible costs from eligible basis at the time of cost-certification. Because the Applicant’s projection of the secondary income provided by these auxiliary facilities ($26.96 per unit per month) is not significantly higher than TDHCA’s database estimate of secondary income for comparable properties in the Houston area ($23.94 per unit per month) which do not necessarily have such facilities, the Underwriter determined that the project could reasonably be expected to operate should the Applicant choose to keep such costs in eligible basis. If the Applicant decided to exclude such costs from eligible basis, it appears at this point in time that there will be enough flexibility between the final calculation of tax credits and the sources of funds that any resulting gap would not be of paramount concern.

Ineligible Costs: In addition to the ineligible costs mentioned above for garages, carpots, storage areas and washers and dryers, the Applicant incorrectly included $108,000 in marketing costs 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 Applicant included in eligible basis the partial amount of tax counsel and underwriting fees for the bonds, which are attributable to the construction period of the loan.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are within the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above now exceed the maximum by approximately $43,423. Likewise, the developer's fee exceeds the maximum by $55,639.

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, would be used to calculate eligible basis and determine the LIHTC allocation. However, because of the Applicant's use of a lower applicable percentage estimate, the Applicant's request for tax credits is lower than the eligible tax credits calculated by the Underwriter.

FINANCING STRUCTURE

INTERIM CONSTRUCTION FINANCING

Source: JP Morgan Chase **Contact:** Ken Overshiner

Principal Amount: $14,860,000 **Interest Rate:** 1.00%

Additional Information: Construction Letter of Credit

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

PERMANENT FINANCING

Source: Newmann Capital **Contact:** Jerry Wright

Principal Amount: $14,860,000 **Interest Rate:** 6.6% (5.6% during construction)

Additional Information:

Amortization: 40 yrs **Term:** 32 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $1,056,716 **Lien Priority:** 1st **Commitment Date** 06/ 24/ 2003

LIHTC SYNDICATION

Source: MMA Financial **Contact:** Marie Keutmann

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

State: Mass. **Zip:** 02110 **Phone:** (617) 439-3911 **Fax:** (617) 439-9978

Net Proceeds: $5,111,000 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 83¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 07/ 21/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $417,432 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The transaction is proposed to be financed through the issuance of tax-exempt bonds. While a firm financing commitment has not been issued, preliminary terms proposed by Newman Capital are consistent with the terms reflected in the sources and uses listed in the application. In particular, the term of the loan include an interest rate of approximately 6.60% and an amortization period of 40 years, with the debt maturing in 32 years.

Subordinate Financing: A subordinate loan in the amount of $346,000 will be provided by HACH. The loan terms call for a non-interest-bearing loan, with no payments due until maturity at the end of 50 years. The purpose of this financing is largely to pay for excess acrage purchased from the developer, but which will not become part of the project (See discussion of site acquisition costs, above).

LIHTC Syndication: MMA Financial, LLC has issued a letter indicating the proposed terms under which it would become an equity investor in the Applicant's limited partnership. According to the letter, MMA would provide $5,111,000 in equity at a rate of $0.83 per tax credit.

Deferred Developer's Fees: In it's application, the Applicant included the deferral of $417,432 in developer's fees as a source of funds. The Underwriter estimates that the developer may need to defer up to $855,258 in developer's fees in order to cover the gap between sources and uses of funds. According to the Underwriter's projections, the project should be able to pay back any deferred developer's fees within ten years.

Financing Conclusions: With the exception that the Underwriter finds that the primary loan amount may have to be reduced in order to achieve a DCR of 1.10, thus necessitating deferring an additional portion of the developer's fee, the proposed sources of financing are found to be reasonable and acceptable.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Developer, Embry Partners, Ltd. was selected by HACH to develop the subject project after responding to a request for proposals from HACH for development services. The development is to be owned by a limited partnership controlled by a non-profit affiliate, organized and established by HACH. Embry Partners will act as the Developer, General Contractor, and Property Manager which are all common relationships for LIHTC-funded developments. Although the seller of the property to the limited partnership is also the Developer of the project, this would not be considered a conflict of interests as this is the specific function for which the Developer has been retained. The Developer's acquisition of the property from an unrelated seller was also an arms-length transaction.

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.
- APV Redevelopment Company and the Housing Authority of the City of Houston submitted audited financial statement as of December 31, 2002 reporting total assets of $175,237,044 and consisting of $5,691,863 in cash, $3,372,661 in receivables, $18,015,500 in investments, and $5,410,454 in other assets. Liabilities totaled $22,344,975, resulting in a net worth of $152,892,069.
- Embry Partners, the Developer, submitted audited financial statements as of December 31, 2002 reporting total assets of $10,107,824 and consisting of $1,435,351 in cash, $7,217,642 in receivables, $744,579 in other assets. Liabilities totaled $5,204,741, resulting in a net worth of $4,903,083.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- APV Redevelopment Corporation, the principal of the General Partner of the Applicant, has completed four (4) LIHTC, affordable housing developments totaling 560 units since 1996, and has 2 projects currently pending.
- Embry Partners, the Developer and General Contractor, has completed two (2) LIHTC, affordable housing developments totaling 390 units since 1999, and has developed and built other conventional housing developments.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The seller of the property has an identity of interest with the Applicant.
- Significant inconsistencies or omissions (tax exempt status, off site costs) in the application could affect the financial feasibility of the project.

Underwriter:	*Stephen Apple*	**Date:**	September 1, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	September 1, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Willow Park Apartments, Houston (Fort Bend County), 4% LIHTC #03422

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC 50%	24	1	1	664	$558	$521	$12,504	$0.78	$37.00	$24.00
TC 50%	36	2	1	906	670	625	22,500	0.69	45.00	30.00
TC 50%	120	2	2	954	670	625	75,000	0.66	45.00	30.00
TC 50%	80	3	2	1,120	775	720	57,600	0.64	55.00	36.00
TOTAL:	260		**AVERAGE:**	972	$692	$645	$167,604	$0.66	$47.34	$31.29

INCOME	Total Net Rentable Sq Ft: 252,632		TDHCA	APPLICANT		USS Region	6
POTENTIAL GROSS RENT			$2,011,248	$2,011,248		IREM Region	Houston
Secondary Income	Per Unit Per Month:	$23.94	74,693	84,120	$26.96	Per Unit Per Month	
Other Income:			0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME			$2,085,941	$2,095,368			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(156,446)	(104,772)	-5.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$1,929,495	$1,990,596			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.24%	$389	0.40	$101,056	$38,000	$0.15	$146	1.91%
Management		4.07%	302	0.31	78,619	$79,624	0.32	306	4.00%
Payroll & Payroll Tax		12.87%	955	0.98	248,258	$230,000	0.91	885	11.55%
Repairs & Maintenance		4.83%	358	0.37	93,139	$96,620	0.38	372	4.85%
Utilities		1.95%	145	0.15	37,662	$29,000	0.11	112	1.46%
Water, Sewer, & Trash		5.06%	376	0.39	97,632	$119,100	0.47	458	5.98%
Property Insurance		2.75%	204	0.21	53,053	$52,000	0.21	200	2.61%
Property Tax	2.88	0.93%	69	0.07	18,000	$18,000	0.07	69	0.90%
Reserve for Replacements		2.70%	200	0.21	52,000	$52,000	0.21	200	2.61%
Support. Serv. & Compl. Fees		1.45%	108	0.11	28,000	$28,000	0.11	108	1.41%
TOTAL EXPENSES		41.85%	$3,105	$3.20	$807,419	$742,344	$2.94	$2,855	37.29%
NET OPERATING INC		58.15%	$4,316	$4.44	$1,122,076	$1,248,252	$4.94	$4,801	62.71%
DEBT SERVICE									
First Lien Mortgage		54.77%	$4,064	$4.18	$1,056,716	$1,061,183	$4.20	$4,081	53.31%
Trustee Fee		0.00%	$0	$0.00			$0.00	$0	0.00%
TDHCA Admin. Fees		0.00%	$0	$0.00			$0.00	$0	0.00%
Asset Oversight Fees		0.00%	$0	$0.00			$0.00	$0	0.00%
NET CASH FLOW		3.39%	$251	$0.26	$65,360	$187,069	$0.74	$719	9.40%
INITIAL AGGREGATE DEBT COVERAGE RATIO					1.06	1.18			
INITIAL BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO					1.06				
RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO					1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		5.04%	$4,089	$4.21	$1,063,197	$1,063,197	$4.21	$4,089	5.13%
Off-Sites		1.41%	1,142	1.18	297,000	297,000	1.18	1,142	1.43%
Sitework		8.78%	7,129	7.34	1,853,500	1,853,500	7.34	7,129	8.95%
Direct Construction		45.38%	36,855	37.93	9,582,399	9,680,758	38.32	37,234	46.74%
Contingency	3.39%	1.84%	1,492	1.54	387,916	387,916	1.54	1,492	1.87%
General Req'ts	6.00%	3.25%	2,639	2.72	686,154	691,500	2.74	2,660	3.34%
Contractor's G & A	2.00%	1.08%	880	0.91	228,718	230,500	0.91	887	1.11%
Contractor's Profit	6.00%	3.25%	2,639	2.72	686,154	691,500	2.74	2,660	3.34%
Indirect Construction		4.82%	3,913	4.03	1,017,386	913,430	3.62	3,513	4.41%
Ineligible Costs		5.87%	4,766	4.91	1,239,232	1,239,232	4.91	4,766	5.98%
Developer's G & A	2.00%	1.49%	1,210	1.25	314,576	0	0.00	0	0.00%
Developer's Profit	13.00%	9.68%	7,864	8.09	2,044,744	2,377,155	9.41	9,143	11.48%
Interim Financing		6.09%	4,948	5.09	1,286,570	1,286,570	5.09	4,948	6.21%
Reserves		2.02%	1,640	1.69	426,379	0	0.00	0	0.00%
TOTAL COST		100.00%	$81,207	$83.58	$21,113,925	$20,712,258	$81.99	$79,663	100.00%
Recap-Hard Construction Costs		*63.58%*	***$51,634***	***$53.14***	***$13,424,841***	***$13,535,674***	***$53.58***	***$52,060***	*65.35%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
Tax-Exempt Bonds	70.38%	$57,154	$58.82	$14,860,000	$14,860,000	$14,400,000	Developer fee Avalable
Cityof Houston	1.64%	$1,331	$1.37	346,000	346,000	346,000	$2,359,320
LIHTC Syndication Proceeds	24.21%	$19,658	$20.23	5,111,000	5,111,000	5,111,000	% of Dev. Fee Deferred
Deferred Developer Fees	1.98%	$1,606	$1.65	417,432	417,432	855,258	36%
Additional (excess) Funds Required	1.80%	$1,460	$1.50	379,493	(22,174)	0	15 yr cumulative cash flow
TOTAL SOURCES				$21,113,925	$20,712,258	$20,712,258	$4,327,770.67

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Willow Park Apartments, Houston (Fort Bend County), 4% LIHTC #03422

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$41.63	$10,517,731
Adjustments				
Exterior Wall Finish	0.00%		$0.00	$0
Elderly	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(0.79)	(200,271)
Floor Cover			1.92	485,053
9' cielings	$1.25	252,632	1.25	315,532
Plumbing	$615	600	1.46	369,000
Built-In Appliances	$1,625	260	1.67	422,500
Rental Washers & Dryers	$600	90	0.21	54,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	371,369
Garages/Storage	$13.51	2,832	0.15	38,260
Comm &/or Aux Bldgs	$57.91	4,256	0.98	246,454
Carports	$7.83	26,000	0.81	203,580
SUBTOTAL			50.76	12,823,209
Current Cost Multiplier	1.03		1.52	384,696
Local Multiplier	0.89		(5.58)	(1,410,553)
TOTAL DIRECT CONSTRUCTION COSTS			$46.70	$11,797,352
Plans, specs, survy, bld prm	3.90%		($1.82)	($460,097)
Interim Construction Interes	3.38%		(1.58)	(398,161)
Contractor's OH & Profit	11.50%		(5.37)	(1,356,695)
NET DIRECT CONSTRUCTION COSTS			$37.93	$9,582,399

PAYMENT COMPUTATION

Primary	$14,860,000	Term	480
Int Rate	6.60%	DCR	1.06

Secondary		Term	
Int Rate		Subtotal DCR	1.06

All-In		Term	
Rate		Aggregate DCR	1.06

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$1,024,005
Trustee Fee	0
TDHCA Admin. Fees Asset Oversight Fe	0
NET CASH FLOW	$98,071

Primary	$14,400,000	Term	480
Int Rate	6.60%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.10

All-In		Term	
Rate		Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,011,248	$2,071,585	$2,133,733	$2,197,745	$2,263,677	$2,624,222	$3,042,193	$3,526,736	$4,739,638
Secondary Income	74,693	76,934	79,242	81,619	84,067	97,457	112,980	130,974	176,018
Other Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,085,941	2,148,519	2,212,975	2,279,364	2,347,745	2,721,680	3,155,173	3,657,710	4,915,656
Vacancy & Collection Loss	(156,446)	(161,139)	(165,973)	(170,952)	(176,081)	(204,126)	(236,638)	(274,328)	(368,674)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,929,495	$1,987,380	$2,047,002	$2,108,412	$2,171,664	$2,517,554	$2,918,535	$3,383,382	$4,546,982
EXPENSES at 4.00%									
General & Administrative	$101,056	$105,098	$109,302	$113,674	$118,221	$143,834	$174,996	$212,910	$315,158
Management	78,619	80,977	83,407	85,909	88,486	102,580	118,918	137,859	185,270
Payroll & Payroll Tax	248,258	258,188	268,516	279,257	290,427	353,349	429,903	523,042	774,231
Repairs & Maintenance	93,139	96,865	100,739	104,769	108,960	132,566	161,287	196,230	290,468
Utilities	37,662	39,169	40,736	42,365	44,060	53,605	65,219	79,349	117,456
Water, Sewer & Trash	97,632	101,537	105,599	109,823	114,216	138,961	169,067	205,696	304,480
Insurance	53,053	55,175	57,382	59,677	62,064	75,511	91,870	111,774	165,453
Property Tax	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Reserve for Replacements	52,000	54,080	56,243	58,493	60,833	74,012	90,047	109,556	162,170
Other	28,000	29,120	30,285	31,496	32,756	39,853	48,487	58,992	87,322
TOTAL EXPENSES	$807,419	$838,930	$871,677	$905,710	$941,079	$1,139,890	$1,380,964	$1,673,331	$2,458,145
NET OPERATING INCOME	$1,122,076	$1,148,450	$1,175,324	$1,202,701	$1,230,584	$1,377,664	$1,537,570	$1,710,051	$2,088,837
DEBT SERVICE									
First Lien Mortgage	$1,024,005	$1,024,005	$1,024,005	$1,024,005	$1,024,005	$1,024,005	$1,024,005	$1,024,005	$1,024,005
Trustee Fee	0	0	0	0	0	0	0	0	0
TDHCA Admin. Fees Asset Over	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$98,071	$124,446	$151,320	$178,697	$206,580	$353,659	$513,566	$686,046	$1,064,833
AGGREGATE DCR	1.10	1.12	1.15	1.17	1.20	1.35	1.50	1.67	2.04

LIHTC Allocation Calculation - Willow Park Apartments, Houston (Fort Bend County), 4% LIHTC #0

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,063,197	$1,063,197		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,853,500	$1,853,500	$1,853,500	$1,853,500
Off-site improvements	$297,000	$297,000		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$9,680,758	$9,582,399	$9,680,758	$9,582,399
(4) Contractor Fees & General Requirements				
Contractor overhead	$230,500	$228,718	$230,500	$228,718
Contractor profit	$691,500	$686,154	$691,500	$686,154
General requirements	$691,500	$686,154	$691,500	$686,154
(5) Contingencies	$387,916	$387,916	$387,916	$387,916
(6) Eligible Indirect Fees	$913,430	$1,017,386	$913,430	$1,017,386
(7) Eligible Financing Fees	$1,286,570	$1,286,570	$1,286,570	$1,286,570
(8) All Ineligible Costs	$1,239,232	$1,239,232		
(9) Developer Fees			$2,360,351	
Developer overhead		$314,576		$314,576
Developer fee	$2,377,155	$2,044,744		$2,044,744
(10) Development Reserves		$426,379		
TOTAL DEVELOPMENT COSTS	$20,712,258	$21,113,925	$18,096,025	$18,088,117

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$18,096,025	$18,088,117
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$18,096,025	$18,088,117
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$18,096,025	$18,088,117
Applicable Percentage		3.61%	3.61%
TOTAL AMOUNT OF TAX CREDITS		$653,267	$652,981
Syndication Proceeds	**0.8300**	**$5,422,112**	**$5,419,742**

Total Credits (Eligible Basis Method)	**$653,267**	**$652,981**
Syndication Proceeds	**$5,422,112**	**$5,419,742**
Requested Credits	**$615,864**	
Syndication Proceeds	**$5,111,671**	
Gap of Syndication Proceeds Needed	**$5,966,258**	
Credit Amount	**$718,826**	

Scale: 1 : 100,000 Zoom Level: 11-0 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 4.5°E

Developer Evaluation

Project ID # **03422** Name: **Willow Park** City: **Houston**

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: 7 Projects grouped by score 0-9 7 10-19 0 20-29 0

Total # monitored with a score less than 30: 7 # 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 ay, August 19, 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 S Roth Date 8 /14/2003

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 ______________ Date ______________

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 8 /14/2003

Executive Director: Edwina Carrington **Executed:** day, September 03, 2003

LOW INCOME HOUSING TAX CREDIT PROGRAM

2003 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Longboat Key Apartments** TDHCA#: 03426

DEVELOPMENT AND OWNER INFORMATION

Development Location:	Houston	QCT: N	DDA: N	TTC: N
Development Owner:	Houston Longboat Key Apartments, LP			
General Partner(s):	Houston Longboat Key Apartments I, LLC, 100%, Contact: Paul Ramirez			
Construction Category:	New			
Set-Aside Category:	Tax Exempt Bond Bond Issuer: Houston HFC			
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $634,096 Eligible Basis Amt:$ $673,917 Equity/Gap Amt.: $609,035

Annual Tax Credit Allocation Recommendation: $634,096

Total Tax Credit Allocation Over Ten Years: $ 6,340,960

PROPERTY INFORMATION

Unit and Building Information

Total Units: 272 LIHTC Units: 272 % of LIHTC Units: 100

Gross Square Footage: 259,009 Net Rentable Square Footage: 249,376

Average Square Footage/Unit: 917

Number of Buildings: 16

Currently Occupied: N

Development Cost

Total Cost: $21,196,974 Total Cost/Net Rentable Sq. Ft.: 85.

Income and Expenses

Effective Gross Income:[1] $1,824,574 Ttl. Expenses: $818,213 Net Operating Inc.: $1,006,361

Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Greater Coastal Management Co., LLC
Attorney:	Coats, Rose, Yale, Ryman & lee	Architect:	Hill and Frank Architects
Accountant:	Reznick, Fedder & Silverman	Engineer:	Benchmark Engineering
Market Analyst:	O'Connor & Associates	Lender:	SunAmerica, Inc.
Contractor:	RCI Construction, LLC	Syndicator:	SunAmerica Affordable Housing Partners, Inc.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Mike Jackson, District 11 - NC Rep. Robert E. Talton, District 144 - NC Mayor Lee Brown - NC Daisy A. Stiner, Director, City of Houston, Housing & Community Development Department; Consistent with the local consolidated plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA").
2. Acceptance of the potential mandatory redemption of $620,000 in bonds resulting from a likely debt service maximum of $914,852.
3. 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.

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

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

Other Comments including discretionary factors (if applicable).

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

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

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

Other Comments including discretionary factors (if applicable).

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

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

Chairperson Signature:
Michael E. Jones, Chairman of the Board Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: August 20, 2003 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 03426

DEVELOPMENT NAME

Longboat Key Apartments

APPLICANT

Name:	Houston Longboat Key Apartments, LP	**Type:**	For Profit		
Address:	4900 Woodway Drive, Suite 880	**City:**	Houston	**State:**	TX
Zip:	77056 **Contact:** Paul Ramirez	**Phone:**	(713) 850-7168	**Fax:**	(713) 621-9166

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Houston Longboat Key Apartments I, LLC	**(%):**	0.1	**Title:**	Managing General Partner
Name:	Houston Esperanza	**(%):**	N/A	**Title:**	100% Owner of MGP
Name:	Robinson Capital & Investment, Inc.	**(%):**	N/A	**Title:**	Developer
Name:	Michael Robinson	**(%):**	N/A	**Title:**	100% Owner of Developer

PROPERTY LOCATION

Location: 10100 Block of Windmill Lakes Boulevard. ☐ **QCT** ☐ **DDA**

City: Houston **County:** Harris **Zip:** 77075

REQUEST

Amount	Interest Rate	Amortization	Term
1) $634,096	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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $634,096 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Acceptance of the potential mandatory redemption of $620,000 in bonds resulting from a likely debt service maximum of $914,852.
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

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	272	**# Rental Buildings**	16	**# Common Area Bldngs**	3	**# of Floors**	3	**Age:**	N/A yrs

Net Rentable SF: 249,376 **Av Un SF:** 917 **Common Area SF:** 9,633 **Gross Bldg SF:** 259,009

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 33% stone veneer/67% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

5,433 SF community building with activity room, management offices, fitness facilities, kitchen, restrooms, computer center, swimming pool, equipped children's play area are located at the entrance to/middle of the property. In addition two detached laundry buildings and a mail kiosk with perimeter fencing and limited access gates is also planned for the site

Uncovered Parking: 387 spaces **Carports:** 30 spaces **Garages:** 60 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Longboat Key Apartments is a relatively dense 22 units per acres new construction development of 272 units of affordable income housing located in southeast Houston. The development is comprised of 16 sporadically distributed large and medium garden style walk-up served low-rise residential buildings as follows:

- (2) Building Type A with 24 one-bedroom/ one-bath units;
- (7) Building Type B with 24 two-bedroom/ two-bath units;
- (7) Building Type C with 8 three-bedroom/ two-bath units;

Architectural Review: The building elevations and unit floor plans are attractive and functional.

Supportive Services: Texas Interfaith Management will provide supportive services that will consist of: family skills development, computer training, educational and advancement programs. The services will be optional and the cost of the services is included in the rent.

Schedule: The Applicant anticipates construction to begin in January of 2003 and to be completed in April of 2004. The development should be placed in service in April of 2005 and substantially leased-up in August of 2005.

SITE ISSUES

SITE DESCRIPTION

Size: 12.28 acres 534,917 square feet **Zoning/ Permitted Uses:** No

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located on the southeast line of Windmill Lakes Boulevard, east of Fonville Drive, in Houston, Harris County, Texas. The site is an irregularly-shaped parcel located in the southeast area of Houston. The site is situated on the southeast side of Windmill Lakes Boulevard.

Adjacent Land Uses:

- **North:** lake
- **South:** single-family residences and sports field
- **East:** vacant land
- **West:** vacant land

Site Access: Access to the property is from the northeast or southwest along Windmill Lakes Boulevard. The development is to have one main entry from Windmill Lakes Boulevard. The principal east/west thoroughfares servicing the subject property's market area include Airport Boulevard, Almeda-Genoa road, Fuqua Road, and the Sam Houston Parkway (Beltway 8). The principal north/south thoroughfares include Mykawa road, Telephone Road, Monroe road, Interstate 45, and State Highway 3.

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

Shopping & Services: Shopping convenient to subject property includes Almeda Mall (a regional Mall-approximately one mile to the northeast) and neighborhood shipping and strip centers near the subject property, which is typical for the greater Houston area.

Site Inspection Findings: TDHCA staff performed a site inspection on July 16, 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 July 23, 2003 was prepared by Live Oak Environmental Consultants and contained the following findings and recommendations:

Findings: During the site inspection and through subsequent research and review of appropriate data and records, there were no environmental factors of appreciable risk discovered.

Recommendations: This assessment has revealed no evidence of recognized environmental conditions in connection with the property.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 272 of the units (100% of the total) will be reserved for low-income/elderly tenants. 272 of the units (100%) will be reserved for households earning 50% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$25,020	$28,620	$32,160	$35,760	$38,640	$41,460

MARKET HIGHLIGHTS

A market feasibility study dated July 11, 2003 was prepared by Patrick O'Connor & Associates, L.P. and highlighted the following findings:

Definition of Primary Market Area: "The subjects neighborhood is generally defined as being bound by Airport Boulevard to the north, Highway 3 to the east, the Sam Houston Tollway (South Belt) to the south, and Telephone road to the west. This geographic area is essentially contained within the zip codes which are delineated as the primary market area. These are: 77061,77075,77089,77587, and 77034." (p. 28)

Population: The estimated 2003 population of the Primary Market Area was 133,383 and is expected to increase by 8% to approximately 144,187 by 2008. Within the primary market area there were estimated to be 44,294 households in 2003.

Total Primary Market 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	75	2%	82	3%
Resident Turnover	2,815	89%	3,093	89%
Other Sources: Not Accounted For Above	289	9%	289	8%
TOTAL ANNUAL DEMAND	3,179	**100%**	3,464	**100%**

Ref: p. 66

Inclusive Capture Rate: "Based on our research, there is one affordable housing project (other than the subject property) currently proposed, under construction, approved, or unstabilized in the subject's primary market with a total of 276 units, all of which are rent-restricted. The subject will contain 272 units, of which all 272 units will be rent-restricted. As indicated earlier, there are approximately 3,179 potential households based on income eligibility, housing preference, and taking into consideration the typical turnover rate in the subject's primary market; therefore, the Capture Rate for 548 proposed affordable units would be 17.24%." (p. 67)

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 1,522 units in the market area. (p. 49)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (50%)	$489	$489	$0	$600	-$111
2-Bedroom (50%)	$583	$583	$0	$750	-$167
3-Bedroom (50%)	$670	$670	$0	$875	-$205

(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)

Primary Market Occupancy Rates: "The occupancy of the comparable rentals included in this study range from 87% to 96% (excluding the one project in lease-up), with a median occupancy of 93%." (p. 42)

Absorption Projections: "Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 35-45 units per month until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within six to nine months following completion." (p. 74)

Effect on Existing Housing Stock: "Based on the high occupancy levels of the existing properties in the market, along with the positive recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 74)

The Underwriter found the market study to be acceptable.

OPERATING PROFORMA ANALYSIS

Income: The 2003 rent limits were used by the Applicant in setting the rents. The Applicant stated that tenants will pay water and sewer in this development and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $2,691 per unit is within 11% of a TDHCA database-derived estimate of $3,008 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 ($57.9K lower), utilities ($15.1K lower), insurance ($32.9K lower), property tax ($38.6K lower). The Applicant anticipates entering into a Pilot agreement based on the General Partner's CHDO status. They anticipate the Pilot will allow them to 25% of the full property taxes as has become customary with Harris County developments sponsored by nonprofit organizations. The

Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

Conclusion: The Applicant's estimated expenses and operating income are more than 5% different than the Underwriter's expectations and database-derived estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. When utilizing the Underwriter's estimates, the debt coverage ratio is 1.05 based on the current loan amount, an amount less than the Department's 1.10 allowable minimum. In order to reach the required minimum, the loan amount may need to be reduced by $620,000 to $13,280,000.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: (12.28) acres	$117,700	**Assessment for the Year of:**	2003
Tax Rate:	$1.43198	**Valuation by:**	Harris County Appraisal District

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest Money Contract		
Contract Expiration Date:	12/ 30/ 2003	**Anticipated Closing Date:**	12/ 30/ 2003
Acquisition Cost:	$1,524,875	**Other Terms/Conditions:**	Earnest Money $5,000
Seller:	Windmill Partners, Ltd.	**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.

Sitework Cost: The Applicant's claimed sitework costs of $6,721 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 $253.7K 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 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 $92K.

Conclusion: The Underwriter regards total costs to be understated by $1,211,298 or 6%. 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. As a result an eligible basis of $18,668,068 is used to determine a credit allocation of $673,917 from this method. This exceeds the requested amount of $634,096 which will be multiplied by the syndication rate. 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 FINANCING

Source: SunAmerica, Inc. **Contact:** Michael Fowler

Principal Amount: $13,900,000 **Interest Rate:** 5.6%

Amortization: N/A yrs **Term:** 3 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

BOND/PERMANENT FINANCING

Source: SunAmerica, Inc. **Contact:** Michael Fowler

Principal Amount: $13,900,000 **Interest Rate:** 5.6%

Additional Information: Mortgage Revenue Bonds, Credit Enhanced by AIG SunAmerica, Inc.

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

Annual Payment: $992,241 **Lien Priority:** 1st **Commitment Date** 6/ 23/ 2003

LIHTC SYNDICATION

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

Address: 1 Sun America Center **City:** Century City

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

Net Proceeds: $6,282,301 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 80¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 6/ 23/ 2003

APPLICANT EQUITY

Amount: $1,012,909 **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.

LIHTC Syndication: SunAmerica Affordable Housing, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be $6,282,301 based on a syndication factor of 80%.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,012,909 amount to less than 42% of the total fees.

Financing Conclusions: Based on the Underwriter's estimate of eligible basis, the LIHTC allocation should be limited to $673,917, but since the Applicant's requested credit amount of $634,096 annually for ten years was requested, the lower of the two will be used. This results in syndication proceeds of $5,067,695 or $5,072 less than anticipated by the Applicant. The Underwriter's higher anticipated construction costs further suggests the Applicant's deferred developer fee will exceed the developer fee itself and related party contractor fees will also be deferred to a total of $2,849,279. While this amount of deferral is not projected to be repayable in ten years, it is repayable from cash flow with in fifteen years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Developer, General Contractor and Property Manager 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 and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Owner of the General Partner, Houston Esperanza, Inc. submitted an unaudited financial statement

as of April 15, 2003 reporting total assets of $201K and consisting of $201K in real property. No liabilities were shown resulting in a net worth of $201K.

- The principal of the Developer, Michael Robinson, submitted an unaudited financial statement as of June 10, 2003 and is anticipated to be guarantor of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Michael Robinson, the principal of the Developer, listed participation as Robinson Capital & Investment, Inc. has completed seven LIHTC housing developments totaling 1,444 units since 1995.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's 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.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Carl Hoover*	**Date:**	August 20, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	August 20, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Longboat Key Apartments, Houston, LIHTC #03426

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	Trash Only
TC (50%)	48	1	1	657	$558	$489	$23,472	$0.74	$69.00	$10.62
TC (50%)	168	2	2	930	670	583	97,944	0.63	87.00	10.62
TC (50%)	56	3	2	1,100	775	670	37,520	0.61	105.00	10.62
TOTAL:	272		**AVERAGE:**	917	$672	$584	$158,936	$0.64	$87.53	$10.62

INCOME	Total Net Rentable Sq Ft:	249,376		TDHCA	APPLICANT		USS Region	6
POTENTIAL GROSS RENT				$1,907,232	$1,907,232		IREM Region	Houston
Secondary Income		Per Unit Per Month:	$20.00	65,280	64,248	$19.68	Per Unit Per Month	
Other Support Income: (describe)				0				
POTENTIAL GROSS INCOME				$1,972,512	$1,971,480			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(147,938)	(147,864)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$1,824,574	$1,823,616			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.61%	$377	0.41	$102,444	$44,520	$0.18	$164	2.44%
Management		5.00%	335	0.37	91,229	$93,645	0.38	344	5.14%
Payroll & Payroll Tax		13.80%	926	1.01	251,736	$231,200	0.93	850	12.68%
Repairs & Maintenance		5.18%	347	0.38	$94,484	$127,480	0.51	469	6.99%
Utilities		2.62%	176	0.19	47,736	$32,640	0.13	120	1.79%
Water, Sewer, & Trash		3.28%	220	0.24	59,780	$37,264	0.15	137	2.04%
Property Insurance		2.67%	179	0.20	48,687	$81,600	0.33	300	4.47%
Property Tax	3.11948	3.49%	234	0.26	63,637	$25,000	0.10	92	1.37%
Reserve for Replacements		2.98%	200	0.22	54,400	$54,400	0.22	200	2.98%
Other Expenses:		0.22%	15	0.02	4,080	$4,080	0.02	15	0.22%
TOTAL EXPENSES		44.84%	$3,008	$3.28	$818,213	$731,829	$2.93	$2,691	40.13%
NET OPERATING INC		55.16%	$3,700	$4.04	$1,006,361	$1,091,787	$4.38	$4,014	59.87%
DEBT SERVICE									
SunAmerica Affordable Housing		52.48%	$3,520	$3.84	$957,564	$992,241	$3.98	$3,648	54.41%
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		2.67%	$179	$0.20	$48,797	$99,546	$0.40	$366	5.46%
AGGREGATE DEBT COVERAGE RATIO					1.05	1.10			
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)		7.19%	$5,606	$6.11	$1,524,875	$1,524,875	$6.11	$5,606	7.63%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.62%	6,721	7.33	1,828,106	1,828,106	7.33	6,721	9.15%
Direct Construction		47.82%	37,265	40.65	10,136,057	9,331,276	37.42	34,306	46.69%
Contingency	3.04%	1.71%	1,335	1.46	363,251	363,251	1.46	1,335	1.82%
General Req'ts	5.65%	3.19%	2,487	2.71	676,358	676,358	2.71	2,487	3.38%
Contractor's G & A	1.88%	1.06%	829	0.90	225,453	225,453	0.90	829	1.13%
Contractor's Profit	5.65%	3.19%	2,487	2.71	676,358	676,358	2.71	2,487	3.38%
Indirect Construction		3.91%	3,044	3.32	828,000	828,000	3.32	3,044	4.14%
Ineligible Costs		2.82%	2,197	2.40	597,514	597,514	2.40	2,197	2.99%
Developer's G & A	1.81%	1.39%	1,081	1.18	294,113	0	0.00	0	0.00%
Developer's Profit	13.00%	9.97%	7,771	8.48	2,113,818	2,407,931	9.66	8,853	12.05%
Interim Financing		7.20%	5,612	6.12	1,526,554	1,526,554	6.12	5,612	7.64%
Reserves		1.92%	1,495	1.63	406,517	0	0.00	0	0.00%
TOTAL COST		100.00%	$77,930	$85.00	$21,196,974	$19,985,676	$80.14	$73,477	100.00%
Recap-Hard Construction Costs		*65.60%*	***$51,123***	***$55.76***	***$13,905,583***	***$13,100,802***	***$52.53***	***$48,165***	*65.55%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
SunAmerica Affordable Housing	65.58%	$51,103	$55.74	$13,900,000	$13,900,000	$13,280,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0		0	$2,407,931
LIHTC Syndication Proceeds	23.93%	$18,650	$20.34	5,072,767	5,072,767	5,067,695	% of Dev. Fee Deferred
Deferred Developer Fees	4.78%	$3,724	$4.06	1,012,909	1,012,909	2,849,279	118%
Additional (excess) Funds Required	5.71%	$4,453	$4.86	1,211,298	0	(0)	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$21,196,974	$19,985,676	$21,196,974	$3,835,094.42

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Longboat Key Apartments, Houston, LIHTC #03426

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$42.36	$10,563,567
Adjustments				
Exterior Wall Finish	3.31%		$1.40	$349,654
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.81)	(201,496)
Floor Cover			1.92	478,802
Porches/Balconies	$17.20	27,908	1.92	480,018
Plumbing	$615	672	1.66	413,280
Built-In Appliances	$1,625	272	1.77	442,000
Stairs/Fireplaces	$1,400	86	0.48	120,400
Floor Insulation			0.00	0
Heating/Cooling			1.47	366,583
Garages/Storage Room	$13.76	15,000	0.83	206,400
Comm &/or Aux Bldgs	$55.70	5,433	1.21	302,626
Other: Carports	$7.83	5,400	0.17	42,282
SUBTOTAL			54.39	13,564,116
Current Cost Multiplier	1.03		1.63	406,923
Local Multiplier	0.89		(5.98)	(1,492,053)
TOTAL DIRECT CONSTRUCTION COSTS			$50.04	$12,478,987
Plans, specs, survy, bld prm	3.90%		($1.95)	($486,680)
Interim Construction Interes	3.38%		(1.69)	(421,166)
Contractor's OH & Profit	11.50%		(5.75)	(1,435,083)
NET DIRECT CONSTRUCTION COSTS			$40.65	$10,136,057

PAYMENT COMPUTATION

Primary	$13,900,000	Term	360
Int Rate	5.60%	DCR	1.05

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.05

Additional	$5,072,767	Term	
Int Rate		Aggregate DCR	1.05

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$914,852
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$91,508

Primary	$13,280,000	Term	360
Int Rate	5.60%	DCR	1.10

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	$5,072,767	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	$1,907,232	$1,964,449	$2,023,382	$2,084,084	$2,146,606	$2,488,505	$2,884,860	$3,344,343	$4,494,517
Secondary Income	65,280	67,238	69,256	71,333	73,473	85,176	98,742	114,469	153,837
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,972,512	2,031,687	2,092,638	2,155,417	2,220,080	2,573,681	2,983,601	3,458,812	4,648,354
Vacancy & Collection Loss	(147,938)	(152,377)	(156,948)	(161,656)	(166,506)	(193,026)	(223,770)	(259,411)	(348,627)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,824,574	$1,879,311	$1,935,690	$1,993,761	$2,053,574	$2,380,655	$2,759,831	$3,199,401	$4,299,727
EXPENSES at 4.00%									
General & Administrative	$102,444	$106,541	$110,803	$115,235	$119,844	$145,809	$177,399	$215,833	$319,486
Management	91,229	93,966	96,785	99,688	102,679	119,033	137,992	159,970	214,986
Payroll & Payroll Tax	251,736	261,806	272,278	283,169	294,496	358,299	435,926	530,370	785,077
Repairs & Maintenance	94,484	98,263	102,194	106,282	110,533	134,480	163,616	199,064	294,663
Utilities	47,736	49,645	51,631	53,697	55,844	67,943	82,663	100,573	148,872
Water, Sewer & Trash	59,780	62,171	64,658	67,245	69,934	85,086	103,520	125,948	186,433
Insurance	48,687	50,634	52,660	54,766	56,957	69,297	84,310	102,576	151,838
Property Tax	63,637	66,183	68,830	71,583	74,447	90,576	110,199	134,074	198,463
Reserve for Replacements	54,400	56,576	58,839	61,193	63,640	77,428	94,203	114,613	169,655
Other	4,080	4,243	4,413	4,589	4,773	5,807	7,065	8,596	12,724
TOTAL EXPENSES	$818,213	$850,029	$883,091	$917,446	$953,147	$1,153,758	$1,396,893	$1,691,616	$2,482,197
NET OPERATING INCOME	$1,006,361	$1,029,282	$1,052,600	$1,076,314	$1,100,426	$1,226,897	$1,362,938	$1,507,785	$1,817,531
DEBT SERVICE									
First Lien Financing	$914,852	$914,852	$914,852	$914,852	$914,852	$914,852	$914,852	$914,852	$914,852
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	$91,508	$114,429	$137,747	$161,462	$185,574	$312,045	$448,086	$592,933	$902,678
DEBT COVERAGE RATIO	1.10	1.13	1.15	1.18	1.20	1.34	1.49	1.65	1.99

LIHTC Allocation Calculation - Longboat Key Apartments, Houston, LIHTC #03426

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB / NEW ELIGIBLE BASIS	TDHCA REHAB / NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	$1,524,875	$1,524,875		
Purchase of buildings				
(2) Rehabilitation / New Construction Cost				
On-site work	$1,828,106	$1,828,106	$1,828,106	$1,828,106
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$9,331,276	$10,136,057	$9,331,276	$10,136,057
(4) Contractor Fees & General Requirements				
Contractor overhead	$225,453	$225,453	$223,188	$225,453
Contractor profit	$676,358	$676,358	$669,563	$676,358
General requirements	$676,358	$676,358	$669,563	$676,358
(5) Contingencies	$363,251	$363,251	$363,251	$363,251
(6) Eligible Indirect Fees	$828,000	$828,000	$828,000	$828,000
(7) Eligible Financing Fees	$1,526,554	$1,526,554	$1,526,554	$1,526,554
(8) All Ineligible Costs	$597,514	$597,514		
(9) Developer Fees			$2,315,925	
Developer overhead		$294,113		$294,113
Developer fee	$2,407,931	$2,113,818		$2,113,818
(10) Development Reserves		$406,517		
TOTAL DEVELOPMENT COSTS	$19,985,676	$21,196,974	$17,755,426	$18,668,068

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		$17,755,426	$18,668,068
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$17,755,426	$18,668,068
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$17,755,426	$18,668,068
Applicable Percentage		3.61%	3.61%
TOTAL AMOUNT OF TAX CREDITS		$640,971	$673,917
Syndication Proceeds	**0.7992**	**$5,122,639**	**$5,385,947**

Total Credits (Eligible Basis Method)	**$640,971**	**$673,917**
Syndication Proceeds	**$5,122,639**	**$5,385,947**
Requested Credits	**$634,096**	
Syndication Proceeds	**$5,067,695**	
Gap of Syndication Proceeds Needed		**$7,916,974**
Credit Amount		**$990,612**

DELORME

Zoom Level: 10-7 Datum: WGS84

Developer Evaluation

Project ID # **03426** Name: **Longboat Key Apartments** City: **Houston**

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: 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 ay, August 19, 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 S Roth Date 8 /14/2003

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 ________ Date ________

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 8 /14/2003

Executive Director: Edwina Carrington **Executed:** day, September 03, 2003

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 11, 2003

Action Items

Issuance of a commitment notice for 2003 Housing Tax Credits.

Required Action

Approval to issue a commitment notice for 2003 Housing Tax Credits to Reserve II at Las Brisas.

Background and Recommendations

As of September 4, 2003, the Department has $687,641 in available 2003 Housing Tax Credits. This includes $39,325 of unused credits from the July Board meeting allocation and $648,316 of National Pool Credits of which we were recently notified by the Internal Revenue Service.

As you know, the Waiting List that the Board approved in July 2003 was structured primarily around the concept of credits being returned from a particular region or set aside. However, in this case, the credits are not available because of a return and therefore are not obligated to be returned to any particular region. In reviewing the most objective way to determine the next development to be selected, there were two regions that still had eligible applications and for which the total amount of awarded credits was less than the amount targeted by the regional allocation.

Reg.	Amount Targeted	Amount Allocated	Difference	% Under	Next On Waiting List	Number	Credits Recommended
3	$4,895,385	$4,707,675	$187,710	3.83%	Reserve II at Las Brisas, Irving	03094	$822,062
13	$2,702,046	$2,639,225	$62,821	2.32%	Diana Palms, El Paso	03024	$211,474

Because Region 3 is more undersubscribed than Region 13, staff recommends that all of the credits ($648,316) be allocated to Reserve II at Las Brisas. Staff concurrently requests that any additional credits that are returned (regardless of region) will be provided to this development, up to $173,746, until the development has a total credit allocation of $822,062. However, if no credits are returned or available by December 15, 2003, the Applicant must submit a Carryover package by that date for the credits received up to that point, with the development scaled back accordingly to accommodate the reduction in credits.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 11, 2003

Action Items

Discussion of issuance of Forward Commitments of 2004 Housing Tax Credits.

Required Action

Discuss Forward Commitments of 2004 Housing Tax Credits.

Background and Recommendations

At the July Board meeting, where tax credit allocations were approved, Board member Salinas mentioned that forward commitments might be considered at the September board meeting. Staff is presenting this item to prompt discussion.

Staff is not making any recommendations for forward commitments at this time. Staff feels that the recommendations made in July are well-balanced. The many legislative changes will have a substantial impact on any 2003 applicant that is given a Forward Commitment because they are required to meet the requirements of the 2004 QAP which will have the many legislative changes reflected in it. Furthermore, because each region for 2004 is divided into rural and urban/exurban, the award of one Forward Commitment in an area could potentially absorb all of the following year's credits for that category, similar to the situation in Region 7 this year.

If, however, the Board does proceed with a recommendation of 2004 Forward Commitment allocations, the following two developments would be those deemed to be most deserving based on the fact that they are the next highest scoring developments in the two regions that are the only two regions that were under-allocated and that still have eligible applications.

Application #	Application Name	Region	Credits Recommended
03094	Reserve II at Las Brisas	3	$822,062
03024	Diana Palms	13	$211,474

Attached, is a report showing all of the developments by region, sorted by score. The first set of developments in each region, denoted with an "A" are those that have already been awarded. The second set in each region are those that have not received an allocation. If the Board chooses to make a forward commitment to any development that has not been underwritten, staff recommends that the approval is contingent on successful underwriting, that the credit amount in the commitment notice be the amount recommended by underwriting and that the applicant successfully undergo a review by the Portfolio Management and Compliance Division.

2003 Final LIHTC Allocations
Sorted by Region, Recommendation Status and Score
Approved by Board July 30, 200

Dev #	Region	A(1)	Development Name	Development Address	City	County	Zip	Set-Asides(2) NP	AR	R	E	G	Activity	TxRD Dev.	Credit Request	Credit Award	Total LI Units	Total Units	Applicant Contact	Score	Description
Projects Located in Region 1																					
03140	1	A	Park Meadows Villas	Oak Avenue and Weber Avenue	Lubbock	Lubbock	79404	✔				✔	New Construction		$745,677	**$737,372**	100	112	Aubrea Hance	93	Region 1 is undersubscribed, therefore all financially feasible developments in the region are recommended.
03016	1	A	Amarillo Garden Apartments	1223 S. Roberts	Amarillo	Potter	79102		✔				Acquisition/Rehab		$404,377	**$265,490**	100	100	Gene Morrison	76	Region 1 is undersubscribed, therefore all financially feasible developments in the region are recommended. This development is also needed to meet the At-Risk Set-Aside.
2															**$1,150,054**	**$1,002,862**	**200**	**212**			
03132	1	N	The Pioneer	1204 Broadway St.	Lubbock	Lubbock	79401					✔	Rehab Only		$550,253	**$0**	80	100	Robert DeLuca	103	This development is not recommended by the Real Estate Analysis Division based on poor financial feasibility.
1															**$550,253**	**$0**	**80**	**100**			
3 Projects in Region			Targeted Regional Allocation:		$1,952,538										**$1,700,307**	**$1,002,862**	**280**	**312**			
Projects Located in Region 2																					
03066	2	A	Anson Park	2800 Blk Old Anson Rd.	Abilene	Taylor	79603					✔	New Construction		$561,000	**$561,000**	60	64	R.J. Collins	89	Region 2 is undersubscribed, therefore all eligible developments in the region are recommended.
03158	2	A	Red River Senior Village	Ross Street at US Highway 287	Vernon	Wilbarger	76384			✔	✔		New Construction		$404,729	**$402,507**	57	60	Leslie Donaldson Holleman	88	Region 2 is undersubscribed, therefore all eligible developments in the region are recommended.
03258	2	A	Mira Vista Apartments	Lee & Jefferson Streets	Santa Anna	Coleman	76878		✔	✔			Rehab Only	✔	$70,346	**$70,346**	24	24	Patrick Barbolla	54	Region 2 is undersubscribed, therefore all eligible developments in the region are recommended. This Development is also needed to meet the USDA and At-Risk Set-Asides.
3															**$1,036,075**	**$1,033,853**	**141**	**148**			
03104	2	N	Green Briar Village	601 Airport Drive	Wichita Falls	Wichita Falls	75306					✔	New Construction		$877,490	**$0**	114	120	Randy Stevenson	84	This development is not recommended by the Real Estate Analysis Division based on poor financial feasibility.
1															**$877,490**	**$0**	**114**	**120**			
4 Projects in Region			Targeted Regional Allocation:		$1,161,412										**$1,913,565**	**$1,033,853**	**255**	**268**			

1. 'A' = Received a 2003 LIHTC allocation, 'N' = Did not receive a 2003 LIHTC allocation.
2. Set-Aside Abbreviations: NP=Nonprofit, AR-At-Risk, R=Rural, E=Elderly, G=General

Dev #	Region	A(1)	Development Name	Development Address	City	County	Zip	Set-Asides(2) NP	AR	R	E	G	Activity	TxRD Dev.	Credit Request	Credit Award	Total LI Units	Total Units	Applicant Contact	Score	Description
Projects Located in Region 3																					
03184	3	A	The Pegasus	7200 North Stemmon Fwy.	Dallas	Dallas	75247	☑	☐	☐	☑	☑	Acquisition/Rehab	☐	$1,156,172	**$1,153,613**	124	156	Glenn Lynch	104	This Development has a competitive score in the Elderly and Nonprofit Set-Asides.
03039	3	A	Oak Timbers- Grand Prairie	1920 Robinson Rd.	Grand Prairie	Dallas	75051	☑	☐	☐	☑	☐	New Construction	☐	$437,741	**$425,506**	64	80	Vaughan Mitchell	102	This Development has a competitive score in the Elderly Set-Aside.
03081	3	A	The Senior Apartments at Curtis Wright Field	1000 South Carrier Parkway	Grand Prairie	Dallas	75051	☐	☐	☐	☑	☑	New Construction	☐	$761,162	**$756,742**	123	154	Hal Thorne	102	This Development has a competitive score in the Elderly Set-Aside.
03159	3	A	Summit Senior Village	Lawrence @ O'Neal Street	Gainesville	Cooke	76240	☐	☐	☑	☑	☐	New Construction	☐	$490,662	**$476,268**	68	76	Monique Allen	93	This Development has a competitive score in the Rural Set-Aside.
03163	3	A	Cedar View Apartments	1617 West Highway 180 at Barker St.	Mineral Wells	Palo Pinto	76067	☐	☐	☑	☐	☐	New Construction	☐	$560,000	**$560,000**	72	72	Leslie Donaldson Holleman	89	This Development has a competitive score in the Rural Set-Aside.
03212	3	A	Village of Kaufman	421 East 7th Street	Kaufman	Kaufman	75142	☐	☑	☐	☐	☑	Acquisition/Rehab	☐	$203,150	**$193,806**	68	68	Daniel O'Dea	64	This Development is needed to meet the At-Risk Set-Aside.
03250	3	A	Pine Run Apartments	700 Piner	Honey Grove	Fannin	75446	☐	☑	☑	☐	☐	Acquisition/Rehab	☑	$62,925	**$62,784**	32	32	Dennis Hoover	59	This Development is needed to meet the USDA and At-Risk Set-Asides.
03004	3	A	Arbor Woods	3000 Block of N. Hampton	Dallas	Dallas	75212	☐	☐	☐	☐	☑	New Construction	☐	$1,078,956	**$1,078,956**	120	151	Cheryl Geiser		This Development is a 2003 Forward Commitment.
8															**$4,750,768**	**$4,707,675**	**671**	**789**			

1. 'A' = Received a 2003 LIHTC allocation, 'N' = Did not receive a 2003 LIHTC allocation.
2. Set-Aside Abbreviations: NP=Nonprofit, AR-At-Risk, R=Rural, E=Elderly, G=General

Dev #	Region	A(1)	Development Name	Development Address	City	County	Zip	Set-Asides(2) NP	AR	R	E	G	Activity	TxRD Dev.	Credit Request	Credit Award	Total LI Units	Total Units	Applicant Contact	Score	Description
03094	3	N	Reserve II at Las Brisas	4237 Club House Place	Irving	Dallas	75038	☐	☐	☐	☐	☑	New Construction	☐	$919,776	**$822,062**	144	180	Garry Woomer	102	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03052	3	N	Churchill Pinnacle Park	1400 Block of N. Cockrell Hill Road	Dallas	Dallas	75211	☐	☐	☐	☐	☑	New Construction	☐	$1,128,000	**$0**	160	200	Betts Hoover/Bradley Forslund	100	Development 03100 (Region 4) is recommended for an allocation. That development maximizes the $1.6 million credit limit for Anthony Sisk, therefore this development is ineligible.
03097	3	N	Frazier Fellowship	4700-4900 Hatcher Street	Dallas	Dallas	75210	☐	☐	☐	☐	☑	New Construction	☐	$452,374	**$0**	60	76	Debbie Quintugua	100	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03046	3	N	Churchill at Brookhaven	6839 Harry Hines	Dallas	Dallas	75235	☐	☐	☐	☑	☐	New Construction	☐	$769,000	**$0**	120	150	Betts Hoover/Anthony Sisk	99	Development 03100 (Region 4) is recommended for an allocation. That development maximizes the $1.6 million credit limit for Anthony Sisk, therefore this development is ineligible.
03084	3	N	Coughtrey Estates	Timber Oaks @ Osler	Grand Prairie	Tarrant	76010	☐	☐	☐	☑	☑	New Construction	☐	$888,026	**$0**	160	200	Robert Voelker	97	This Development did not score high enough in its set-asides or region to be recommended.
03054	3	N	The Village @ Prairie Creek	1216 Dowdy Ferry Road	Dallas	Dallas	75217	☐	☐	☐	☐	☑	New Construction	☐	$996,013	**$0**	160	200	James Washburn	95	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03192	3	N	Emmanuel Village	4701 Meadow	Dallas	Dallas	75215	☐	☐	☐	☐	☑	New Construction	☐	$798,748	**$0**	100	128	Victoria Spicer	95	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03051	3	N	Churchill At Commerce	Culver @ Magnum	Commerce	Hunt	75428	☐	☐	☑	☐	☐	New Construction	☐	$597,061	**$0**	72	76	Lewis Foley/Anthony Sisk	94	Development 03100 (Region 4) is recommended for an allocation. That development maximizes the $1.6 million credit limit for Anthony Sisk, therefore this development is ineligible.
03073	3	N	The Residences of Pemberton Hill	250 Pemberton Hill Road	Dallas	Dallas	75217	☐	☐	☐	☑	☑	New Construction	☐	$944,277	**$0**	134	168	Robert Voelker	93	This Development did not score high enough in its set-asides or region to be recommended.
9															**$7,493,275**	**$822,062**	**1,110**	**1,378**			
17 Projects in Region				Targeted Regional Allocation:	$4,895,385										**$12,244,043**	**$5,529,737**	**1,781**	**2,167**			

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Dev #	Region	A(1)	Development Name	Development Address	City	County	Zip	NP	AR	R	E	G	Activity	TxRD Dev.	Credit Request	Credit Award	Total LI Units	Total Units	Applicant Contact	Score	Description
Projects Located in Region 4																					
03100	4	A	Churchill at Longview	1500 Block E. Whaley	Longview	Gregg	75601	☐	☐	☐	☐	☑	New Construction	☐	$1,150,000	**$1,150,000**	160	160	Betts Hoover/Brad Forslund	99	This Development has a competitive score in its region.
03028	4	A	Green Street Apartments	2440 Green Street	Longview	Gregg	75602	☐	☐	☐	☐	☑	New Construction	☐	$597,838	**$592,722**	79	80	Justin Zimmerman	97	This Development scored competitively in its region. To prevent Justin Zimmerman from exceeding the $1.6 credit cap only 03025 or 03028 could be recommended because together they exceed $1.6 million. Because this development is smaller and therefore more absorbable in Longview (in light of the other recommended award in Longview) and to better meet regional allocation goals, this development was selected instead of 03028.
03053	4	A	Millpoint Townhomes	751 Kilgore Drive	Henderson	Rusk	75652	☐	☐	☑	☐	☐	New Construction	☐	$527,733	**$515,338**	76	76	James Washburn	91	This Development has a competitive score in the Rural Set-Aside.
3															**$2,275,571**	**$2,258,060**	**315**	**316**			
03025	4	N	The Hills Apartments	2016 East Marshall Avenue	Longview	Gregg	75601	☐	☐	☐	☐	☑	New Construction	☐	$1,181,994	**$1,154,662**	159	160	Justin Zimmerman	97	To prevent Justin Zimmerman from exceeding the $1.6 credit cap only 03025 or 03028 could be recommended because together they exceed $1.6 million. Because of the other recommended award in Longview, and to better meet regional allocation goals, 03028 was selected, therefore this development is not recommended.
03195	4	N	Waterford Place	1600 Eastman Road	Longview	Gregg	75606	☐	☐	☐	☐	☑	New Construction	☐	$369,494	**$0**	36	36	Doug Dowler	90	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03235	4	N	Victoria Place Phase II	1000 Barbara Street	Athens	Henderson	75751	☐	☐	☑	☐	☐	New Construction	☐	$362,988	**$0**	40	48	Emanuel Glockzin	80	This Development did not score high enough in its set-aside or region to be recommended.
3															**$1,914,476**	**$1,154,662**	**235**	**244**			
6 Projects in Region				Targeted Regional Allocation:	$2,173,705										**$4,190,047**	**$3,412,722**	**550**	**560**			

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Dev #	Region	A(1)	Development Name	Development Address	City	County	Zip	Set-Asides(2) NP	AR	R	E	G	Activity	TxRD Dev.	Credit Request	Credit Award	Total LI Units	Total Units	Applicant Contact	Score	Description
Projects Located in Region 5																					
03196	5	A	Arcadia Village	673 Arcadia Road	Center	Shelby	75935	☐	☐	☑	☐	☐	New Construction	☐	$268,802	**$227,836**	26	26	Doug Dowler	98	This Development has a competitive score in the Rural Set-Aside.
03069	5	A	Cole Creek Apartments	Near 1400 Block of East Loop 304	Crocket	Houston	75835	☑	☐	☑	☐	☑	New Construction	☐	$477,317	**$437,327**	60	64	Michael Lankford	96	This Development has a competitive score in the Rural Set-Aside.
03263	5	A	Cedar Ridge Apartments	7601 9th Avenue	Port Arthur	Jefferson	77642	☐	☑	☐	☐	☑	Acquisition / Rehab	☐	$396,303	**$387,461**	160	200	K. T. (Ike) Akbari	88	This Development is needed to meet the At-Risk Set-Aside.
03262	5	A	Crystal Creek Park Apartments	8101 Honeywood Trail	Port Arthur	Jefferson	77642	☐	☑	☐	☑	☑	Acquisition / Rehab	☐	$390,348	**$377,548**	162	202	K. T. (Ike) Akbari	88	This Development is needed to meet the At-Risk Set-Aside.
03261	5	A	Pebble Creek Apartments	4251 Jimmy Johnson Blvd.	Port Arthur	Jefferson	77642	☐	☑	☐	☐	☑	Rehab Only	☐	$418,100	**$387,920**	166	208	K. T. (Ike) Akbari	88	This Development is needed to meet the At-Risk Set-Aside.
03213	5	A	Fox Run Apartments	2600 Allie Payne Road	Orange	Orange	77632	☐	☑	☐	☐	☑	Acquisition / Rehab	☐	$216,440	**$213,473**	68	70	Daniel O'Dea	77	This Development is needed to meet the At-Risk Set-Aside.
6															**$2,167,310**	**$2,031,565**	**642**	**770**			
03064	5	N	Stone Hearst	1650 East Lucas Drive	Beaumont	Jefferson	77703	☐	☐	☐	☐	☑	New Construction	☐	$1,038,789	**$1,038,789**	115	144	R.J. Collins	100	Development 03065 (Region 8) and 03066 (Region 2) are recommended for an allocation. These developments maximizes the $1.6 million credit limit for R.J. Collins, therefore this development is ineligible. Additionally, this Development did not score high enough in the General Set-Aside in its region to be recommended.
03117	5	N	Timber Village	Bulldog Drive @ South Bowie Street	Jasper	Jasper	75951	☐	☐	☐	☐	☑	New Construction	☐	$578,303	**$0**	72	76	Rick Deyoe	87	Although the Development has a competitive score in the Rural Set-Aside it is not a high enough scoring Rural development within Region 5.
2															**$1,617,092**	**$1,038,789**	**187**	**220**			
8 Projects in Region				Targeted Regional Allocation:	$1,765,010										**$3,784,402**	**$3,070,354**	**829**	**990**			

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Dev #	Region	A(1)	Development Name	Development Address	City	County	Zip	NP	AR	R	E	G	Activity	TxRD Dev.	Credit Request	Credit Award	Total LI Units	Total Units	Applicant Contact	Score	Description
Projects Located in Region 6																					
03011	6	A	Jefferson Davis Artist Lofts	1101 Elder Street	Houston	Harris	77007	☐	☐	☐	☐	☑	Rehab Only	☐	$280,733	**$280,733**	27	34	Brian Gorecki	105	This Development has a competitive score in its region.
03182	6	A	The Manor at Jersey Village	12400 Castlebridge Drive	Jersey Village	Harris	77065	☐	☐	☐	☑	☑	New Construction	☐	$782,354	**$782,354**	160	200	Elizabeth Young	100	This Development has a competitive score in the Elderly Set-Aside and in its region.
03236	6	A	Little York Villas	6900 Block of Nuben & W. Little York	Houston	Harris	77091	☐	☐	☐	☐	☑	New Construction	☐	$816,242	**$816,242**	103	128	Cherno Njie	100	This Development has a competitive score in its region.
03178	6	A	Jacinto Manor	9701 Market St.	Jacinto City	Harris	77029	☐	☐	☐	☑	☑	New Construction	☐	$782,354	**$782,354**	160	200	Elizabeth Young	100	This Development has a competitive score in the Elderly Set-Aside.
03245	6	A	Meadows Place Senior Village	12221 South Kirkwood	Meadows Place	Fort Bend	77477	☐	☐	☐	☑	☑	New Construction	☐	$681,630	**$675,605**	145	182	Rae Fairfield	99	This Development has a competitive score in the Elderly Set-Aside.
03070	6	A	Bay Ranch Apartments	1400 Thompson Road	Bay City	Matagorda	77414	☑	☐	☑	☐	☑	New Construction	☐	$477,317	**$451,094**	60	64	Michael Lankford	96	This Development has a competitive score in the Rural Set-Aside.
03153	6	A	Northline Point Apartments	7313 Northline	Houston	Harris	77076	☐	☑	☐	☐	☑	New and Acq/Rehab	☐	$364,741	**$347,203**	160	200	Kimberly Herzog	85	This Development is needed to meet the At-Risk Set-Aside.
03231	6	A	Montgomery Meadows	Old Montgomery Rd. @ Cline St.	Huntsville	Walker	77340	☐	☐	☑	☑	☐	New Construction	☐	$411,107	**$382,286**	50	56	Emanuel Glockzin	81	This Development has an acceptable score in the Rural Set-Aside.
03252	6	A	Pine Meadows Apartments	20968 Pine Island Rd	Prairie View	Waller	77446	☐	☑	☑	☐	☑	Acquisition/Rehab	☑	$94,120	**$94,120**	60	60	James Fieser	58	This Development is needed to meet the USDA and At-Risk Set-Asides.
03254	6	A	Bayou Bend Apartments	3025 Waller Street	Waller	Waller	77484	☐	☑	☑	☐	☑	Acquisition/Rehab	☑	$120,931	**$119,812**	56	56	James Fieser	44	This Development is needed to meet the USDA and At-Risk Set-Asides.
03256	6	A	Willowchase Apartments	1845 5th Street	Hempstead	Waller	77445	☐	☑	☑	☐	☑	Acquisition/Rehab	☑	$122,882	**$121,654**	57	57	James Fieser	44	This Development is needed to meet the USDA and At-Risk Set-Asides.
03255	6	A	Cedar Cove Apartments	1400 Eagle Lake Drive	Sealy	Austin	77474	☐	☑	☑	☐	☑	Acquisition/Rehab	☑	$122,045	**$120,931**	54	54	James Fieser	43	This Development is needed to meet the USDA and At-Risk Set-Asides.
03253	6	A	Green Manor Apartments	2000 4th Street	Hempstead	Waller	77445	☐	☑	☑	☐	☑	Acquisition/Rehab	☑	$85,495	**$84,481**	40	40	James Fieser	42	This Development is needed to meet the USDA and At-Risk Set-Asides.
03006	6	A	Villas at Park Grove	600 Park Grove Dr.	Katy	Harris	77450	☐	☐	☐	☐	☑	New Construction	☐	$627,566	**$627,566**	120	150	Ignacio Grillo		This Development is a 2003 Forward Commitment.
14															**$5,769,517**	**$5,686,435**	**1,252**	**1,481**			

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Dev #	Region	A(1)	Development Name	Development Address	City	County	Zip	NP	AR	R	E	G	Activity	TxRD Dev.	Credit Request	Credit Award	Total LI Units	Total Units	Applicant Contact	Score	Description
								Set-Asides(2)													
03130	6	N	Sunset Plaza Apartments	6053 Bellfort	Houston	Harris	77033	✓				✓	New Construction		$575,723	**$0**	90	120	Thomas Scott	99	This Development did not score high enough in its set-asides or region to be recommended.
03060	6	N	Calhoun Place	6001 Calhoun	Houston	Harris	77021				✓	✓	New Construction		$1,017,060	**$0**	160	200	Elizabeth Young	99	Developments 03178 and 03132 (both in Region 6) are recommended for allocations. Those developments together maximize the $1.6 million credit limit for Elizabeth Young, therefore this development is ineligible.
03108	6	N	Alta Reed Apartments	Corner of Reed Rd. and S.H. 288	Houston	Harris	77051					✓	New Construction		$1,200,000	**$0**	200	250	Bernard Felder	99	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03129	6	N	Samaritan Village Apartments	5100 Block of Scott Street	Houston	Harris	77004	✓				✓	New Construction		$422,499	**$0**	56	72	Thomas Scott	99	This Development did not score high enough in its set-asides or region to be recommended.
03063	6	N	Cricket Hollow Apartments	9700 FM 1097	Willis	Montgomery	77318					✓	New Construction		$852,954	**$871,110**	150	176	Brian Cogburn	98	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03171	6	N	Uvalde Ranch Apartments	12615 Wallisville Road	Houston	Harris	77013					✓	New Construction		$1,015,377	**$0**	160	200	Barry Kahn	98	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03189	6	N	The Village at Morningstar	3401 Magnolia Avenue	Texas City	Galveston	77590				✓	✓	New Construction		$418,179	**$415,954**	70	78	Diana McIver	98	This Development did not score high enough in its set-asides or region to be recommended.
03243	6	N	Central City Homes	6200 Bloc of Central City Blvd.	Galveston	Galveston	77551					✓	New Construction		$875,624	**$0**	135	168	Margie Bingham	98	This Development did not score high enough in its set-asides or region to be recommended.
03095	6	N	Derby House	Garth Road and Eastchase Street	Baytown	Harris	77521					✓	New Construction		$1,200,000	**$0**	198	248	Todd Borck	97	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03092	6	N	Foster Place Manor	7210 Scott Street	Houston	Harris	77021	✓			✓		New Construction		$800,000	**$0**	128	160	John Barineau	97	This Development did not score high enough in its set-asides or region to be recommended.
03180	6	N	The Gardens Senior Living Apartments	1300 Block of W. Tidwell	Houston	Harris	77091				✓	✓	New Construction		$416,822	**$0**	60	76	Isaac Matthews	95	This Development did not score high enough in its set-asides or region to be recommended.
03126	6	N	The Linden's Apartments	North Avenue J and Skinner Street	Freeport	Brazoria	77541					✓	New Construction		$770,070	**$0**	96	120	Lawrence Mazzotta	95	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03174	6	N	Las Palomas	8525/8526 Pitner Road	Houston	Harris	77080					✓	New Construction		$742,912	**$0**	89	112	Chris Richardson	94	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03032	6	N	Parkview Apartments	Jenson Drive @ Parker Rd.	Houston	Harris	77093					✓	New Construction		$1,058,699	**$0**	115	144	Janet Miller	93	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03112	6	N	Horizon Ridge Apartments	21209 Northwest Highway 290	Houston	Harris	77429					✓	New Construction		$918,055	**$0**	160	200	Kurt Kehoe	77	This Development did not score high enough in the General Set-Aside in its region to be recommended.
15															**$12,283,974**	**$1,287,064**	**1,867**	**2,324**			
29 Projects in Region				Targeted Regional Allocation:	$5,153,124										**$18,053,491**	**$6,973,499**	**3,119**	**3,805**			

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Dev #	Region	A(1)	Development Name	Development Address	City	County	Zip	NP	AR	R	E	G	Activity	TxRD Dev.	Credit Request	Credit Award	Total LI Units	Total Units	Applicant Contact	Score	Description
Projects Located in Region 7																					
03001	7	A	Eagle's Point	1855 Webberville Road	Austin	Travis	78721					✓	New Construction		$1,200,000	**$1,200,000**	192	240	Robert Voelker		This Development is a 2003 Forward Commitment.
03005	7	A	Grove Place Apartments	Not Available for Release	Austin	Travis	78741	✓					New Construction		$789,509	**$789,509**	146	184	Kelly White		This Development is a 2003 Forward Commitment.
	2														**$1,989,509**	**$1,989,509**	**338**	**424**			
03168	7	N	Kingsland Trails Apartments	4800 Block of 2900	Kingsland	Llano	78639	✓		✓		✓	New Construction		$446,148	**$383,286**	60	76	Mark Mayfield	95	All credits from Region 7 have already been allocated to 2003 Forward Commitments made in 2002.
03160	7	N	Villas on Sixth Street	1900 Block of East Sixth Street	Austin	Travis	78702					✓	New Construction		$1,190,349	**$1,072,039**	136	160	Martin Gonzalez	84	All credits from Region 7 have already been allocated to 2003 Forward Commitments made in 2002.
	2														**$1,636,497**	**$1,455,325**	**196**	**236**			
	4 Projects in Region			Targeted Regional Allocation:	$1,989,509										**$3,626,006**	**$3,444,834**	**534**	**660**			
Projects Located in Region 8																					
03068	8	A	Stone Ranch Apartments Homes	4400 Block East Rancier Avenue	Killeen	Bell	76543	✓			✓	✓	New Construction		$622,580	**$583,608**	129	152	Michael Lankford	106	This Development has a competitive score in the Elderly and Nonprofit Set-Asides and in the region.
03009	8	A	Forest Park Apartments	Sandy Point Rd. @ Hwy 21	Bryan	Brazos	77803					✓	New Construction		$981,432	**$746,176**	119	140	Kenneth Mitchell	100	This Development has a competitive score in its region.
03065	8	A	Red Oak	4500 Block of South 3rd Street	Waco	McLennan	76706					✓	New Construction		$559,937	**$559,937**	64	80	R.J. Collins	100	This Development has a competitive score in its region.
03161	8	A	Dripping Springs Senior Village	J.J. Frewellen @ Eastern Little League Complex Rd.	Waco	McLennan	76704				✓	✓	New Construction		$576,585	**$572,047**	85	100	Leslie Donaldson Holleman	98	This Development has a competitive score in its region and in the Elderly Set-Aside.
03259	8	A	Pecan Creek Apartments	1815 Old Brandon Rd.	Hillsboro	Hill	76645		✓	✓			Acquisition/Rehab	✓	$145,850	**$145,850**	48	48	Patrick Barbolla	25	This Development is needed to meet the USDA and At-Risk Set-Asides.
	5														**$2,886,384**	**$2,607,618**	**445**	**520**			
03019	8	N	Nolan Creek Trails	4702 West Stan Schlueter	Killeen	Bell	76542					✓	New Construction		$634,816	**$0**	120	120	Howard Siegel	81	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03164	8	N	Bluffview Villas	2800 Hwy 36 South	Brenham	Washington	77833			✓	✓		New Construction		$448,245	**$0**	76	76	Samuel Tijerina	55	This Development did not score high enough in its set-aside or region to be recommended.
	2														**$1,083,061**	**$0**	**196**	**196**			
	7 Projects in Region			Targeted Regional Allocation:	$2,451,783										**$3,969,445**	**$2,607,618**	**641**	**716**			

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Dev #	Region	A(1)	Development Name	Development Address	City	County	Zip	NP	AR	R	E	G	Activity	TxRD Dev.	Credit Request	Credit Award	Total LI Units	Total Units	Applicant Contact	Score	Description
Projects Located in Region 9																					
03176	9	A	Binz Ranch (San Miguel Apartments)	3600 Block Binz Engleman Road	San Antonio	Bexar	78219					✔	New Construction		$1,200,000	**$1,200,000**	160	200	Ryan Wilson	106	This Development has a competitive score in its region.
03136	9	A	Tigoni Villas	4601 Rimrock Street	San Antonio	Bexar	78228					✔	New Construction		$1,071,629	**$851,994**	112	140	Melanie Bunstine	103	This Development has a competitive score in its region.
03155	9	A	Villas of Leon Valley	7000 Block of Huebner Rd.	Leon Valley	Bexar	78240				✔		New Construction		$492,672	**$491,973**	100	126	Deborah Griffin	103	This Development has a competitive score in the Elderly Set-Aside.
03191	9	A	Bentley Place Apartments	8004 Bentley Drive	San Antonio	Bexar	78218	✔				✔	New Construction		$1,006,759	**$1,006,759**	166	208	Sandra Williams	101	This Development has a competitive score in its region.
03067	9	A	Tuscany Court	2208 14th Street	Hondo	Medina	78861			✔			Rehab Only		$467,182	**$465,802**	72	76	Ronette Hodges	99	This Development has a competitive score in the Rural Set-Aside.
03190	9	A	Westview Ranch (prev. Comal Ranch)	1700 Block of West Comal Street	Pearsall	Frio	78061			✔			New Construction		$595,000	**$591,010**	68	72	Diana McIver	92	This Development has a competitive score in the Rural Set-Aside.
03007	9	A	Bexar Creek	Appx. 411 North General McMullen	San Antonio	Bexar	78237					✔	New Construction		$614,528	**$614,528**	61	72	Thomas J. McMullen		This Development is a 2003 Forward Commitment.
7															**$5,447,770**	**$5,222,066**	**739**	**894**			
03207	9	N	Palacio Del Sol	400 North Frio	San Antonio	Bexar	78207	✔			✔	✔	New and Acq/Rehab		$1,173,902	**$1,096,828**	160	200	Fernando Godinez	96	This Development did not score high enough in its set-asides or region to be recommended.
03031	9	N	The Villas at Costa Verde	6000 Block of North Foster Rd.	San Antonio	Bexar	78244					✔	New Construction		$1,122,531	**$0**	180	200	Daniel Markson	92	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03138	9	N	Ryan Crossing Villas	300 Block of Chelsea Square	Selma	Guadalupe	78154					✔	New Construction		$907,828	**$0**	144	180	John Paul	80	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03057	9	N	Landa Place	Landa Street @ Mission Drive	New Braunfels	Comal	78130				✔		New Construction		$448,245	**$0**	76	76	Lucille Jones	73	This Development did not score high enough in its set-aside or region to be recommended.
4															**$3,652,506**	**$1,096,828**	**560**	**656**			
11 Projects in Region				Targeted Regional Allocation:	$4,772,015										**$9,100,276**	**$6,318,894**	**1,299**	**1,550**			

Set-Asides(2)

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Projects Located in Region 10																					
03265	10	A	Riversquare Apartments	McKinzie Rd. @ McKinzie Ln.	Corpus Christi	Nueces	78410	☐	☐	☐	☐	☑	New Construction	☐	$1,092,376	**$1,092,376**	163	204	Manish Verma	96	This Development has a competitive score in its region.
03257	10	A	Caney Run Estates	Ben Jordon @ US Highway 87	Victoria	Victoria	77901	☐	☐	☐	☐	☑	New Construction	☐	$704,758	**$704,038**	116	116	Don Pace	85	This Development has a competitive score in its region.
03162	10	A	Pinnacle Pointe Apartments	600 Block of Salem Road	Victoria	Victoria	77902	☐	☐	☐	☐	☑	New Construction	☐	$872,505	**$871,732**	143	144	David Saling	80	This Development has a competitive score in its region.
03249	10	A	The Palms Apartments	200 Avenue A	Aransas Pass	San Patricio	78336	☐	☑	☑	☐	☐	Acquisition/Rehab	☑	$41,192	**$41,006**	24	24	Dennis Hoover	32	This Development is needed to meet the USDA and At-Risk Set-Asides.
4															**$2,710,831**	**$2,709,152**	**446**	**488**			
4 Projects in Region				Targeted Regional Allocation:	$2,155,567										**$2,710,831**	**$2,709,152**	**446**	**488**			
Projects Located in Region 11																					
03013	11	A	Casa Aguila Apartments	Southeast Corner of Las Milpas and Jackson	Pharr ETJ	Hidalgo	78577	☐	☐	☐	☐	☑	New Construction	☐	$1,199,966	**$1,171,547**	160	200	Robert Joy	104	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended.
03036	11	A	The Galilean Apartments	Trenton @ "I" Rd.	Edinburg	Hidalgo	78539	☐	☐	☐	☐	☑	New Construction	☐	$1,200,000	**$1,200,000**	208	208	Rowan Smith	95	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended.
03035	11	A	Rio De Vida Apartments	Inspiration Road near 1 Road	Mission	Hidalgo	78572	☐	☐	☐	☐	☑	New Construction	☐	$1,044,231	**$1,004,228**	176	208	Kim Hatfield	91	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended.
03029	11	A	La Villita Apartments	600 block Old Port Isabel Rd.	Brownsville	Cameron	78521	☐	☐	☐	☐	☑	New Construction	☐	$856,933	**$851,428**	128	128	Mark Musemeche	87	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended.
03248	11	A	La Casita del Valle	FM 1430 and Old Casita Rd.	La Casita	Starr	78582	☐	☐	☑	☑	☑	New Construction	☑	$66,499	**$66,499**	28	28	Dennis Hoover	57	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended. This Development is also needed to meet the USDA Set-Aside.
03247	11	A	Las Brisas Apartments	South Tower Rd. and Moore Rd.	Alamo	Hidalgo	78516	☐	☐	☑	☑	☑	New Construction	☑	$45,890	**$45,890**	26	26	Dennis Hoover	53	Region 11 is undersubscribed, therefore all eligible developments in the region are recommended. This Development is also needed to meet the USDA Set-Aside.
03002	11	A	Padre de Vida	Ware Road South of Municipal Golf Course	McAllen	Hidalgo	78503	☐	☐	☐	☐	☑	New Construction	☐	$1,025,408	**$1,025,408**	144	180	P. Rowan Smith, Jr.		This Development is a 2003 Forward Commitment.
7															**$5,438,927**	**$5,365,000**	**870**	**978**			
7 Projects in Region				Targeted Regional Allocation:	$5,662,899										**$5,438,927**	**$5,365,000**	**870**	**978**			

Set-Asides(2): NP, AR, R, E, G

1. 'A' = Received a 2003 LIHTC allocation, 'N' = Did not receive a 2003 LIHTC allocation.
2. Set-Aside Abbreviations: NP=Nonprofit, AR-At-Risk, R=Rural, E=Elderly, G=General

Dev #	Region	A(1)	Development Name	Development Address	City	County	Zip	Set-Asides(2) NP	AR	R	E	G	Activity	TxRD Dev.	Credit Request	Credit Award	Total LI Units	Total Units	Applicant Contact	Score	Description
Projects Located in Region 12																					
03145	12	A	Sterling Springs Villas	South side of E. Golf Course & Fairgrounds Rd.	Midland	Midland	79701	☐	☐	☐	☐	☑	New Construction	☐	$850,643	**$845,579**	114	120	Ron Hance	81	Region 12 is undersubscribed, therefore all eligible developments in the region are recommended.
1															**$850,643**	**$845,579**	**114**	**120**			
1 Projects in Region			Targeted Regional Allocation:		$1,302,931										**$850,643**	**$845,579**	**114**	**120**			
Projects Located in Region 13																					
03223	13	A	Suncrest Townhomes, Ltd.	415 Mesa Hills Dr.	El Paso	El Paso	79912	☑	☐	☐	☐	☑	New Construction	☐	$1,152,843	**$1,147,376**	144	160	Ike Monty	104	This Development has a competitive score in the Nonprofit Set-Aside.
03220	13	A	Desert Breeze, Ltd.	14600-14626 Desert Breeze Dr.	Horizon City / El Paso	El Paso	79928	☐	☐	☑	☐	☐	New Construction	☐	$360,434	**$359,018**	36	36	James Millener	88	This Development has a competitive score in the Rural Set-Aside.
03222	13	A	Whispering Sands Townhomes, Ltd.	Washington Rd. @ Omar St.	Anthony	El Paso	79821	☐	☐	☑	☐	☑	New Construction	☐	$287,970	**$286,440**	34	36	Ike Monty	83	This Development has an acceptable score in the Rural Set-Aside.
03134	13	A	Lilac Garden Apartments	7845 Lilac Way	El Paso	El Paso	79915	☐	☑	☐	☐	☐	Acquisition/Rehab	☐	$686,800	**$685,609**	150	152	Doug Gurkin	82	This Development is needed to meet the At-Risk Set-Aside.
03003	13	A	Mission del Valle	621 Dindinger	Socorro	El Paso	79927	☑	☐	☐	☐	☐	New Construction	☐	$160,782	**$160,782**	16	16	Ike Monty		This Development is a 2003 Forward Commitment.
5															**$2,648,829**	**$2,639,225**	**380**	**400**			
03024	13	N	Diana Palms	4700 Block of Diana Street	El Paso	El Paso	79924	☐	☐	☐	☐	☑	New Construction	☐	$245,915	**$211,474**	34	36	Bobby Bowling IV	107	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03022	13	N	Tropicana Palms	Lee Blvd. @ Montana Ave.	El Paso	El Paso	79936	☐	☐	☐	☐	☑	New Construction	☐	$660,083	**$0**	95	112	Bobby Bowling IV	106	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03023	13	N	Capistrano Palms	8600 Block of Buena Park	El Paso	El Paso	79907	☐	☐	☐	☐	☑	New Construction	☐	$660,083	**$0**	95	112	Bobby Bowling IV	106	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03080	13	N	Mission Trail Apartments	9730 Galilee Drive	El Paso	El Paso	79927	☐	☐	☐	☐	☑	New Construction	☐	$375,202	**$874,306**	49	62	Valerie Funk	103	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03227	13	N	Cedar Oak Townhomes, Ltd.	1541 Pendale Road	El Paso	El Paso	79936	☐	☐	☐	☐	☑	New Construction	☐	$999,818	**$0**	124	146	Ike Monty	100	This Development did not score high enough in the General Set-Aside in its region to be recommended.
03226	13	N	Canyon Run Townhomes, Ltd.	771 N. Resler Dr.	El Paso	El Paso	79912	☐	☐	☐	☐	☑	New Construction	☐	$146,781	**$0**	16	16	Ike Monty	98	This Development did not score high enough in the General Set-Aside in its region to be recommended.
6															**$3,087,882**	**$1,085,780**	**413**	**484**			
11 Projects in Region			Targeted Regional Allocation:		$2,702,046										**$5,736,711**	**$3,725,005**	**793**	**884**			
112 Total Submissions			Total Credit Ceiling Available: $38,137,924												**$73,318,694**		**11,511**	**13,498**			

1. 'A' = Received a 2003 LIHTC allocation, 'N' = Did not receive a 2003 LIHTC allocation.
2. Set-Aside Abbreviations: NP=Nonprofit, AR-At-Risk, R=Rural, E=Elderly, G=General

SINGLE FAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
SEPTEMBER 11, 2003

Action Items

Hear appeal of 2002-2003 Single Family Home Investment Partnerships (HOME) Program funding decision. City of Cleveland, Application #2003-0140

Required Action

Board deny appeal of HOME Program award.

Breakdown and Recommendations

This applicant originally filed an appeal for this issue on July 25, 2003, to Edwina Carrington appealing the methodology used to rank and distribute program funds. The appeal was denied by the Executive Director on August 7, 2003. On August 13, 2003, they submitted a subsequent appeal to the Board requesting that deobligated funds be used to fund the City's application.

The City of Cleveland filed an application in the General Set-Aside for $500,000.00. When preliminary funding decisions were originally made on June 18, 2003, the City was informed that they were being partially recommended for funding consideration under the General Set-Aside. Unfortunately, the award recommendations were postponed until the July TDHCA Board meeting. The postponement was due in part to scoring ties that occurred in several of the Uniform State Service Regions and a delay by HUD in signing of TDHCA's 2003 grant agreement. Also, in several regions, staff determined that applicant scores may have been listed incorrectly. Appropriate adjustments were made and new funding recommendations were released on July 23, 2003. The City of Cleveland is located in Region 6 and a scoring adjustment was made to one of the applications in that region (City of Santa Fe). Subsequently, the City of Cleveland was not recommended for funding under the General Set-Aside when the revised recommendations were made.

Although the City did not submit an application under the Special Needs Set-Aside, they contend that lower scoring Special Need applications within their region were recommended for funding over high scoring General Set-Aside applicants. In regions where two applications were submitted from the same applicant for the same activity, one for the General Set-Aside and one for the Special Needs Set-Aside, priority was given to the application serving the General Set-Aside and was recommended for full funding if sufficient funds were available. Program staff felt that an applicant recommended for funding under the General Set-Aside could serve special needs populations if they desired without receiving funding through the Special Needs Set-Aside. This enables the Department to potentially serve additional special needs households and prevents the applicant from having to administer two contracts. The methodology was utilized in all Uniform State Service Regions. The City of Cleveland contends that it was unfairly passed over for funding due to the use of this distribution methodology. Since the City submitted an application under the General Set-Aside, it was scored and ranked under this Set-Aside and not under the Special Needs Set-Aside.

Applicant Information

Applicant:	City of Cleveland
HOME Set-Aside	General Set-Aside
Region:	Six (6)
Type of Project:	Owner Occupied Housing Assistance
Units:	Nine (9)
Staff Recommendation:	The Executive Director did not approve the original appeal. That recommendation has not changed.

COPY OF APPEAL
TO TDHCA BOARD

Mayor Monique McDuffie-Davis
Mayor Pro-Tem Willie Carter
City Council
Durlene Davis
Bill McAdams
Glen Dodson
Eddie Lowery

CITY of CLEVELAND

203 E. Boothe
Cleveland, TX 77327
281/592-2667 telephone
281/592-6624 fax

Philip Cook, City Manager
Kelly McDonald, City Secretary

RECEIVED
AUG 20 2003
Certified mail - bg

August 13, 2003

Eric Pike, Director
Single Family Finance Production
Texas Department of Housing and Community Affairs
P. O. Box 13941
Austin, Texas 78711-3941
Via Facsimile: 512-475-4798

Dear Mr. Pike:

This letter is a request by the City of Cleveland to use the Board Appeals Process of the Texas Department of Housing and Community Affairs for reviewing the unfortunate sequence of events, which have occurred due to some inconsistencies and unforeseen mistakes within the scoring process used by the HOME Program Staff to determine the award of applications for the 2003 Owner Occupied Housing Assistance Program. Please consider this a supplement to our appeal letter dated August 4, 2003.

Because of some of these inconsistencies and unforeseen errors in scoring, the City of Cleveland was originally awarded $234,166.00. Our grant consultants had anticipated from their analysis of the scoring that the City would be at the bottom of the funded applications in a tie with the City of Wharton. The HOME Program Staff had informed us that if there were ties, all available funds would be split evenly. The City of Wharton, however, was awarded $500,000.00. When we informed the HOME Program Staff of this inconsistency, they agreed that according to their own rules of funding that any ties would split the funds evenly between the two municipalities and that they would take a closer look at this and other similar circumstances that had arisen. The City was then informed that the HOME Program Staff had reviewed the inconsistencies and errors that had taken place and due to some changes in scoring and a change in their methodology of the distribution of funds, the City of Cleveland would be completely left out of the funding. Yet both the City of Wharton and the City of Eagle Lake, which scored two points lower than the City of Cleveland, had been recommended for full funding of $500,000 each.

We acknowledge that the circumstances in Region 6 are unusual. Several applicants submitted applications for both General and Special Needs and exceeded the applicant maximum grant allocation of $500,000 in doing so. The HOME Program Staff when questioned about this particular situation explained that they would use a methodology to bring these applicants into compliance which consisted of reducing the amount of both General and Special Needs applications, in so doing more Special Needs applications would be considered.

We were then informed that the HOME Program Staff had now changed their methodology of distribution, which consisted of reducing the amount of some applications while totally eliminating other applications. Whatever the reason for the change in methodology, we cannot agree with a method that allows for a lower scored application to "leap frog" a higher scored application, regardless of funding category. The objectively scored need still remains. The point of the scoring system is to fund applications, which receive the highest scores with available funds. We believe that in programs, such as the HOME Program, when a scoring and funding system is designed, it is very important to maintain the integrity of that system. This scoring and funding methodology compromises that integrity. After a lengthy discussion with the HOME Program Staff, we agree that under these difficult circumstances, the HOME Program Staff have worked very hard to maintain some integrity to a system that obviously needs work.

Because of this new methodology devised by the HOME Program Staff to distribute funds between the General Needs and Special Needs, the City of Cleveland was unfairly passed over for funding. From our investigation, we have found five other applicants who were passed over by lower scoring applications. In Region 4 the City of Avery and Lamar County were "leap frogged" by one city that they tied and by five other cities that scored lower. In Region 8 the Cities of Blum, Coolidge and Temple were skipped in the funding by two cities that scored lower. These applicants as well as City of Cleveland have had their expectations raised and lowered and raised and lowered like a roller coaster for the last two months.

The City of Cleveland is not asking the Board to change the funding distribution. We realize that the Staff, to try and be as consistent as possible, has done a lot of work. However, we are asking you to be fair. These six applicants made great efforts to put together these applications and to score as high as possible only to be passed over by lower scoring applications. The Board has made it a policy to first use de-obligated funds to fund appealed applications. The City of Cleveland is requesting that you make good on that policy and use any de-obligated money now and in the future to first fund these six applications that were "leap frogged" in the scoring process. We think this will be fair and will give some credibility to an otherwise flawed funding methodology.

Thank you for your consideration.

Sincerely,

Philip Cook
City Manager

EXECUTIVE DIRECTOR
APPEAL RESPONSE

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

WWW.TDHCA.STATE.TX.US

August 7, 2003

Mr. Philip Cook, City Manager
City of Cleveland
203 E. Boothe
Cleveland, Texas 77327

RE: City of Cleveland HOME Program Application

Dear Mr. Cook:

We are in receipt of your recent letters dated July 25, 2003 and August 4, 2003 regarding the HOME Program application submitted by the City of Cleveland. Again, we apologize for any increased funding expectations you or your community may have experienced based on previous rankings of HOME applications and the subsequent postponement of the HOME program funding recommendations. Funding inconsistencies did exist in some Uniform State Service Regions due to tied scores and the 2003 HUD allocation decreased from original projections; resulting in fewer or reduced funding recommendations in most state service regions. Appropriate adjustments were made and new funding recommendations were released on July 23, 2003.

In regions where two applications were submitted from the same applicant for the same activity, one for the General Set-Aside and one for the Special Needs Set-Aside, priority was given to the application serving the General Set-Aside and was recommended for full funding if sufficient funds were available. Program staff felt that an applicant recommended for funding under the General Set-Aside could serve special needs populations if they desired without receiving funding through the Special Needs Set-Aside. This enables the Department to potentially serve additional special needs households and prevents the applicant from having to administer two contracts. The methodology was utilized in all Uniform State Service Regions.

Although we acknowledge that some entities funded under the Special Needs Set-Aside may have received a lower score than a General Set-Aside applicant, these are two separate funding set-asides. Since the city submitted an application under the General Set-Aside, it was scored and ranked under this Set-Aside and not under the Special Needs Set-Aside since no application was received for this set-aside.

507 SABINE - SUITE 400 ▪ P.O. BOX 13941 ▪ AUSTIN, TEXAS 78711-3941 ▪ (512) 475-3800

We appreciate your concern and comments regarding the scoring methodology. Unfortunately, we are unable to concur with your appeal. We are continuing to strive to improve the HOME Program and will take all suggestions into consideration for future funding cycles.

Again, thank you for your interest and continued support of the Texas Department of Housing and Community Affairs and the HOME Investment Partnerships Program. If you have any further questions regarding this issue, please contact me at (512) 475-3932 or Eric Pike, Director, Single Family Finance Production, at (512) 475- 3356.

Sincerely,

Ruth Cedillo

for Edwina Carrington,
Executive Director

Cc: J. Andrew Rice, David Baker, Public Management, Inc.

Copy of Appeal to
Executive Director

Mayor Monique McDuffie-Davis
Mayor Pro-Tem Willie Carter
City Council
Durlene Davis
Bill McAdams
Glen Dodson
Eddie Lowery

CITY of CLEVELAND

203 E. Boothe
Cleveland, TX 77327
281/592-2667 telephone
281/592-6624 fax

Philip Cook, City Manager
Kelly McDonald, City Secretary

RECEIVED
AUG - 6 2003
[signature]

August 4, 2003

Edwina P. Carrington, Executive Director
Texas Department of Housing and Community Affairs
P. O. Box 13941
Austin, Texas 78711-3941
Via Facsimile: 512-475-3992

Dear Ms. Carrington:

This letter is a request by the City of Cleveland to have the Texas Department of Housing and Community Affairs review the method used by the HOME Program Staff to determine the award of applications in Region 6 for the 2003 Owner Occupied Housing Assistance Program. Please consider this a supplement to our appeal letter dated July 25, 2003.

Because of the method devised by the HOME Program staff to distribute funds between the General Needs and Special Needs Funding in Region 6, the City of Cleveland has been unfairly passed over for funding. This occurs even though the City of Cleveland's application score is equal to one recommended application score and higher than another recommended application score. Cleveland's score is equal to the City of Wharton's score and two points higher than the City of Eagle Lake's score. Yet both of those projects have been recommended for full funding of $500,000 each and the City of Cleveland receives nothing.

We acknowledge that the circumstances in Region 6 are unusual. Several applicants submitted applications for both Special and General Needs and exceeded the per applicant maximum grant allocation in doing so. The HOME Program staff used a methodology to bring these applicants into compliance, which consisted of reducing the amount of some applications while totally eliminating other applications. Whatever the reason for the methodology, we cannot agree with a method that allows for a lower scored application to "leap frog" a higher scored application. This action by the HOME Staff compromises the scoring system and gives the perception of an arbitrary and capricious decision.

We believe that in programs, such as the HOME Program, when a scoring system is designed, it is very important to maintain the integrity of that system. The scoring in Region 6 compromises that integrity. We believe that another method should be devised to insure that the highest scoring applications are given the best opportunity for funding. An example is attached to this letter.

Thank you for your consideration.

Sincerely,

PCook

Philip Cook
City Manager

Attachment

Cc: Eric Pike ✓

Alternative Method for Scoring—Region 6

2003 Owner Occupied Housing Assistance

		General Need	Special Need
Total Allocation – Region 6		$2,951,705.00	$1,556,495.00
Applicant	Score		
City of Bay City Special Needs	122		$ 250,000.00
City of Bay City	122	$ 250,000.00	
LeTulle Foundation Special Needs	119.50		$ 250,000.00
LeTulle Foundation.	119.50	$ 250,000.00	
City of Dickinson	119	$ 500,000.00	
Bay City PHA Special Needs	119		$ 250,000.00
Bay City PHA	119	$ 250,000.00	
Palacios PHA Special Needs	117		$ 250,000.00
Palacios PHA	117	$ 250,000.00	
City of Palacios Special Needs	117		$ 250,000.00
City of Palacios	117	$ 250,000.00	
City of Santa Fe Special Needs	117		$ 250,000.00
City of Santa Fe	117	$ 250,000.00	
City of Cleveland	115	$ 500,000.00	
City of Wharton Special Needs	115		$ 56,495.00
City of Wharton	115	$ 443,505.00	
City of Eagle Lake	113	$ 8,200.00	
Total		$2,951,705.00	$1,556,495.00

This method would have insured that the highest scoring applications would be getting the best opportunity for funding

Mayor Monique McDuffie-Davis
Mayor Pro-Tem Willie Carter
City Council
Durlene Davis
Bill McAdams
Glen Dodson
Eddie Lowery

CITY of CLEVELAND

203 E. Boothe
Cleveland, TX 77327
281/592-2667 telephone
281/592-6624 fax

Philip Cook, City Manager
Kelly McDonald, City Secretary

July 25, 2003

Edwina P. Carrington, Executive Director
Texas Department of Housing and Community Affairs
P. O. Box 13941
Austin, Texas 78711-3941
Via Facsimile: 512-475-3992

Re: 2002-2003 HOME Program Application Number 2003-0140

Dear Ms. Carrington:

I received a letter dated June 18, 2003, from Mr. Eric Pike, Director of Single Family Finance Production Division. He informed me that the City of Cleveland had received funds through the HOME Owner Occupied Program under the General Set Aside.

Needless to say I was very excited about this award, and I subsequently informed our City Council and the public. We even find out that we may receive more funds since an error had been made in calculating the distribution of grant awards.

Then on July 23, 2003, I received another letter from Mr. Pike stating that our "application did not score high enough within the region, the set-aside or meet the threshold to receive a funding recommendation." Both of these letters are attached.

I then reviewed the scoring for these applications and found to my amazement that two counties in this 16 county scoring region will be getting all of the funds for the HOME Owner Occupied Program. Bay City, Le Tulle Foundation and Palacios (Matagorda County) are receiving the lion's share of these funds and Dickinson and Santa Fe (Galveston County) will be receiving the remaining portion.

The City of Cleveland is appealing this decision to not grant HOME Owner Occupied funds for its application. Your agency, through an official document, has raised expectations in our community about receiving some sorely needed housing assistance. People have been coming to our offices requesting it. Your scoring methodology must have flaws if an award is made and then taken away. In addition, you have an application process and a scoring system that is obviously extremely favorable to the cities of Bay City and Palacios, allowing them to take most of the funds in one region when there are many other qualified applicants who need the assistance.

Thank you for hearing this appeal.

Sincerely

Philip Cook
City Manager

Attachments (2)

Cc: Eric Pike

SINGLE FAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
SEPTEMBER 11, 2003

Action Items

Hear appeal from the 2002-2003 Single Family Home Investment Partnerships (HOME) Program funding cycle for a total award in the amount of $117,000.

Required Action

Board approval of HOME Program Award Recommendation.

Breakdown and Recommendations

Summary

An application submitted from Housing Plus, Inc. is being recommended for funding consideration based on a recent appeal.

Housing Plus, Inc. appealed staff's decision of their score calculation under the program match category. The applicant originally indicated that homebuyer counseling services provided by a third party would be used as part of their program match requirement. It was determined that a potential conflict of interest existed since this organization would also provide mortgages to those it counseled. After a secondary review, the applicant was allowed to submit an agreement with another entity for these services that would not be providing mortgages to those it counsels. The new agreement submitted was determined to be acceptable and staff was able to award additional points to the applicant. Based on this determination, staff is requesting that Housing Plus, Inc., in Uniform State Service Region 9, be awarded funding in the amount of $112,500 for Homebuyer Assistance funds. If approved, staff is recommending that the award amount be subtracted from the regional balance remaining in Region 11. This region was the only Uniform State Service Region that had funds remaining after all eligible projects were awarded in July 2003.

Recommendation

Staff requests approval of the appeal from the 2002–2003 HOME Program application cycle. Staff also recommends and requests approval of 4% administrative funds, based on the amount of project dollars recommended.

Award Summary

Application Number:	2003-0282		
Name of Organization:	Housing Plus, Inc.		
Location of Project:	Medina County	**Number of units to be served:** 15	
Project Funds Requested:	$112,500.00	**Administrative Funds Requested**	$4,500.00
Application Status	Funding recommended by staff .		
Describe the Program Design: Housing Plus, Inc. will provide homebuyer assistance to 15 families.			
Reason for decision: • **Score of 82 (out of possible 130 points)**			

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 11, 2003

Action Items

Request approval of four HOME Rental Community Housing Development Organization (CHDO) awards.

Required Action

Approve HOME Rental CHDO award recommendations.

Background and Recommendations

Twenty-seven HOME Rental Community Housing Development Organization (CHDO) Applications were submitted by the April 1, 2003 deadline. The Multifamily Finance Production staff reviewed the applications utilizing the threshold and scoring criteria outlined in the 2003 HOME Rental Housing Development Application. Of the Applications submitted, after all appeals were heard, 10 of those were determined to be eligible to complete for funding.

In accordance with §53.56 of Title 10 of the Texas Administrative Code, $15,119,049 in HOME funds are set-aside for eligible CHDOs. In July 2003, the Board awarded $1,913,300 to applications submitted through the Single Family Production Division. Staff is now recommending all financially feasible and eligible HOME Rental CHDO Applications. These constitute 4 applications with a total award of $2,124,662. The balance of those CHDO funds totaling $11,081,087, will be made available through a Notice of Funding Availability that will be open ended and will better enable the Department to work with CHDO applicants on their applications on a non-competitive basis.

It should be noted that no more than 5% of the total HOME funds can go to Participating Jurisdictions (PJs). If a Development is in a PJ, it is also required that all HOME funds awarded go to persons with disabilities. However, to ensure compliance with the Integrated Housing Definition, only a portion of the Units in the Development will actually serve persons with disabilities. Only one of the four recommended applications is in a PJ – Willow Bend Creek Apartments and it does satisfy the Department's Integrated Housing Policy.

2003 HOME CHDO Recommendations
Sorted by Recommendation Status and Score
September 11, 2003

TDHCA #	A [1]	Development Name	Development Address	City	County	Zip	Final Score	Request Amount	Recommended Amount	Additional Program Applications LIHTC	HTF	Total LI Units	Total Units	Applicant Contact	Description
20030061	A	Willow Bend Creek Apartments	4812 Albert Avenue	Fort Worth	Tarrant	76116	95	$623,226	$623,226	☐	☑	22	22	Jesse Seawell	Needed to allocate funds available.
20030038	A	Grand Montgomery Court	Old Montgomery Road	Huntsville	Walker	75751	94	$1,007,436	$1,007,436	☐	☐	12	12	Emanuel H. Glockzin, Jr.	Needed to allocate funds available.
20030013	A	Estates of Bridgeport II	317 Cuba Road	Bridgeport	Wise	76426	93	$484,000	$484,000	☐	☑	10	10	Al Swan	Needed to allocate funds available.
20030032	A	Arcadia Village	673 Arcadia Rd.	Center	Shelby	75935	91	$10,000	$10,000	☑	☐	26	26	Douglas R. Dowler	Needed to allocate funds available.
								2,124,662	**$2,124,662**			**70**	**70**		
20030354		Ennis Senior Estates	6600 Rudd Road	Ennis	Ellis	75119	109	$1,000,000	$0	☐	☐	248	248	Barry Halla	This development is not recommended by the Real Estate Analysis Division based on poor financial feasibility.
20030116		Cottage Community	0 Dessau Road	Austin	Travis	78753	90	$1,000,000	$0	☐	☐	30	30	Alison Schmidt	This development is not recommended by the Real Estate Analysis Division based on poor financial feasibility.
20030025		Bowie Retirement Village	Elderado St.	Bowie	Montague	76230	87	$999,500	$0	☐	☐	22	22	Joe Chamy	This development is not recommended by the Real Estate Analysis Division based on poor financial feasibility.
20030288		Bethel Senior Housing	916 West Goliad	Crockett	Houston	75835	84	$999,999	$0	☐	☐	16	16	Van Dyke Johnson	This development is not recommended by the Real Estate Analysis Division based on poor financial feasibility.
20030320		Star Village Apartments	1/4 Mile North of Bus. 77 and N. McCullough St.	San Benito	Cameron	78586	81	$1,000,000	$0	☐	☐	52	52	Alfredo Huerta	This development is not recommended by the Real Estate Analysis Division based on poor financial feasibility.
20030178		Canal Street Apartments	2821 Canal Street	Houston	Harris	77003	77	$1,000,000	$0	☐	☑	133	133	Joy Horak-Brown	This development is not recommended by the Real Estate Analysis Division based on poor financial feasibility.
								5,999,499	**$0**			**501**	**501**		
10 Eligible Developments in the 2003 HOME CHDO Application Cycle								**$8,124,161**	**$2,124,662**			**571**	**571**		

1. 'A' = recommended for an allocation, 'N' = not recommended for an allocation.

MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENTAND BOARD SUMMARY FOR RECOMMENDED HOME CHDO APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Willow Bend Creek Apartments** TDHCA #: **20030061**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 3 Site Address: 4812 Albert Avenue
City: Fort Worth County: Tarrant Zip Code: 76116
Purpose / Activity: New Construction Participating Jurisdiction (PJ)[1] : ☐
Targeted Units: Family: 0 Elderly: 0 Handicapped/Disabled: 2 Total Special Needs[2]: **8**

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Ability Resources Incorporated

Principal Names	Principal Contact	Percentage Ownership
Ability Resources Incorporated	Jesse Seawell	NA
Accessible Residences Incorporated	Jesse Seawell	NA
Accessible Homes, Inc.	Robbie Deen	NA

Legal Form of Applicant: Non-Profit Corporation

HOME PRESERVATION FUNDING INFORMATION

Award Recommendation (Loan Amount): **$623,226**
HOME Amount Requested by Applicant: **$623,226** Affordability Period: 30 years

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	8	1	0	0	9
40%	0	0	0	0	0	0
50%	0	0	0	0	0	0
60%	0	8	5	0	13	26
65%	0	0	0	0	0	0
80%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	16	6	0	13	

Total LI Units: 22
Owner/Employee Units: 0
Total Development Units: 22

BUILDING INFORMATION

Total Development Cost: $1,241,153
Gross Building Square Feet: 13,687
Total Net Rentable Area Square Feet: 13,148
Average Square Feet/Unit: 598

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $135,546
Total Expenses: $73,975
Net Operating Income: $61,571
Estimated 1st Year Debt Coverage Ratio: 1.30

RECOMMENDED FINANCING

Permanent Principal Amount: $623,226
HOME Amortization Rate: 30 years
HOME Amortization Term: 30 years
HOME Interest Rate: 6%
TDHCA Lien Position: First Lien
Other Funding Sources and Lien: SECO Grant $33,000

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Ability Resources Incorporated	Market Analyst:	Ipser and Associates
Housing GC:	Cordova Construction Company	Originator/UW:	NA
Engineer:	NA	Appraiser:	Bloomberg Real Estate Services
Cost Estimator:	Teague Estimating Services	Attorney:	Lawyer's American Title
Architect:	Cameron Alread Architects	Accountant:	Hartman, Leito, and Bolt
Property Manager:	Ability Resources Incorporated	Supp Services:	Disability Services of the Southwest
Syndicator:	NA	Permanent Lender:	TDHCA

1) No more than 5% of the total HOME funds can go to Participating Jurisdictions (PJs). If a Development is in a PJ, it is required that all HOME funds awarded go to persons with disabilities. However, to ensure compliance with the Integrated Housing Definition, only a portion of the Units in the Development will actually serve persons with disabilities.
2) Special Needs Definition By Rule: Persons with disabilities, persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, and migrant farmworkers.

Development Name: Willow Bend Creek Apartments TDHCA Number: 20030061

DEPARTMENT EVALUATION

Final Home Score: 95 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review, and acceptance of a title commitment.

Receipt, review, and acceptance of a registered professional engineer's certification that the subject buildings, parking and drives, as proposed, will be located entirely outside of the 100 year floodplain as determined by FEMA.

If it is found that a portion of the buildings, parking and/or drives are within the 100-year floodplain and the buildings' finished ground floor are not clearly engineered to be not lower than six inches below the floodplain, receipt, review and acceptance of a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR-F) or identification of the cost of flood insurance for the buildings and for the tenant's contents for buildings within the 100-year floodplain.

TDHCA Board acceptance of a disproportionate share of the sources of funds being dedicated for units designed for tenants with disabilities, acceptance of a broader interpretation of Section 2306.111(c) of the Texas Government Code or a waiver of the Department's integrated housing policy for this unique housing developments within a participating jurisdiction.

Should the terms and rates of the proposed debt change or the adopted rent structure and/or rent set-asides change from those described, the transaction should be re-evaluated and an adjustment to the loan terms may be warranted.

Alternate Recommendation:

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

☑ Score

Explanation: Needed to allocate funds available.

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 Award Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE:	August 29, 2003	**PROGRAM:**	HTF HOME	**FILE NUMBER:**	03805 2003-0061

DEVELOPMENT NAME

Willow Bend Creek

APPLICANT

Name:	Ability Resources Incorporated	**Type:**	Non-Profit CHDO		
Address:	6040 Camp Bowie Boulevard #31	**City:**	Fort Worth	**State:**	TX
Zip:	76116 **Contact:** Jesse Seawell	**Phone:**	(817) 377-1046	**Fax:**	(817) 377-0799

KEY PARTICIPANTS

Name:	Integrated Living Spaces, Inc.	To be formed by Applicant for ownership of Section 811 units
Name:	Accessible Residence Inc.	Subsidiary of Applicant
Name:	Accessible Homes, Inc.	Subsidiary of Applicant

PROPERTY LOCATION

Location:	4812 Albert Avenue		☐ QCT		☐ DDA
City:	Fort Worth	**County:**	Tarrant	**Zip:**	76116

REQUEST

Amount	Interest Rate	Amortization	Term
1) $278,171	N/A	N/A	N/A
2) $60,000	N/A	N/A	N/A
3) $623,226	N/A	N/A	N/A

Other Requested Terms:
1) HTF grant
2) SECO funds (limited to $33,000)
3) HOME grant

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

Set-Aside(s): ☒ CHDO ☒ Energy Efficiency ☒ Housing Development ☒ Special Needs

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOME AWARD OF $623,226, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT 6% INTEREST, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF SECO GRANT AWARD OF $33,000

☒ AN HTF AWARD IS NOT RECOMMENDED, ANY SUCH AWARD IS PREDICTED TO RESULT IN AN EXCESS OF NECESSARY FUNDS

CONDITIONS

1. Receipt, review, and acceptance of a title commitment;

2. Receipt, review and acceptance of a registered professional engineer's certification that the subject buildings, parking and drives, as proposed, will be located entirely outside of the 100-year floodplain as determined by FEMA;
3. If it is found that a portion of the buildings, parking and/or drives are within the 100-year floodplain and the buildings' finished ground floor are not clearly engineered to be at least one foot above the floodplain and all drives and parking lots are not clearly engineered to be not lower than six inches below the floodplain, receipt, review and acceptance of a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR-F) or identification of the cost of flood insurance for the buildings and for the tenants' contents for buildings within the 100-year floodplain;
4. TDHCA Board acceptance of a disproportionate share of the sources of funds being dedicated for units designed for tenants with disabilities, acceptance of a broader interpretation of Section 2306.111(c) of the Texas Government Code or a waiver of the Department's integrated housing policy for this unique housing development within a participating jurisdiction; and
5. Should the terms and rates of the proposed debt change or the adopted rent structure and/or rent set-asides change from those described, the transaction should be re-evaluated and an adjustment to the loan terms may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 22 **# Rental Buildings** 5 **# Common Area Bldngs** 0 **# of Floors** 2 **Age:** N/A yrs **Vacant:** N/A at / /

Net Rentable SF: 13,148 **Av Un SF:** 598 **Common Area SF:** 539 **Gross Bldg SF:** 13,687

STRUCTURAL MATERIALS

Wood frame/concrete block, 80% masonry/brick veneer/20% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Vinyl flooring, range & oven, hood & fan, refrigerator, microwave oven, fiberglass tub/shower, ceiling fans, laminated/tile counter tops, individual water heaters

ON-SITE AMENITIES

Community room, laundry facilities, community kitchen, picnic area, and perimeter fencing are planned for the site

Uncovered Parking: 44 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Willow Bend is a moderately dense 12 units per acre new construction development of 22 units of affordable housing located in Fort Worth. The development is comprised of five residential buildings as follows:

- One single story building with eight one-bedroom units, an attached community room and public laundry facility;
- One two story building with eight one-bedroom units; and
- Three single story buildings with two two- bedroom units.

Architectural Review: The individual unit floorplans are typical for smaller affordable units with adequate storage and small kitchens. The two-bedroom units appear to include space for an upright washer/dryer unit. In response to a request, the Applicant submitted elevation drawings for the residential buildings indicating simple structures with pitched roofs and little ornamentation. Although not included in the original application, a floorplan of the proposed community space and a revised site plan with the hand-drawn location of the community space were submitted.

Supportive Services: The subject property is located within the service area of Disability Services of the Southwest (DSSW). DSSW provides attendant and other necessary services funded through the Department of Human Services for its consumers. In addition, Gateways of Texas, a private provider under contract with Medicaid Administration and Texas Department Mental Health/Retardation, will provide services to eligible consumers including: nursing, dietary, psychology, therapy, etc.

Schedule: The Applicant anticipates construction to begin in February of 2004, to be completed in July of 2004, and to be placed in service in May of 2004.

SITE ISSUES

SITE DESCRIPTION

Size: 1.84 acres	80,150 square feet		**Zoning/ Permitted Uses:**	CR/Light Multifamily	
Flood Zone Designation:	Zone X & AE		**Status of Off-Sites:**	Partially Improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located in the western part of the City of Fort Worth, approximately nine miles west of its downtown.

Adjacent Land Uses:

- **North:** Single family home, vacant land
- **South:** Abandoned golf driving range
- **East:** Vacant land
- **West:** Williams Road

Site Access: The location of the site is on the east side of Williams Road, which is a major thoroughfare beginning at US 377 to the south and IH-30 to the north, where the street name changes to Cherry Lane. Interstate Highway 20 passes approximately two miles south and west of the site. Interstate Highway 30 passes about 1.4 miles north of the site. Interstate Highway 35 passes about nine miles east of the site. Loop 820 passes less than two miles to the west.

Public Transportation: Public transportation in the area is provided by Fort Worth Transportation Authority or The T. The location of the closest public transportation stop was not discussed in the market analysis.

Shopping & Services: Public schools in the area include: Leonard High School, one block wets; Waverly Park elementary, one mile west; Luella Merritt Elementary, one mile east; and Leonard Middle school, over mile west. Local community college campuses, Texas Christian University, and Texas Wesleyan University are located within a 12 miles radius. Several groceries, large discount stores and a regional mall are located within three miles.

Special Adverse Site Characteristics:

- **Flood Plain:** A survey performed by a registered professional land surveyor indicates that areas immediately adjacent to and east of the creek located on the property is located in Zone AE, the 100-year floodplain. However, the FEMA floodplain map appears to show the 100-year floodplain as a large band on either side of the creek. Receipt, review and acceptance of a registered professional engineer's certification that the subject buildings, parking and drives, as proposed, will be located entirely outside of the 100-year floodplain as determined by FEMA is a condition of this report. If it is found that a portion of the buildings, parking and/or drives are within the 100-year floodplain and the buildings' finished ground floor are not clearly engineered to be at least one foot above the floodplain and all drives and parking lots are not clearly engineered to be not lower than six inches below the floodplain, receipt, review and acceptance of a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR-F) or identification of the cost of flood insurance for the buildings and for the tenant's contents for buildings within the 100-year floodplain is a condition of this report.
- **Title:** The Applicant did not provide a title commitment and receipt, review and acceptance of such 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 is close to US 80 and a new elementary and high school are being constructed within 0.25 mile.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated May 29, 2002 was prepared by Carter Burgess and contained the following findings and recommendations:

Findings:

- **Debris:** "Approximately five to six small-scattered piles of discarded construction debris, fill material, and general households waste was observed on the subject property." (p.13)
- **Leaking Underground Storage Tank (LUST):** "The subject property was not identified on the regulatory search. Three LUST site were identified on the regulatory search; two sites located 0.125 to 0.25-mile south-southwest of the subject property and one site located 0.25 to 0.5-mile east of the subject property. It is unlikely that these sites have impacted the subject property." (p. 14)
- **Floodplain:** "According to the National Flood Insurance Program, Flood Insurance Rate Map, the subject property area immediately surrounding Willow Bend Creek is located in a special flood hazard area inundated by 100-year flood, while the remainder of the property is located in an area determined to be outside the 500-year floodplain." (p. 4)

Recommendations: "No evidence or indication of recognized environmental conditions has been revealed. Properly dispose of all waste including household trash and construction debris within the subject property according to applicable local, state and federal regulations." (p. 14)

POPULATIONS TARGETED

Income Set-Aside: The $582,100 commitment for HUD Section 811 financing indicates construction of eight units of housing for persons with disabilities and one two-bedroom unit for a resident manager for a total of nine units. In addition to the Capital Advance, a five year Rental Assistance contract of $22,600 annually for a total budget authority of $113,000 is committed.

The integrated housing policy indicates that the Department will support small projects (less than 50 units) that provide no more than 36% of the units of a multifamily development set-aside for people with disabilities. In accordance with the Department's integrated housing definition, the Applicant structured the subject development to include an additional 13 units not specifically targeting persons with disabilities. This analysis assumes the manager's unit, mentioned above, also will not specifically target persons with disabilities. Therefore, the eight units targeting persons with disabilities amounts to 36% of the total development units (22). Should it be confirmed that the ninth unit (the Manager's unit) is also set aside for persons with disabilities, the development would clearly exceed the Department's integrated housing policy and the development would no longer be eligible for funding. Since the Department's HOME funds are mandated by State law (Texas Government Code Section 2306.111(c)) to be used for the benefit of persons with disabilities in areas other than non-participating jurisdictions, it could be calculated that $1.2M of the sources of funds (65% of the Applicant's budget) will be provided exclusively for benefit of units that serve tenants with disabilities.. This will be discussed at greater length in the financing conclusions below.

The Housing Trust Fund application supplement shows eight units will be wheel chair accessible housing and one unit will be equipped for sight and hearing impaired individuals. Due to the restrictions under the Department's integrated housing definition, this analysis assumes that one of the eight Section 811 units will not only be wheel chair accessible, but also equipped for sight and hearing impaired persons resulting in a total of only eight units targeting the special needs population. The supplement further states nine units will have rents restricted at those affordable to households with incomes at or below 30% of AMI and the remaining 13 units will have rents restricted at those affordable to households with incomes at or below 60% of AMI. Should the HTF funds not be awarded, a mechanism to restrict these additional units accordingly may not be readily available.

A revised rent schedule, submitted subsequent to application, indicates all nine Section 811 units will be funded with the requested HOME grant. The Applicant has indicated all HOME units will have rents restricted at the Low HOME limit. For purposes of this analysis, only the eight Section 811 units targeting persons with disabilities are considered to be HOME units and the projected rent levels are calculated accordingly.

In summary, nine units will be classified as Section 811 housing, eight units will be classified as Low HOME units and all 22 units will be restricted under the set-asides chosen in the Housing Trust Fund application. Should the HTF funds not be awarded these units must be restricted by some other mechanism or significantly higher rents could be achieved and the need for below market rate financing from the Department would be in question.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,740	$29,400	$33,120	$36,780	$39,720	$42,660

MARKET HIGHLIGHTS

A market feasibility study dated January 10, 2003 was prepared by Ipser & Associates and highlighted the following findings:

Definition of Primary Market: The Market Analyst has identified the City of Fort Worth as the primary market area. This is an expansive market area and exceeds the guidelines for population by slightly over twice the recommended limit.

Population: The estimated 2000 population of Fort Worth was 534,694 and is expected to increase by 1.9% annually to approximately 588,000 by 2005. Within the primary market area there were estimated to be 195,078 households in 2000.

Total Primary Market 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	569	3.6%	440	3%
Resident Turnover	15,098	96.3%	15,596	97%
Other: 2% S8 Waiting list w/Disabilities	15	0.1%	N/A	N/A
TOTAL ANNUAL DEMAND	15,682	**100%**	15,036	**100%**

Ref: SUMMARY SHEET

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 11.4% based on 1,763 unstabilized units in addition to the subject 22 units. The Underwriter calculated an inclusive capture rate of 8% based upon a revised supply of unstabilized comparable affordable units of 1,143 divided by a revised demand of 15,036. This does not take into consideration the targeting of persons with disabilities for eight of the one bedroom units, but the Market Analyst has indicated that over 750 persons with disabilities are on the current Section 8 waiting list. Again, these capture rates are based upon a rather expansive market area consisting of twice the departmental guideline for population. In the Market Study for a recently approved nearby transaction, Alemeda Villas, two miles northwest of the subject, conducted by Integra Realty Resources suggested a six mile radius as an appropriate market area and concluded demand of 1,885 units. The inclusive capture rate based on 470 unstabilized units of supply was 24.9%. Based on that Market Study only two additional units would put the inclusive capture rate over the Department's benchmark of 25% thus the subject's Market Analyst's choice for a primary market seems suspect, none-the-less is acceptable.

Market Rent Comparables: The Market Analyst surveyed 2,356 conventional units in the market area. (p. 2-19)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**

1-Bedroom (30%)	$289	$282	+$7	$574	-$285
1-Bedroom (60%)	$759	$510	+$249	$574	-$185
2-Bedroom (30%)	$344	$337	+$7	$743	-$399
2-Bedroom (60%)	$634	$665	-$31	$743	-$109

(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)

Primary Market Occupancy Rates: "Excluding units held for occasional use and 'other vacant' units from the occupancy calculation, raises occupancy in 2000 to 94.5% in Fort Worth…" (p. 2-8)

Absorption Projections: "Average absorption for the subject is estimated at 10 to 12 units per month. It is expected that less than 2 months will be required to achieve 92.5% occupancy of the 22 units." (p. 2-22)

Known Planned Development: No proposed developments are specifically discussed in the market analysis, but 1,763 comparable unstabilized units are included in demand analysis.

The Underwriter found the market study lacking in several key areas, however, it is unclear that all applicants for HOME and HTF were provided clear direction that the market studies should meet all Department standards and the Department's standard may have in fact been approved subsequent to when the NOFA's were released for these programs. Due to these factors and the small size and special needs purpose of the development, the Market Analyst's conclusions were taken at face value with regards to the conclusions of this report.

OPERATING PROFORMA ANALYSIS

Income: The Underwriter is unable to determine the method used by the Applicant to calculate the unit rents. As described above in the Populations Targeted section of this report, the underwriting analysis is based upon nine units classified as Section 811 housing, eight of the nine Section 811 units also classified as Low HOME units and all 22 units restricted under the set-asides chosen in the Housing Trust Fund application. The result is a potential gross rent estimate that is $18K lower than the Applicant's projection. Any changes to the rent structure and/or set-asides elected should result in a re-evaluation of the recommendations of this report.

Although not included in the Applicant's proforma, the underwriting analysis considers the income from the Project Rental Assistance Contract resulting form the commitment for Section 811 financing. The annual budget of $22,600 is comparable to the difference in potential gross rent estimates. The Applicant's secondary income and vacancy loss assumptions are in line with the department's guidelines. However, the overall difference in effective gross income estimates is still greater than 5%.

Expenses: The Applicant's total expense estimate of $4,335 per unit is also not within 5% of the Underwriter's estimate. In addition, the Applicant's budget shows several line item projections that deviate significantly when compared to the Underwriter's estimates, particularly: general and administrative ($7K higher); payroll ($8K higher); repairs and maintenance ($11K higher); water, sewer and trash ($7K higher) and property taxes ($7K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided.

It should be noted, the Applicant has claimed property tax exemption based on its status as a CHDO. With recent legislative changes, it is not known if the property will qualify for a total exemption when completed. Nonetheless, the transaction was underwritten at 75% exemption.

Conclusion: The Applicant's estimated income and total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity.

The Applicant's net operating income projection provides a debt coverage ratio above the Department's current maximum guideline of 1.30 based on debt service for an unknown financing source. The Underwriter's initial analysis indicates that the development will not be responsible for any debt service due to the funding through grant sources and the request to also structure the HOME and HTF allocation as grants. However, the underwriting proforma indicates that the development has the capacity to service a total of $47,207 annually with an initial debt coverage ratio at the Department's maximum guideline of 1.30.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 1.84 acres	$200,400	**Date of Valuation:**	05/ 11/ 2002
Total Development: "as improved"	$1,525,000	**Date of Valuation:**	02/ 27/ 2003

Appraiser: Barbara S Bloomberg **City:** Fort Worth **Phone:** (817) 292-1383

APPRAISED ANALYSIS/CONCLUSIONS

The Applicant provided only the first 22 pages of an appraisal of the subject property; therefore, the appraiser's methodology is unknown. However, a settlement statement indicating the original acquisition price on July 2, 2002 through a third party transaction was also provided. The original acquisition cost in 2002 of $48,900 supports the current sales price.

ASSESSED VALUE

Land: 2 tracts	$38,769	**Assessment for the Year of:**	2002
Building:	N/A	**Valuation by:**	Tarrant County Appraisal District
Total Assessed Value:	$38,769	**Tax Rate:**	3.21508

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: General Warranty Deed

Acquisition Cost: $48,000 **Actual Closing Date:** 11/ 19/ 2002

Seller: Brenda Seawell **Related to Development Team Member:** Yes

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The seller is a relative of the founder of the Applicant and acquired the site from a third party in 2002 for $48,900. An appraisal was provided supporting the acquisition cost and, upon request, a settlement statement was submitted to document the seller's original acquisition cost. As the development's acquisition cost is less than the seller's original acquisition cost, it is considered to be acceptable as presented.

Sitework Cost: The Applicant's claimed sitework costs of $4,673 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 overstated. The Applicant's direct and site work combined hard costs of $94.29 per square foot are extremely high even when the small unit size and special targeted tenant populations are considered.

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: Due to the Applicant's higher direct construction and the subsequently overstated developer's and contractor's fees compared to the Underwriter's estimate, the Applicant's total development cost is more than 5% higher than the Underwriter's costs and is considered to be overstated. Therefore, the Underwriter's cost estimate is used to size the award recommendation.

FINANCING STRUCTURE

INTERIM CONSTRUCTION FINANCING

Source: HOME-City of Fort Worth **Contact:** Charles Cumby

Principal Amount: $195,586 **Interest Rate:** 1%

Additional Information:

Amortization: n/a yrs **Term:** 20 yrs **Commitment:** ☐ None ☒ Firm ☐ Conditional

GRANT

Source: HUD-Section 811 **Contact:** Charlotte Mitchell

Principal Amount: $582,100 **Commitment:** ☐ None ☐ Firm ☒ Conditional

Additional Information: $22,600 project rental assistance; $113,000 budget authority **Date** 11/ 18/ 2002

GRANT

Source: Federal Home Loan Bank **Contact:** Charlotte Mitchell

Principal Amount: $48,937 **Commitment:** ☒ None ☐ Firm ☐ Conditional

Additional Information: **Date** --/ --/ ----

APPLICANT EQUITY

Amount: $20,001 **Source:** Owner Equity

Amount: $38,800 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim Financing: The development has received interim financing from the City of Fort Worth for site acquisition and preliminary development activities. While these funds were initially considered a permanent source, they are to be repaid at permanent loan closing with funding through the Section 811 program. It is not known what type of restrictions may come with these local interim funds.

Permanent Financing: The Section 811 grant will be used to repay the construction loan for eight units targeting persons with disabilities and one manager's unit.

The Applicant has also applied for grant funds through the Federal Home Loan Bank. However, this source of permanent financing is not included in the underwriting analysis because a firm commitment has not been received. Should the development receive any additional commitments for permanent financing, the recommendations of this report should be re-evaluated.

Equity/Deferred Developer's Fees: The Applicant plans to contribute $20K in equity funds. However, this analysis includes only the minimum of 0.5% of the Section 811 Cash Advance as required under the HUD program. The Applicant's anticipated deferred developer fees amount to 78% of developer fees.

Conclusions and TDHCA Funding Recommendations: As stated above, the Underwriter's total development cost estimate of $1,241,153 is used to size the award recommendation. Based on the requested, committed and required sources of permanent funds, there is an excess of $332,334. The determination of how to allocate the need to the program sources requested is a programmatic consideration in this case as there are no known limits that would prevent a maximum requested award for either program and the balance of the needed funds for the other program. Staff has indicated a desire to maximize the allocation of HOME funds given the undersubscription rate for that program source. During the HTF allocation review process this excess of funding was identified and the thus the $278,171 in requested HTF funds was not recommended or allocated. SECO funds of $60,000 were allocated, however program staff have since discovered that the Applicant is only eligible to receive $33,000 in available SECO funds. The gap of funds needed based on the Underwriter's analysis reduces need for additional deferred developer fee and or equity to ensure that no more funds are allocated than necessary.

The Applicant's request of $623,226 is within the 221(d)(3) limit of $649,264 based on eight one-bedroom HOME units. The recommended financing structure will provide a first year return on equity of 508% based upon the Underwriter's anticipated reduced equity requirement of $2,827. If SECO funds are considered a source of equity from a HOME perspective than the return on equity reduces to 40% and if the Applicant's higher cost estimates bear out they will have to seek additional sources of equity which would reduce the return on equity to a modest 4%. Moreover, due to the high risk and small size of the transaction, a return on equity estimate may not be the most appropriate subsidy layering measure. The combined SECO and HOME need for funds is only $656,226 according to the Underwriter's analysis.

As discussed above, a subsidy layering issue may be evident in that $1.2M in sources of funds or 97% of the Underwriter's estimate of total anticipated need appear to be targeted for 8 of the 22 units (36%). As a result of application through the CHDO set-aside/special needs set-aside and through a more strict interpretation of the State law, the proposed "housing development" must target 100% of the units to persons with special needs as defined in the 2001 State of Texas Consolidated Plan. Assuming "housing development" is defined as only the units funded with HOME monies, only the eight Section 811 units targeting persons with disabilities would qualify for a State HOME allocation. However the Departments integrated housing policy appears to conflict with this legislative objective. The integrated housing policy is a goal of the Department that is intended to benefit persons with disabilities.

A less strictly interpreted approach to the restriction in the Texas Government Code Section 2306.11(c) combined with the interpretation that integrated housing benefits tenants that are disabled could allow the HOME funding to apply to more than eight or even all the proposed units in the development. Federal HOME rules do not restrict the HOME funds in the same way as the State. In addition, the Department has no mechanism to assure that HOME funds are limited to costs of only specific units and generally utilizes a prorata allocation, considering HOME funds as fungible as long as they are utilized for eligible costs. In other words, monitors can tell that an electrician's costs are eligible but would have no meaningful way to determine if the current draw for electrical work over the whole development was for specific HOME units. In this case, the Applicant could make draws for the HOME funds as the development is being constructed and may not even violate the obvious prorata proportionality until the conversion to permanent when the Section 811 funds replace the City of Fort Worth construction funds. In recognition of these issues the Underwriter recommends that the TDHCA Board acceptance of a disproportionate share of the sources of funds being dedicated for units designed for tenants with disabilities, acceptance of a broader interpretation of Section 2306.111(c) of the Texas Government Code, or grant a waiver of the Department's integrated housing policy for this unique housing development within a participating jurisdiction.

As indicated above, the Underwriter's proforma indicates the development can support an annual debt service of $47,207 with an initial debt coverage ratio at the Department's maximum guideline of 1.30. Given the significant cash flow that should derive from the development, the proposed amount of HOME debt can easily be repaid over a 30 year amortization at 6% interest and still reflect an initial 1.30 DCR. Thus $623,226 in HOME funds in the form of a fully amortizing 30 year loan at 6% interest is recommended.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, and Property Manager are related entities. These are common relationships for small TDHCA funded developments.

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

Financial Highlights:

- The Applicant, a nonprofit corporation, provided audited financial statements for the year ended December 31, 2001. Total assets were reported at $3.4M comprised of cash, investment in mutual funds, prepaid expenses, property, plant and equipment, restricted cash and deposits. Total liabilities equaled $58K for net assets of $3.3M.
- The subject development will be owned by a "to be formed" nonprofit corporation controlled by the Applicant.

Background & Experience: The Applicant has indicated participation in one Housing Trust Fund development totaling 20 units and funded in 1997.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income, operating expenses, and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- 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%.

- Significant environmental/locational risk exists regarding the location of the 100-year floodplain.
- 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.
- 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 and acceptable alternative structures may exist.

Underwriter:	*Lisa Vecchietti*	**Date:**	August 29, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	August 29, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Willow Bend Creek, Fort Worth, HTF 03805/HOME 2003-0061

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
30%/S811/LowHOME	8	1	1	539	$344	$282	$2,256	$0.52	$62.00	$20.00
60%	8	1	1	539	572	510	4,080	0.95	62.00	20.00
30%/S811	1	2	1	754	413	337	337	0.45	76.00	22.00
60%	5	2	1	754	741	665	3,325	0.88	76.00	22.00
TOTAL:	22		AVERAGE:	598	$520	$454	$9,998	$0.76	$65.82	$20.55

INCOME	Total Net Rentable Sq Ft:	13,148			TDHCA	APPLICANT		USS Region	3
POTENTIAL GROSS RENT					$119,976	$138,276		IREM Region	Fort Worth
Secondary Income			Per Unit Per Month:	$15.00	3,960	3,960	$15.00	Per Unit Per Month	
Other Support Income: HUD Section 811 $113,000 budget authority for 5 yrs					22,600	0			
POTENTIAL GROSS INCOME					$146,536	$142,236			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(10,990)	(10,668)	-7.50%	of Potential Gross Rent	
Rental Concessions					0	(3,552)			
EFFECTIVE GROSS INCOME					$135,546	$128,016			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.76%	$417	0.70	$9,163	$15,970	$1.21	$726	12.48%
Management		5.00%	308	0.52	6,777	$2,355	0.18	107	1.84%
Payroll & Payroll Tax		12.22%	753	1.26	16,560	$24,456	1.86	1,112	19.10%
Repairs & Maintenance		10.11%	623	1.04	13,704	$25,108	1.91	1,141	19.61%
Utilities		3.22%	198	0.33	4,366	$3,000	0.23	136	2.34%
Water, Sewer, & Trash		5.00%	308	0.52	6,780	$13,440	1.02	611	10.50%
Property Insurance		3.40%	209	0.35	4,602	$6,640	0.51	302	5.19%
Property Tax	3.21508	5.22%	322	0.54	7,073	$0	0.00	0	0.00%
Reserve for Replacements		3.25%	200	0.33	4,400	$4,400	0.33	200	3.44%
Compliance		0.41%	25	0.04	550	$0	0.00	0	0.00%
TOTAL EXPENSES		54.58%	$3,363	$5.63	$73,975	$95,369	$7.25	$4,335	74.50%
NET OPERATING INC		45.42%	$2,799	$4.68	$61,571	$32,647	$2.48	$1,484	25.50%
DEBT SERVICE									
Additional Financing		0.00%	$0	$0.00	$0	$20,774	$1.58	$944	16.23%
HTF-TDHCA		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
HOME-TDHCA		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		45.42%	$2,799	$4.68	$61,571	$11,873	$0.90	$540	9.27%
AGGREGATE DEBT COVERAGE RATIO					N/A	1.57			
RECOMMENDED DEBT COVERAGE RATIO					1.30				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.88%	$2,191	$3.67	$48,199	$48,199	$3.67	$2,191	3.08%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.28%	4,673	7.82	102,800	102,800	7.82	4,673	6.57%
Direct Construction		54.16%	30,554	51.13	672,192	972,719	73.98	44,215	62.12%
Contingency	4.07%	2.54%	1,433	2.40	31,516	31,516	2.40	1,433	2.01%
General Req'ts	6.00%	3.75%	2,114	3.54	46,500	56,863	4.32	2,585	3.63%
Contractor's G & A	2.00%	1.25%	705	1.18	15,500	18,954	1.44	862	1.21%
Contractor's Profit	6.00%	3.75%	2,114	3.54	46,500	56,863	4.32	2,585	3.63%
Indirect Construction		13.15%	7,416	12.41	163,151	163,151	12.41	7,416	10.42%
Ineligible Costs		0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's G & A	7.92%	6.88%	3,882	6.49	85,396	85,396	6.49	3,882	5.45%
Developer's Profit	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Interim Financing		0.00%	0	0.00	0	0	0.00	0	0.00%
Reserves		2.37%	1,336	2.24	29,400	29,400	2.24	1,336	1.88%
TOTAL COST		100.00%	$56,416	$94.40	$1,241,153	$1,565,861	$119.09	$71,176	100.00%
Recap-Hard Construction Costs		*73.72%*	***$41,591***	***$69.59***	***$915,007***	***$1,239,715***	***$94.29***	***$56,351***	*79.17%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
							Developer Fee Available
City of Fort Worth	0.00%	$0	$0.00	$0	$0	$0	$85,396
HTF-TDHCA	22.41%	$12,644	$21.16	278,171	278,171	0	% of Dev. Fee Deferred
SECO-TDHCA	4.83%	$2,727	$4.56	60,000	60,000	33,000	0%
HOME-TDHCA	50.21%	$28,328	$47.40	623,226	623,226	623,226	
Section 811 Grant-HUD	46.90%	$26,459	$44.27	582,100	582,100	582,100	15-Yr Cumulative Cash Flow
Grant-Federal Home Loan Bank	0.00%	$0	$0.00			0	$335,160
Owner Equity	2.42%	$1,364	$2.28	30,000	30,000	2,827	Return on Equity
Deferred Developer Fees	5.38%	$3,034	$5.08	66,757	66,757	0	508%
Additional (excess) Funds Required	-32.16%	($18,141)	($30.35)	(399,101)	(74,393)	(0)	HOME 221(d)(3) Limit
TOTAL SOURCES				$1,241,153	$1,565,861	$1,241,153	$649,264

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Willow Bend Creek, Fort Worth, HTF 03805/HOME 2003-0061

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Combination Average Quality Multiple Residence and Townhome

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$51.95	$682,986
Adjustments				
Exterior Wall Finish	6.60%		$3.43	$45,077
Accessibility	5.00%		2.60	34,149
Roofing			0.00	0
Subfloor			(1.62)	(21,247)
Floor Cover			1.92	25,244
Porches/Balconies	$29.24	1,332	2.96	38,948
Plumbing	$615		0.00	0
Built-In Appliances	$1,625	22	2.72	35,750
Exterior Stairs	$1,625	1	0.12	1,625
Floor Insulation			0.00	0
Heating/Cooling			1.47	19,328
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$51.95	539	2.13	27,999
Other:			0.00	0
SUBTOTAL			67.68	889,858
Current Cost Multiplier	1.03		2.03	26,696
Local Multiplier	0.90		(6.77)	(88,986)
TOTAL DIRECT CONSTRUCTION COSTS			$62.94	$827,568
Plans, specs, survy, bld prmts	3.90%		($2.45)	($32,275)
Interim Construction Interest	3.38%		(2.12)	(27,930)
Contractor's OH & Profit	11.50%		(7.24)	(95,170)
NET DIRECT CONSTRUCTION COSTS			$51.13	$672,192

PAYMENT COMPUTATION

Primary	$0	Term	
Int Rate		DCR	#DIV/0!

Secondary	$278,171	Term	
Int Rate		Subtotal DCR	#DIV/0!

Additional	$623,226	Term	
Int Rate		Aggregate DCR	#DIV/0!

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$0
Secondary Debt Service	2,374
Additional Debt Service	44,839
NET CASH FLOW	$14,358

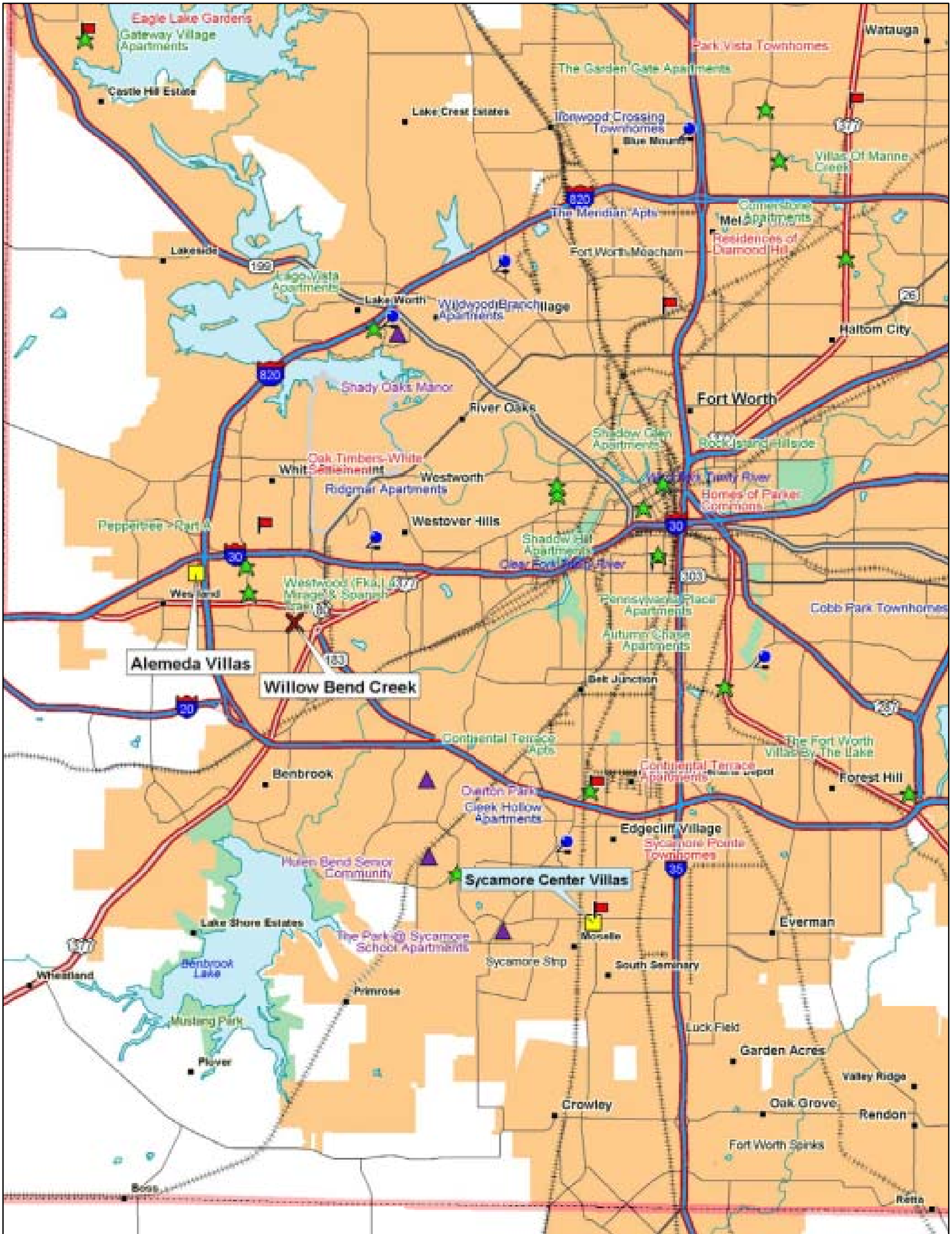
Primary	$0	Term	0
Int Rate	0.00%	DCR	#DIV/0!

Secondary	$33,000	Term	360
Int Rate	6.00%	Subtotal DCR	25.93

Additional	$623,226	Term	360
Int Rate	6.00%	Aggregate DCR	1.30

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		$119,976	$123,575	$127,283	$131,101	$135,034	$156,541	$181,474	$210,379	$282,731
Secondary Income		3,960	4,079	4,201	4,327	4,457	5,167	5,990	6,944	9,332
Other Support Income: HUD Section 811 $1 1		22,600	23,278	23,976	24,696	25,436	29,488	34,185	39,629	53,258
POTENTIAL GROSS INCOME		146,536	150,932	155,460	160,124	164,928	191,196	221,649	256,952	345,322
Vacancy & Collection Loss		(10,990)	(11,320)	(11,660)	(12,009)	(12,370)	(14,340)	(16,624)	(19,271)	(25,899)
Rental Concessions		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME		$135,546	$139,612	$143,801	$148,115	$152,558	$176,857	$205,025	$237,680	$319,423
EXPENSES at	4.00%									
General & Administrative		$9,163	$9,530	$9,911	$10,307	$10,720	$13,042	$15,868	$19,305	$28,577
Management		6,777	6,981	7,190	7,406	7,628	8,843	10,251	11,884	15,971
Payroll & Payroll Tax		16,560	17,223	17,911	18,628	19,373	23,570	28,677	34,890	51,645
Repairs & Maintenance		13,704	14,252	14,822	15,415	16,032	19,505	23,731	28,872	42,738
Utilities		4,366	4,540	4,722	4,911	5,107	6,214	7,560	9,198	13,615
Water, Sewer & Trash		6,780	7,051	7,333	7,627	7,932	9,650	11,741	14,284	21,144
Insurance		4,602	4,786	4,977	5,176	5,383	6,550	7,969	9,695	14,351
Property Tax		7,073	7,356	7,650	7,956	8,275	10,067	12,248	14,902	22,059
Reserve for Replacements		4,400	4,576	4,759	4,949	5,147	6,263	7,619	9,270	13,722
Other		550	572	595	619	643	783	952	1,159	1,715
TOTAL EXPENSES		$73,975	$76,866	$79,871	$82,994	$86,240	$104,486	$126,616	$153,460	$225,538
NET OPERATING INCOME		$61,571	$62,746	$63,929	$65,120	$66,318	$72,370	$78,409	$84,221	$93,885
DEBT SERVICE										
First Lien Financing		$0	$0	$0	$0	$0	$0	$0	$0	$0
Second Lien		2,374	2,374	2,374	2,374	2,374	2,374	2,374	2,374	2,374
Other Financing		44,839	44,839	44,839	44,839	44,839	44,839	44,839	44,839	44,839
NET CASH FLOW		$14,358	$15,533	$16,716	$17,907	$19,105	$25,157	$31,196	$37,008	$46,672
DEBT COVERAGE RATIO		1.30	1.33	1.35	1.38	1.40	1.53	1.66	1.78	1.99



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MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENTAND BOARD SUMMARY FOR RECOMMENDED HOME CHDO APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Grand Montgomery Court** TDHCA #: **20030038**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 6
City: Huntsville
Site Address: Old Montgomery Road
County: Walker
Zip Code: 77340
Purpose / Activity: New Construction
Participating Jurisdiction (PJ)[1]: ☐
Targeted Units: Family: 0 Elderly: 12 Handicapped/Disabled: 1 Total Special Needs[2]: **12**

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Affordable Caring Housing, Inc.

Principal Names	Principal Contact	Percentage Ownership
Affordable Caring Housing, Inc.	Emanuel H. Glockzin, Jr.	100% of Owner

Legal Form of Applicant: Non-Profit Corporation

HOME PRESERVATION FUNDING INFORMATION

Award Recommendation (Loan Amount): **$1,007,436**
HOME Amount Requested by Applicant: **$1,007,436**
Affordability Period: 40 years

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	0	0	0	0	0
40%	0	0	0	0	0	0
50%	0	4	8	0	0	12
60%	0	0	0	0	0	0
65%	0	0	0	0	0	0
80%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	4	8	0	0	

Total LI Units: 12
Owner/Employee Units: 0
Total Development Units: 12

BUILDING INFORMATION

Total Development Cost: $967,436
Gross Building Square Feet: 11,316
Total Net Rentable Area Square Feet: 11,316
Average Square Feet/Unit: 943

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $58,120
Total Expenses: $33,345
Net Operating Income: $24,775
Estimated 1st Year Debt Coverage Ratio: 1.30

RECOMMENDED FINANCING

Permanent Principal Amount: $762,247
HOME Amortization Rate: 40 Years
HOME Amortization Term: 40 Years
HOME Interest Rate: 0%
TDHCA Lien Position: NA
Other Funding Sources and Lien: Home $205,189, 5 year term, NA; Home $40,000 CHDO grant, NA

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer: Emmanuel H. Glockzin
Housing GC: Brazos Valley Construction, Inc.
Engineer: Garrett Engineering
Cost Estimator: NA
Architect: Myriad Designs, Inc.
Property Manager: Cambridge Interests, Inc.
Syndicator: NA
Market Analyst: J. Mikeska & Company
Originator/UW: NA
Appraiser: J. Mikeska & Company
Attorney: Stephen B. Syptak, Attorney
Accountant: Lou Ann Montey & Associates
Supp Services: Affordable Caring Housing, Inc.
Permanent Lender: TDHCA

1) No more than 5% of the total HOME funds can go to Participating Jurisdictions (PJs). If a Development is in a PJ, it is required that all HOME funds awarded go to persons with disabilities. However, to ensure compliance with the Integrated Housing Definition, only a portion of the Units in the Development will actually serve persons with disabilities.
2) Special Needs Definition By Rule: Persons with disabilities, persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, and migrant farmworkers.

9/3/2003 04:04 PM

Development Name: Grand Montgomery Court TDHCA Number: 20030038

DEPARTMENT EVALUATION

Final Home Score: 94 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

The non-amortizing term note should be restructured at its maturity by determining the development's capacity for repayment based upon historical performance.

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

Explanation: Needed to allocate funds available.

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 Award Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: July 20, 2003 **PROGRAM:** HOME **FILE NUMBER:** 2003-0038

DEVELOPMENT NAME

Grand Montgomery Court

APPLICANT

Name:	Affordable Caring Housing, Inc.			**Type:**	Non-Profit		
Address:	4500 Carter Creek Parkway, Suite 101			**City:**	Bryan	**State:**	TX
Zip:	77805	**Contact:**	Emanuel H. Glockzin	**Phone:**	(979) 846-8878	**Fax:**	(979) 846-0783

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Affordable Caring Housing, Inc.	**Title:**	Owner
Name:	Emmanuel H. Glockzin	**Title:**	Developer

PROPERTY LOCATION

Location:	Old Montgomery Road			☐ **QCT**	☒ **DDA**
City:	Huntsville	**County:**	Walker	**Zip:**	77340

REQUEST

Amount	Interest Rate	Amortization	Term
1) $330,000	0%	30 yrs	29 yrs
2) $670,000	N/A	N/A	N/A
3) $40,000	N/A	N/A	N/A

Other Requested Terms:
1) Home Loan
2) Home Grant
3) CHDO Operating Expenses

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

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED $967,436, STRUCTURED AS TWO LOANS: A 40-YEAR $762,247 LOAN, FULLY AMORTIZING OVER 40 YEARS AT 0% INTEREST; A FIVE YEAR TERM LOAN AT ZERO PERCENT INTEREST IN AN AMOUNT NOT TO EXCEED $205,189 SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A CHDO OPERATING GRANT NOT TO EXCEED $40,000, SUBJECT TO CONDITIONS.

1. The non amortizing term note should be restructured at its maturity by determining the development's capacity for repayment based upon historical performance.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports. The development will be located immediately adjacent to a proposed LIHTC development by a related developer. Neither development is said to be dependent upon the other but this development will be enhanced by a successful allocation of tax credits to the adjacent development.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 12 **# Rental Buildings** 3 **# Common Area Bldngs** 1 **# of Floors** 1 **Age:** N/A yrs

Net Rentable SF: 11,316 **Av Un SF:** 943 **Common Area SF:** N/A **Gross Bldg SF:** 11,316

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 95% brick veneer/5% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

There will be no community area or common area in this project; however it will be built adjacent to a LIHTC complex of 56 units for the elderly. The LIHTC complex community building will be shared with this development.

Uncovered Parking: 20 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Grand Victoria Court is a moderately dense 10 units per acre new construction development of 12 units of affordable housing located in southwest Huntsville. The development is comprised of three evenly distributed small fourplex residential buildings as follows:

- (1) Building Type A with four one-bedroom/ one-bath units;
- (2) Building Type B with four two-bedroom/ one-bath units;

Supportive Services: Affordable Caring Housing, Inc. will provide the elderly residents with a service rich environment that respects a desire for independence while meeting the basic needs that often increase with age. They will coordinate recreational and social activities, educational services, and life skills along with personal growth and transportation to enable self-sufficiency. These services will be provided to residents at no additional costs.

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

SITE ISSUES

SITE DESCRIPTION

Size: 1.24 acres 54,014 square feet **Zoning/ Permitted Uses:** Management District

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Huntsville is located approximately 170 miles southeast of Dallas and 70 miles north of Houston in Walker County. The site is a irregularly-shaped parcel located in the southern area of Huntsville. The site is situated on the west side of Old Montgomery Road.

Adjacent Land Uses:

- **North:** motel
- **South:** Gateway Inn & Suites
- **East:** residential and light commercial

- **West:** retirement center/assisted living facility

Site Access: Access to the property is from the northeast or southwest along Old Montgomery Road. The development is to have one main entry from Old Montgomery Road. Access to Interstate Highway 45 is less than one-half mile west, which provides connections to all other major roads serving the Huntsville area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: Local shopping is provided along the major thoroughfares which include IH-45, Sam Houston Avenue, and State Highways 30 and 19. There are numerous restaurants, grocery stores and health care services in the area.

Site Inspection Findings: TDHCA staff performed a site inspection on June 4, 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 is not required.

POPULATIONS TARGETED

Income Set-Aside: All twelve of the units (100% of the total) will be reserved for low-income/elderly tenants.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$20,220	$23,160	$26,040	$28,920	$31,260	$33,540

MARKET HIGHLIGHTS

A market feasibility study dated April 1, 2003 was prepared by J. Mikeska & Company and highlighted the following findings:

Definition of Market/Submarket: "The Market Area encompasses not only Huntsville but all of Walker County" (p. 7)

Population: The estimated 2002 population of Walker County was 63,896 and is expected to increase by 12% to approximately 68,906 by 2007. Within the primary market area there were estimated to be 21,438 households in 2007.

Total Local/Submarket Demand for Rental Units: "The Claritas Senior Life Report for Walker County for 2002 indicates that there are 688 households between the ages of 55 and 74 that fall within the $15,000 to 24,900 MFI category. Utilizing the 15.08% rate of renters in the 65+ age group in Walker County per 1990 Census would result in 31 income and age qualified households for the subject's 12 proposed units based on our calculations. Subject would only meet 39% of this apparent demand." (p. 18)

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	33	11%	84	17%
Resident Turnover/55+	258	89%	400	83%
TOTAL ANNUAL DEMAND	291	**100%**	484	**100%**

Ref:Form study for adjacent LIHTC proposal p. 4.11

Inclusive Capture Rate: The Market Analyst did not explicitly provide and opinion on the capture rate for the subject property but in the market study conducted by the same Market Analyst for the neighboring LIHTC proposal it was suggested that "…the subject [56 units] will easily capture 19.2% of this estimated demand." (p. 4.14) If the additional 12 units were added to the supply the capture rate would rise to 23.4%. The Underwriter calculated a capture rate of 14% based upon a higher recalculated demand.

Market Rent Comparables: The Market Analyst surveyed 11 comparable apartment projects in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (LH)	$373	$373	$0	$575	-$202
2-Bedroom (LH)	$453	$453	$0	$675	-$222

(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 Occupancy Rates: "The occupancy rates of the rental comparables in the submarket survey ranged from 86% to 100%, with an average of 93.8% overall and 94.5% for market rate units only and 90% for LIHTC units only" (p. 15)

Absorption Projections: "The rate of absorption of developments in the submarket is difficult to ascertain due to the limited new product. Unfortunately, no specific examples of rate of absorption in the senior market could be obtained." (p. 19)

Known Planned Development: A 56 unit LIHTC elderly project named Montgomery Meadows was submitted in the 2003 LIHTC cycle.

The Underwriter found the market study, when combined with the market study of the adjacent proposed LIHTC transaction, to provide sufficient information to make a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The 2003 rent limits were used by the Applicant in setting the rents. Estimates of secondary income and vacancy and collection losses are also in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $3,231 per unit is 16% higher than the TDHCA database-derived estimate of $2,779 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, that deviate significantly when compared to the Underwriter's estimate, particularly management fee ($1.9K lower), water, sewer, and trash ($1.4K higher), insurance ($4.5K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them with additional information provided by the Applicant. It should also be noted that the proposed transaction is anticipated to be exempt from property taxes due to its non profit status.

Conclusion: The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in total expenses, the Underwriter's estimated debt coverage ratio (DCR) of 2.25 exceeds the program maximum standard of 1.30. This suggests that the project could support debt service of $19,056 annually. This results in potential serviceable debt of $762,247 at zero percent over 40 years.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: (1.24) acres	$62,000	**Date of Valuation:**	4/ 1/ 2003
Appraiser: Jo Ann Sette	**City:** Hempstead	**Phone:**	(970) 921-7530

ASSESSED VALUE

Land: (21.929) acres	$219,290	**Assessment for the Year of:**	2002
1 acre:	$10,000	**Valuation by:**	Henderson County Appraisal District
Prorated 1.24 acre:	$12,400	**Tax Rate:**	2.895

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest Money Contract		
Contract Expiration Date:	10/ 15/ 2003	**Anticipated Closing Date:**	10/ 15/ 2003

Acquisition Cost:	$61,000	**Other Terms/Conditions:**	$100 Earnest money
Seller:	College Main Apartments, Ltd.	**Related to Development Team Member:**	Yes

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The seller, College Main Apartments, Ltd, is controlled by Elaina and Emanuel Glockzin, Jr. which are also the Developer and General Contractor on the development Montgomery Meadows. They acquired the site as part of a larger 21.929 acre parcel in December 1999 at a cost of $477,615. This amounts to a prorated cost of $.50 per SF or $27,000 for the subject 1.24 acres. The Applicant provided documentation of holding costs for the taxes paid for four years at $1,436, but provided inconsistent information concerning the interest carry and original acquisition amount; therefore a total prorated value of $28,436 will be used for the acquisition cost.

Sitework Cost: The Applicant's claimed sitework costs of $7,083 per unit are considered reasonable for multifamily developments based upon the Department's guidelines.

Direct Construction Cost: The Applicant's direct construction cost estimate is $12.7K or 2% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor's 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. However, the Applicant's overstated acquisition cost in this case would otherwise allow for an excess amount of profit. If this difference was added to the developer fee it would cause the developer fee to exceed the maximum allowed 15%, therefore the entire $32,564 difference is reduced from the required source of funds and should only be funded out of the addition of deferred developer fee to the extent cash flow is available. The Applicant's total development cost estimate is within the HUD 221(d)(3) HOME subsidy limit of $1,100,208.

FINANCING STRUCTURE

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The HOME funds will represent all interim to permanent funds for the development as proposed. The requested structure would result in a significantly higher than acceptable DCR. Moreover, the development's low expense ratio and, therefore, likely long-term profitability make it a good candidate for extending the amortization to 40 years. Based upon the additional debt service capacity resulting from the achievable 2003 rents, the Underwriter's lower expenses and extended term an additional $432,247 in debt could be repaid at the proposed rate and increased 40 year term and still yield a 1.30 DCR. The non amortizing loan should not exceed $205,189 structured as a five year term loan at zero percent interest. This portion of the debt should be restructured at maturity based upon the operating performance history of the development at that time.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Developer and General Contractor firms are all related entities. These are common relationships for rural multifamily 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.

Background & Experience:
- The Applicant is a new entity formed for the purpose of developing the project.
- The Developer, Emanuel H. Glockzin, has over twenty-three years of experience in developing governmental housing programs. Mr. Glockzin has developed five TDHCA/HOME fund assisted

apartment complexes. His company has built and continued to provide management for 1,288 apartment units in 24 cities across the State of Texas.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The seller of the property has an identity of interest with the Developer.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant and acceptable alternative structures may exist.

Underwriter:	*Carl Hoover*	**Date:**	July 20, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	July 20, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Grand Montgomery Court, Huntsville, HOME #2003-0038

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
LH	4	1	1	811	$423	$373	$1,492	$0.46	$50.00	$30.00
LH	8	2	1	1,009	518	453	3,624	0.45	65.00	33.00
TOTAL:	12		AVERAGE:	943	$486	$426	$5,116	$0.45	$60.00	$32.00

					TDHCA	APPLICANT			
INCOME	Total Net Rentable Sq Ft:	11,316						USS Region	6
POTENTIAL GROSS RENT					$61,392	$61,392		IREM Region	
Secondary Income			Per Unit Per Month:	$10.00	1,440	1,440	$10.00	Per Unit Per Month	
Other Support Income: (describe)					0				
POTENTIAL GROSS INCOME					$62,832	$62,832			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(4,712)	(4,716)	-7.51%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0				
EFFECTIVE GROSS INCOME					$58,120	$58,116			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		7.06%	$342	0.36	$4,105	$4,950	$0.44	$413	8.52%
Management		9.38%	454	0.48	5,450	$3,600	0.32	300	6.19%
Payroll & Payroll Tax		13.41%	650	0.69	7,794	$8,672	0.77	723	14.92%
Repairs & Maintenance		7.57%	367	0.39	4,400	$3,560	0.31	297	6.13%
Utilities		3.60%	174	0.18	2,091	$2,640	0.23	220	4.54%
Water, Sewer, & Trash		5.99%	290	0.31	3,484	$4,854	0.43	405	8.35%
Property Insurance		4.87%	236	0.25	2,829	$7,300	0.65	608	12.56%
Property Tax	2.895	0.00%	0	0.00	0	$0	0.00	0	0.00%
Reserve for Replacements		4.13%	200	0.21	2,400	$2,400	0.21	200	4.13%
Other Expenses: Supp Serv & Com		1.36%	66	0.07	792	$792	0.07	66	1.36%
TOTAL EXPENSES		57.37%	$2,779	$2.95	$33,345	$38,768	$3.43	$3,231	66.71%
NET OPERATING INC		42.63%	$2,065	$2.19	$24,775	$19,348	$1.71	$1,612	33.29%
DEBT SERVICE									
TDHCA-HOME/Amortized Loan		18.93%	$917	$0.97	$11,000	$17,500	$1.55	$1,458	30.11%
TDHCA-HOME/Term Loan		0.00%	$0	$0.00	0		$0.00	$0	0.00%
		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		23.70%	$1,148	$1.22	$13,775	$1,848	$0.16	$154	3.18%
AGGREGATE DEBT COVERAGE RATIO					2.25	1.11			
RECOMMENDED DEBT COVERAGE RATIO					1.30				
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)		2.98%	$2,370	$2.51	$28,436	$61,000	$5.39	$5,083	6.10%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.90%	7,083	7.51	85,000	85,000	7.51	7,083	8.50%
Direct Construction		55.25%	43,953	46.61	527,438	540,200	47.74	45,017	54.02%
Contingency	4.21%	2.70%	2,150	2.28	25,800	25,800	2.28	2,150	2.58%
General Req'ts	5.88%	3.77%	3,000	3.18	36,000	36,000	3.18	3,000	3.60%
Contractor's G & A	1.96%	1.26%	1,000	1.06	12,000	12,000	1.06	1,000	1.20%
Contractor's Profit	5.88%	3.77%	3,000	3.18	36,000	36,000	3.18	3,000	3.60%
Indirect Construction		10.53%	8,375	8.88	100,500	100,500	8.88	8,375	10.05%
Ineligible Costs		0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's G & A	10.33%	8.90%	7,083	7.51	85,000	85,000	7.51	7,083	8.50%
Developer's Profit	0.79%	0.68%	542	0.57	6,500	6,500	0.57	542	0.65%
Interim Financing		0.00%	0	0.00	0	0	0.00	0	0.00%
Reserves		1.26%	1,000	1.06	12,000	12,000	1.06	1,000	1.20%
TOTAL COST		100.00%	$79,556	$84.36	$954,674	$1,000,000	$88.37	$83,333	100.00%
Recap-Hard Construction Costs		*75.65%*	***$60,186***	***$63.82***	***$722,238***	***$735,000***	***$64.95***	***$61,250***	*73.50%*

				TDHCA	APPLICANT	RECOMMENDED		
SOURCES OF FUNDS								
TDHCA-HOME/Amortized Loan	34.57%	$27,500	$29.16	$330,000	$330,000	$762,247	HUD per Unit Limit	
TDHCA-HOME/Term Loan	70.18%	$55,833	$59.21	670,000	670,000	205,189	$1,100,208	
	0.00%	$0	$0.00	0		0		
	0.00%	$0	$0.00	0		0		
Additional (excess) Funds Required	-4.75%	($3,777)	($4.01)	(45,326)	0	0	15-Yr Cumulative Cash Flow	
TOTAL SOURCES				$954,674	$1,000,000	$967,436	$132,821.11	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Grand Montgomery Court, Huntsville, HOME #2003-0038

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$49.29	$557,766
Adjustments				
Exterior Wall Finish	7.65%		$3.77	$42,669
Elderly	5.00%		2.46	27,888
9 Foot Ceilings	4.00%		1.97	22,311
Subfloor			(2.02)	(22,858)
Floor Cover			1.92	21,727
Porches/Balconies	$29.24	522	1.35	15,263
Plumbing	$615	8	0.43	4,920
Built-In Appliances	$1,625	12	1.72	19,500
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	16,635
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs			0.00	0
Other:			0.00	0
SUBTOTAL			62.37	705,820
Current Cost Multiplier	1.03		1.87	21,175
Local Multiplier	0.89		(6.86)	(77,640)
TOTAL DIRECT CONSTRUCTION COSTS			$57.38	$649,354
Plans, specs, survy, bld prm	3.90%		($2.24)	($25,325)
Interim Construction Interes	3.38%		(1.94)	(21,916)
Contractor's OH & Profit	11.50%		(6.60)	(74,676)
NET DIRECT CONSTRUCTION COSTS			$46.61	$527,438

PAYMENT COMPUTATION

Primary	$330,000	Term	360
Int Rate	0.00%	DCR	2.25

Secondary	$670,000	Term	0
Int Rate	0.00%	Subtotal DCR	2.25

Additional	$0	Term	
Int Rate		Aggregate DCR	2.25

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$19,056
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$5,719

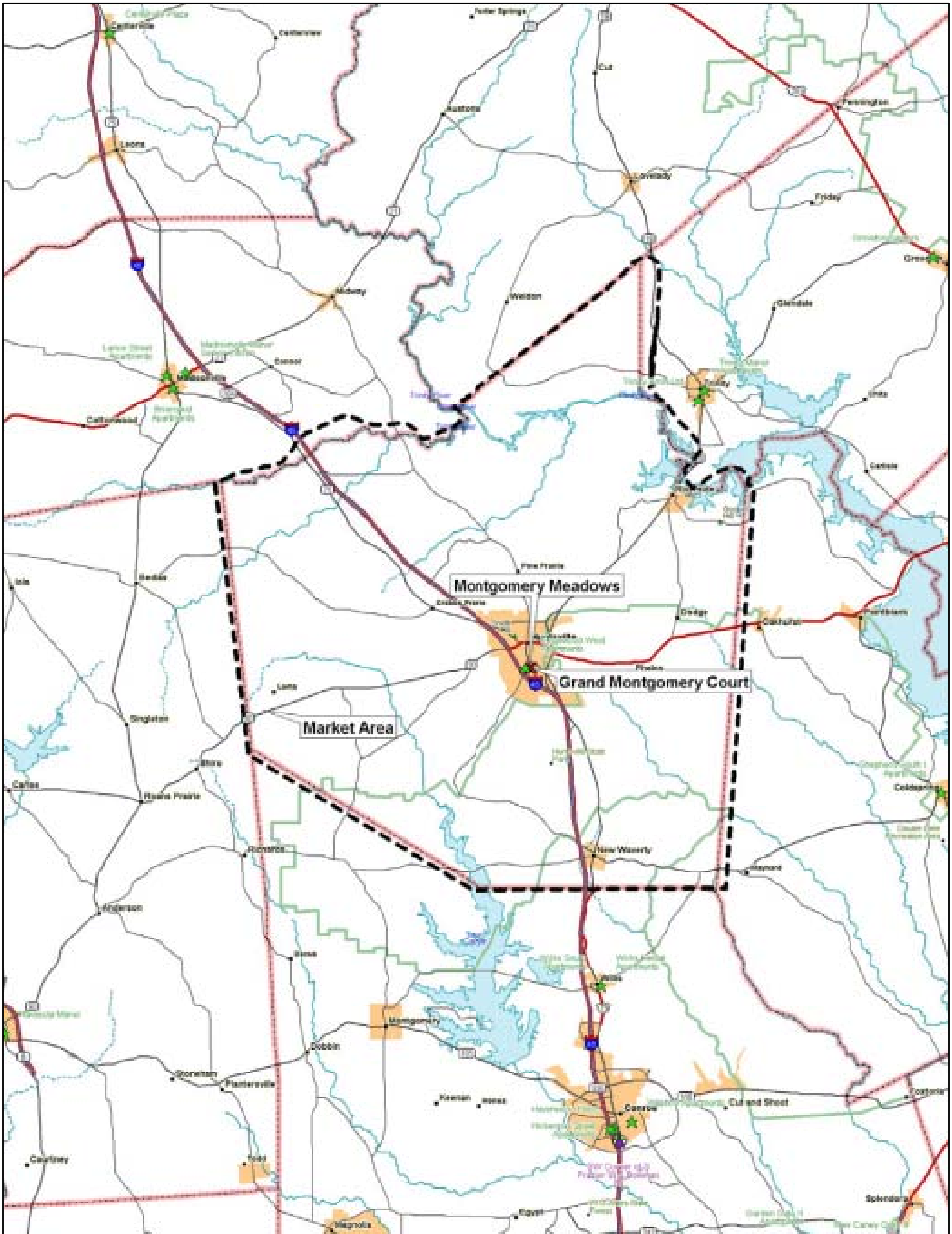
Primary	$762,247	Term	480
Int Rate	0.00%	DCR	1.30

Secondary	$205,189	Term	0
Int Rate	0.00%	Subtotal DCR	1.30

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$61,392	$63,234	$65,131	$67,085	$69,097	$80,103	$92,861	$107,651	$144,674
Secondary Income	1,440	1,483	1,528	1,574	1,621	1,879	2,178	2,525	3,393
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	62,832	64,717	66,658	68,658	70,718	81,982	95,039	110,176	148,068
Vacancy & Collection Loss	(4,712)	(4,854)	(4,999)	(5,149)	(5,304)	(6,149)	(7,128)	(8,263)	(11,105)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$58,120	$59,863	$61,659	$63,509	$65,414	$75,833	$87,911	$101,913	$136,963
EXPENSES at 4.00%									
General & Administrative	$4,105	$4,269	$4,440	$4,617	$4,802	$5,842	$7,108	$8,648	$12,801
Management	5,450	5,614	5,782	5,956	6,134	7,111	8,244	9,557	12,844
Payroll & Payroll Tax	7,794	8,106	8,430	8,768	9,118	11,094	13,497	16,422	24,308
Repairs & Maintenance	4,400	4,576	4,759	4,950	5,148	6,263	7,620	9,271	13,723
Utilities	2,091	2,174	2,261	2,352	2,446	2,976	3,620	4,404	6,520
Water, Sewer & Trash	3,484	3,623	3,768	3,919	4,075	4,958	6,032	7,339	10,864
Insurance	2,829	2,942	3,060	3,182	3,310	4,027	4,899	5,960	8,823
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	2,400	2,496	2,596	2,700	2,808	3,416	4,156	5,056	7,485
Other	792	824	857	891	927	1,127	1,371	1,669	2,470
TOTAL EXPENSES	$33,345	$34,624	$35,953	$37,333	$38,767	$46,814	$56,548	$68,327	$99,837
NET OPERATING INCOME	$24,775	$25,239	$25,706	$26,176	$26,647	$29,019	$31,363	$33,587	$37,126
DEBT SERVICE									
First Lien Financing	$19,056	$19,056	$19,056	$19,056	$19,056	$19,056	$19,056	$19,056	$19,056
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	$5,719	$6,183	$6,650	$7,120	$7,591	$9,963	$12,307	$14,530	$18,069
DEBT COVERAGE RATIO	1.30	1.32	1.35	1.37	1.40	1.52	1.65	1.76	1.95



DeLORME

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Zoom Level: 8-6 Datum: WGS84

Scale 1 : 500 000
1" = 7.89 mi

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0 4 8 12 16 20 km

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MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENTAND BOARD SUMMARY FOR RECOMMENDED HOME CHDO APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Estates of Bridgeport II** TDHCA #: **20030013**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 3 Site Address: 317 Cuba Road
City: Bridgeport County: Wise Zip Code: 76426
Purpose / Activity: New Construction Participating Jurisdiction (PJ)[1] : ☐
Targeted Units: Family: 0 Elderly: 10 Handicapped/Disabled: 1 Total Special Needs[2]: **10**

OWNER AND PRINCIPAL INFORMATION Owner Entity Name: Affordable Housing of Parker County, Inc.

Principal Names	Principal Contact	Percentage Ownership
Affordable Housing of Parker County, Inc.	Al Swan	100% of Owner

Legal Form of Applicant: Non-Profit Corporation

HOME PRESERVATION FUNDING INFORMATION

Award Recommendation (Loan Amount): **$484,000**
HOME Amount Requested by Applicant: **$484,000** Affordability Period: 30 Years

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	0	0	0	0	0
40%	0	0	0	0	0	0
50%	0	2	0	0	0	2
60%	0	0	0	0	0	0
65%	0	0	0	0	0	0
80%	0	2	6	0	0	8
MR	0	0	0	0	0	0
Total	0	4	6	0	0	

Total LI Units: 10
Owner/Employee Units: 0
Total Development Units: 10

BUILDING INFORMATION

Total Development Cost: $484,000
Gross Building Square Feet: 9,110
Total Net Rentable Area Square Feet: 9,110
Average Square Feet/Unit: 911

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $37,118
Total Expenses: $27,874
Net Operating Income: $9,244
Estimated 1st Year Debt Coverage Ratio: 1.30

RECOMMENDED FINANCING

Permanent Principal Amount: $213,469
HOME Amortization Rate: 30 Years
HOME Amortization Term: 30 Years (restructured after 20 yrs.)
HOME Interest Rate: 0%
TDHCA Lien Position: 1st
Other Funding Sources and Lien: HOME $213,469, 5 year term, NA, $270,531, 30 year tern, NA

DEVELOPMENT TEAM Note: "NA" = Not Yet Available

Developer:	Affordable Housing of Parker County	Market Analyst:	Jerry Watson
Housing GC:	Affordable Housing of Parker County	Originator/UW:	NA
Engineer:	Barnett Engineering	Appraiser:	Jerry Watson
Cost Estimator:	Al Sisk	Attorney:	Ed Zellers
Architect:	L.P. Carter	Accountant:	Charles Paul
Property Manager:	Affordable Housing of Parker County	Supp Services:	NA
Syndicator:	NA	Permanent Lender:	HOME funds

1) No more than 5% of the total HOME funds can go to Participating Jurisdictions (PJs). If a Development is in a PJ, it is required that all HOME funds awarded go to persons with disabilities. However, to ensure compliance with the Integrated Housing Definition, only a portion of the Units in the Development will actually serve persons with disabilities.
2) Special Needs Definition By Rule: Persons with disabilities, persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, and migrant farmworkers.

9/3/2003 04:04 PM

Development Name: Estates of Bridgeport II TDHCA Number: 20030013

DEPARTMENT EVALUATION

Final Home Score: 93 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

The $213,469 term note should be restructured at its maturity by determining the development's capacity for repayment based upon historical performance.

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

Explanation: Needed to allocate funds available.

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 Award Amount: Date of Determination:

Michael E. Jones, Chairman of the Board Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: July 20, 2003 **PROGRAM:** HOME **FILE NUMBER:** 2003-0013

DEVELOPMENT NAME

Estates of Bridgeport II

APPLICANT

Name:	Affordable Housing of Parker County, Inc.		**Type:**	Non-Profit			
Address:	101 Swan Court		**City:**	Springtown		**State:**	TX
Zip:	76082	**Contact:** Al Swan	**Phone:**	(817) 220-5585		**Fax:**	(817) 220-7012

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Affordable Housing of Parker County, Inc	**Title:**	Managing General Partner
Name:	Hunter & Hunter Consultants, Inc.	**Title:**	Consultant

PROPERTY LOCATION

Location:	317 Cuba Road		☐ **QCT**		☐ **DDA**
City:	Bridgeport	**County:**	Wise	**Zip:**	76426

REQUEST

Amount	Interest Rate	Amortization	Term
1) $341,815	N/A	N/A	N/A
2) $142,185	0%	20 yrs	20 yrs

Other Requested Terms:
a) 71% of the financing to be a forgivable loan
b) 29% of the financing to be 20 yrs at 0% interest as a repayable loan

Proposed Use of Funds: New Construction **Property Type:** Single Family Duplex

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED $484,000, STRUCTURED AS TWO LOANS: A FIVE YEAR TERM LOAN FOR $213,469 AT ZERO PERCENT INTEREST AND A $270,531 AMORTIZING LOAN BASED ON 30 YEARS AMORTIZATION AT ZERO PERCENT INTEREST WITH THE PROVISION THAT IT WILL BE RESTRUCTURED AT THE END OF 20 YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. The $213,469 term note should be restructured at its maturity by determining the development's capacity for repayment based upon historical performance.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports. The development has a companion proposal for HTF funds to develop 10 additional units immediately adjacent to the subject site.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 10 **# Rental Buildings** 5 **# Common Area Bldngs** 0 **# of Floors** 1 **Age:** N/A yrs

Net Rentable SF: 9,110 **Av Un SF:** 911 **Common Area SF:** 0 **Gross Bldg SF:** 9,110

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 100% brick veneer exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Uncovered Parking: 20 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Estates of Bridgeport is a moderately dense duplex development with 12 units per acre located in east Bridgeport and targeted toward seniors. The development is comprised of five evenly distributed single story structures as follows:

- (2) Duplexes with two one-bedroom/ one-bath units,
- (3) Duplexes with two two-bedroom/ one-bath units;

Supportive Services: A letter of support has been issued from the Wise County Committee on Aging as well as the Good News Block Nurse Organization has agreed to assist the Corporation's elderly tenants and provide the following services: transportation, meals on wheels, senior center activities, nurse assistants, pharmacy services, housekeeping assistance, lifeline phone service, readily accessible emergency services, section 8 rental assistance for affordable housing, and on-site advocacy services addressing social security, rental assistance and other issues.

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

SITE ISSUES

SITE DESCRIPTION

Size: 0.843 acres 36,721 square feet **Zoning/ Permitted Uses:** Unincorporated Land with no zoning

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Bridgeport is located in the western part of Wise County in north central Texas, approximately 50 miles northwest from Fort Worth. The site is an irregularly-shaped parcel located in the far eastern area of Bridgeport. The site is situated on the north side of Cuba Road.

Adjacent Land Uses:

- **North:** new high school
- **South:** residential developments
- **East:** vacant land

- **West:** residential developments

Site Access: Access to the property is from the east or west along Cuba Road. The development is to have one main entry from the south which will connect to the HTF development of five additional structures. Access to highways 380 and 114 provide access to all other major roads serving the Bridgeport area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site has immediate access to shopping, churches and medical facilities.

Special Adverse Site Characteristics:

- **Zoning:** The property is located adjacent to the City of Bridgeport city limits. As the property is currently in the county and not the city, there is no zoning on the property. After or during construction, the property will be voluntarily annexed into the city of Bridgeport. At that time a zoning request will be made to conform to the development's then existing multi-family duplex use.

Site Inspection Findings: TDHCA staff performed a site inspection on May 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 March 24,, 2003 was prepared by Barnett Engineering, Inc. and contained the following findings and recommendations:

Findings: Based on the results of this reconnaissance, 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.

Income Set-Aside: AHPC will agree to maintain the rent and income restrictions on the property for an additional 25 years past the 30-year amortization period. All ten of the units (100% of the total) will be reserved for low-income/elderly tenants. Six of the units (60%) will be reserved for households earning 30% or less of AMGI, four units (40%) 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	$22,140	$25,320	$28,440	$31,620	$34,140	$36,660

MARKET HIGHLIGHTS

A limited market feasibility study dated March 14, 2003 was prepared by Jerry Watson and highlighted the following findings:

Definition of Market Area: The city of Bridgeport was used to define the market area.

Population: The estimated 1990 population of Bridgeport was 3,581 and to increased by 20% to approximately 4,309 by 2000.

Total Local Demand for Elderly Rental Units: "No units are specifically designated and designed for the elderly. The nearest senior housing project other than Springtown Spring Gardens Apartments is located in Azle over 29 miles away."

Local Housing Authority Waiting List Information: "For the past twenty years, the Springtown Spring Garden Apartments waiting list has averaged between 20 and 55 elderly applicants. The current number of persons on the waiting list is 54."

Market Rent Comparables: The Market Analyst states that there is a limited supply of these units available; therefore, market comparables are limited.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (LH)	$303	$303	$0	$500	-$197

1-Bedroom (HH)	$303	$303	$0	$500	-$197
2-Bedroom (HH)	$347	$347	$0	$500	-$153

(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 overall rental vacancy rate is 4%, however, the rental rate for specifically elderly housing is 0%."

Other Relevant Information: "The percentage of population that is over the age of 65 is almost 25% and can be expected to rise as the general population ages. The only housing dedicated to and restricted to senior citizens and the handicapped in Bridgeport will be the Estates of Bridgeport."

The Underwriter found the market study to be limited in narratives, but provided sufficient information to make a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The 2003 rent limits were used by the Applicant in setting the rents. No secondary income was indicated and the vacancy and collection losses are below the TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $2,819 per unit is within 1% of a TDHCA database-derived estimate of $2,787 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 ($3.9K lower), management fee ($3.4K lower), repairs and maintenance ($2.4K higher), utilities ($1.4K lower), water, sewer, and trash ($2.5K higher), insurance ($2.3K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them further with the additional information provided by the Applicant.

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. Due primarily to the difference in total estimated operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 0.60 is below the program minimum standard of 1.10. This suggests that the project can not support the proposed debt service of $15,327 annually, thus the debt service should be lowered to $7,116 annually.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Total Development: "as completed" $524,000 **Date of Valuation:** 3/ 17/ 2003

Appraiser: Jerry Watson **City:** Decatur **Phone:** (940) 627-6630

ASSESSED VALUE

Land: (6.0) acres $30,500 **Assessment for the Year of:** 2003

1 acre: $5,083 **Valuation by:** Wise County Appraisal District

Tax Rate: 2.42842

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Earnest Money Contract

Contract Expiration Date: 7/ 31/ 2003 **Anticipated Closing Date:** 7/ 31/ 2003

Acquisition Cost: $59,000 **Other Terms/Conditions:** Earnest Money $1,000

Seller: John M. Willoughby **Related to Development Team Member:** No

Additional Information: Contract price covers a total of 6 acres, but only one acre will be used for this development the remaining five acres will be used for future development

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The overall acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction even though the Applicant is purchasing a total of 6.0 acres for $59,000 and will only be developing 0.843 acre of this acreage for this development. If a prorata amount is used the Applicant's overall costs are still less than the Underwriter's costs. Also, the Applicant has requested a minimum 5.5% or $23.5K developer fee. Thus, the additional land acquisition cost could be allowed as developer fee without additional documentation.

Off-Site Costs: The Applicant claimed off-site costs of $7,500 for storm drains, water and fire hydrant, and off site utilities and provided sufficient third party certification through a registered engineer to justify these costs.

Sitework Cost: The Applicant's claimed sitework costs of $3,310 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $24.6K or 6.7% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate using the fair quality costs. 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. Moreover, fair quality is lower than the typical standard for multifamily construction funded by the Department. The lower standard was used due to the development's simple design and limited ornamentation. In addition, the Director of the Applicant also operates the general contractor and has experience with the Department in developing similar styled units in the area at lower than Marshall and Swift overage costs.

Conclusion: The Underwriter regards total costs to be understated by $29.2K or 5.7%. This percentage exceeds the acceptable 5% margin of tolerance, and therefore the Underwriter's cost estimate is used to size the awards for the development.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: North Star Bank of Texas **Contact:** Lee Shanklin

Principal Amount: $400,000 **Interest Rate:** 7.0%

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

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The HOME funds will replace the interim funds and fund contractor and developer fees, housing consulting fees and indirect costs initially funded by the developer. Based upon the low debt coverage ratio of 0.60 the repayable debt amount has been lowered to $213,465 and the initially non-amortizing amount increased to $270,531 thus allowing an initial debt coverage ratio of 1.30. The amortizing loan should mature and be evaluated after 20 years due to the very low expense to income ratio causing the 30 year proforma to reflect a positive NOI but negative DCR in year 30. The initial amortization should be based upon a full 30 years. The non-amortizing loan should be structured as a five year term loan. This portion of the debt should be restructured at maturity based upon the operating performance history of the development at that time. Both pieces of the HOME debt should carry a zero percent interest rate.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor and Property Manager firms are all related entities. These are common relationships for rural multifamily developments.

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

Financial Highlights:

- The Applicant, Affordable Housing of Parker County, Inc., submitted an unaudited financial statement as of October 31, 2002 reporting total assets of $1.4M and consisting of $92K in cash, $7K in receivables, and $1.3M in property, plant and equipment. Liabilities totaled $1.3M, resulting in a net worth of $57K.

Background & Experience:

- The General Partner Affordable Housing of Parker County, Inc. formerly known as Springtown Spring Garden Apartments, Inc. has completed three affordable housing developments totaling 53 units since 2001. The entity converted from a for-profit to a nonprofit community housing development organization in order to better fulfill its organizational mission.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%. The Underwriter's direct construction costs are based on fair rather than average construction costs.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant and acceptable alternative structures may exist.

Underwriter:	*Carl Hoover*	**Date:**	July 20, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	July 20, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Estates of Bridgeport II, Bridgeport, HOME #2003-0013

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
LH	2	1	1	785	$345	$303	$606	$0.39	$42.00	$39.00
HH	2	1	1	785	345	$303	606	0.39	42.00	39.00
HH	6	2	1	995	414	$347	2,082	0.35	67.00	42.00
TOTAL:	10		AVERAGE:	911	$386	$329	$3,294	$0.36	$57.00	$40.80

INCOME	Total Net Rentable Sq Ft:	9,110	TDHCA	APPLICANT		USS Region	3
POTENTIAL GROSS RENT			$39,528	$39,528		IREM Region	
Secondary Income	Per Unit Per Month:	$5.00	600	0	$0.00	Per Unit Per Month	
Other Support Income: (describe)			0				
POTENTIAL GROSS INCOME			$40,128	$39,528			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(3,010)	(1,392)	-3.52%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0				
EFFECTIVE GROSS INCOME			$37,118	$38,136			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		3.37%	$125	0.14	$1,251	$1,250	$0.14	$125	3.28%
Management		15.18%	563	0.62	5,634	$2,223	0.24	222	5.83%
Payroll & Payroll Tax		21.27%	789	0.87	7,894	$4,012	0.44	401	10.52%
Repairs & Maintenance		9.70%	360	0.40	3,600	$6,040	0.66	604	15.84%
Utilities		4.70%	174	0.19	1,744	$300	0.03	30	0.79%
Water, Sewer, & Trash		6.12%	227	0.25	2,273	$4,800	0.53	480	12.59%
Property Insurance		6.14%	228	0.25	2,278	$4,528	0.50	453	11.87%
Property Tax	2.03892	0.00%	0	0.00	0	$0	0.00	0	0.00%
Reserve for Replacements		5.39%	200	0.22	2,000	$3,833	0.42	383	10.05%
Other Expenses: Security		3.23%	120	0.13	1,200	$1,200	0.13	120	3.15%
TOTAL EXPENSES		75.09%	$2,787	$3.06	$27,874	$28,186	$3.09	$2,819	73.91%
NET OPERATING INC		24.91%	$924	$1.01	$9,244	$9,950	$1.09	$995	26.09%
DEBT SERVICE									
TDHCA-HOME/Term		0.00%	$0	$0.00	$0	$0	$0.00	$0	0.00%
TDHCA-HOME/Amortized		41.29%	$1,533	$1.68	15,327	15,327	$1.68	$1,533	40.19%
		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		-16.39%	($608)	($0.67)	($6,082)	($5,377)	($0.59)	($538)	-14.10%
AGGREGATE DEBT COVERAGE RATIO					0.60	0.65			
RECOMMENDED DEBT COVERAGE RATIO					1.30				

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%	$1,133	$1.24	$11,333	$21,500	$2.36	$2,150	4.44%
Off-Sites		1.49%	750	0.82	7,500	7,500	0.82	750	1.55%
Sitework		6.58%	3,310	3.63	33,100	33,100	3.63	3,310	6.84%
Direct Construction		73.44%	36,942	40.55	369,418	344,838	37.85	34,484	71.25%
Contingency	2.69%	2.15%	1,081	1.19	10,808	10,808	1.19	1,081	2.23%
General Req'ts	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Contractor's G & A	2.00%	1.60%	805	0.88	8,050	9,003	0.99	900	1.86%
Contractor's Profit	2.48%	1.99%	1,000	1.10	10,000	10,000	1.10	1,000	2.07%
Indirect Construction		3.26%	1,640	1.80	16,401	16,401	1.80	1,640	3.39%
Ineligible Costs		0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's G & A	5.20%	4.67%	2,350	2.58	23,500	23,500	2.58	2,350	4.86%
Developer's Profit	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Interim Financing		0.86%	435	0.48	4,350	4,350	0.48	435	0.90%
Reserves		1.71%	859	0.94	8,592	3,000	0.33	300	0.62%
TOTAL COST		100.00%	$50,305	$55.22	$503,053	$484,000	$53.13	$48,400	100.00%
Recap-Hard Construction Costs		*85.75%*	***$43,138***	***$47.35***	***$431,377***	***$407,749***	***$44.76***	***$40,775***	*84.25%*

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
TDHCA-HOME/Term	4.81%	$2,420	$2.66	$24,200	$24,200	$270,531	Developer Fee Available
TDHCA-HOME/Amortized	91.40%	$45,980	$50.47	459,800	459,800	213,469	$0
	0.00%	$0	$0.00	0		0	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0			#DIV/0!
Additional (excess) Funds Required	3.79%	$1,905	$2.09	19,053	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$503,053	$484,000	$484,000	$33,412.30

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Estates of Bridgeport II, Bridgeport, HOME #2003-0013

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Fair Quality Duplex Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$44.93	$409,312
Adjustments				
Exterior Wall Finish	7.00%		$3.15	$28,652
Elderly	5.00%		2.25	20,466
Roofing			0.00	0
Subfloor			(2.23)	(20,315)
Floor Cover			2.43	22,137
Porches/Balconies	$19.43	240	0.51	4,663
Plumbing	$700	(20)	(1.54)	(14,000)
Built-In Appliances	$2,100	10	2.31	21,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.88	17,127
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs			0.00	0
Other:			0.00	0
SUBTOTAL			53.68	489,042
Current Cost Multiplier	1.03		1.61	14,671
Local Multiplier	0.90		(5.37)	(48,904)
TOTAL DIRECT CONSTRUCTION COSTS			$49.92	$454,809
Plans, specs, survy, bld prm	3.90%		($1.95)	($17,738)
Interim Construction Interes	3.38%		(1.68)	(15,350)
Contractor's OH & Profit	11.50%		(5.74)	(52,303)
NET DIRECT CONSTRUCTION COSTS			$40.55	$369,418

PAYMENT COMPUTATION

Primary	$24,200	Term	0
Int Rate	0.00%	DCR	#DIV/0!
Secondary	$459,800	Term	360
Int Rate	0.00%	Subtotal DCR	0.60
Additional	$0	Term	
Int Rate		Aggregate DCR	0.60

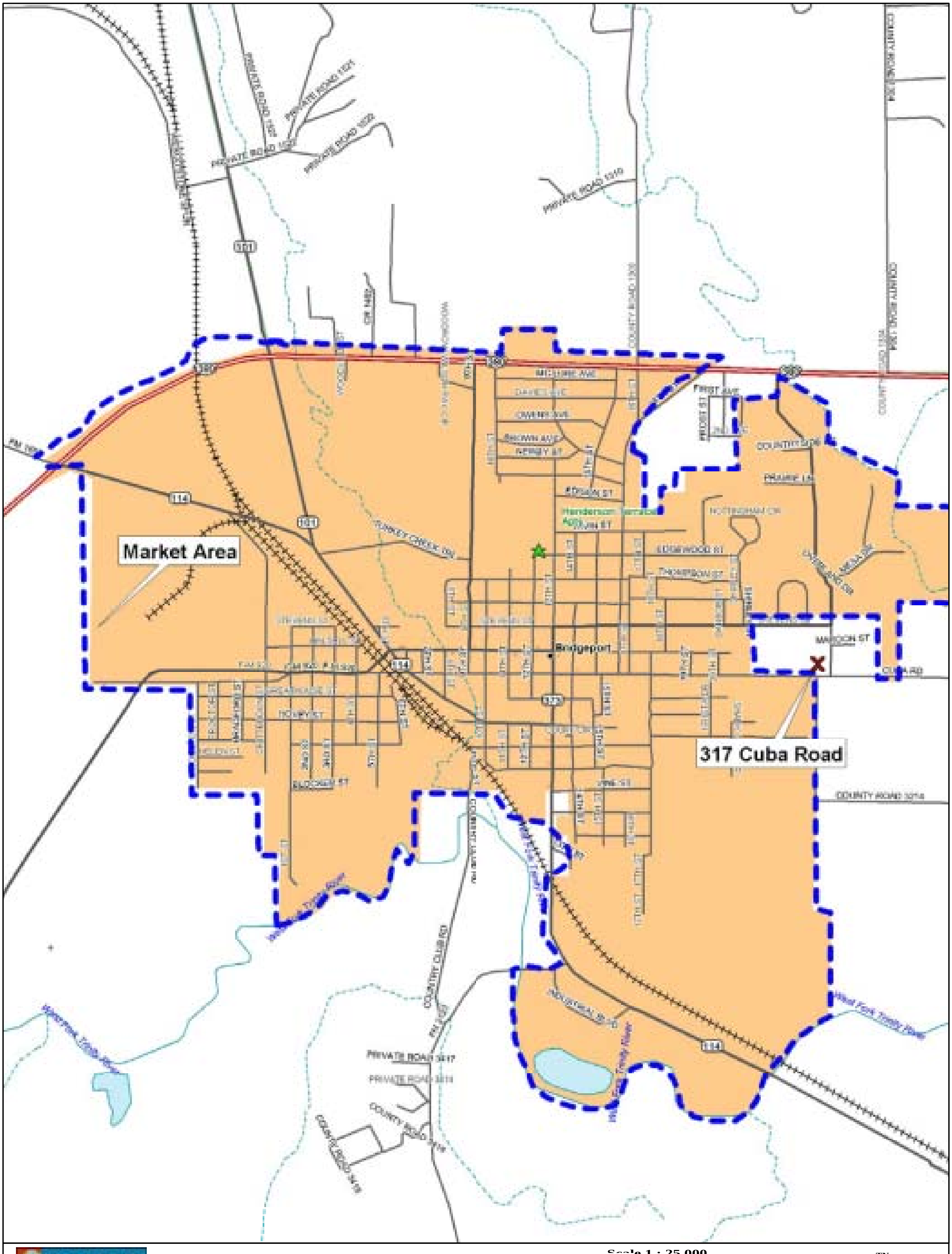
RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$0
Secondary Debt Service	7,116
Additional Debt Service	0
NET CASH FLOW	$2,129

Primary	$270,531	Term	0
Int Rate	0.00%	DCR	#DIV/0!
Secondary	$213,469	Term	360
Int Rate	0.00%	Subtotal DCR	1.30
Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

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	$39,528	$40,714	$41,935	$43,193	$44,489	$51,575	$59,790	$69,313	$93,150
Secondary Income	600	618	637	656	675	783	908	1,052	1,414
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	40,128	41,332	42,572	43,849	45,164	52,358	60,697	70,365	94,564
Vacancy & Collection Loss	(3,010)	(3,100)	(3,193)	(3,289)	(3,387)	(3,927)	(4,552)	(5,277)	(7,092)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$37,118	$38,232	$39,379	$40,560	$41,777	$48,431	$56,145	$65,087	$87,472
EXPENSES at 4.00%									
General & Administrative	$1,251	$1,302	$1,354	$1,408	$1,464	$1,781	$2,167	$2,637	$3,903
Management	5,634	5,803	5,978	6,157	6,342	7,352	8,523	9,880	13,278
Payroll & Payroll Tax	7,894	8,210	8,538	8,880	9,235	11,236	13,670	16,631	24,619
Repairs & Maintenance	3,600	3,744	3,893	4,049	4,211	5,123	6,233	7,584	11,226
Utilities	1,744	1,814	1,887	1,962	2,040	2,483	3,020	3,675	5,440
Water, Sewer & Trash	2,273	2,364	2,458	2,557	2,659	3,235	3,936	4,788	7,088
Insurance	2,278	2,369	2,463	2,562	2,664	3,242	3,944	4,798	7,103
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	2,000	2,080	2,163	2,250	2,340	2,847	3,463	4,214	6,237
Other	1,200	1,248	1,298	1,350	1,404	1,708	2,078	2,528	3,742
TOTAL EXPENSES	$27,874	$28,933	$30,032	$31,173	$32,359	$39,005	$47,034	$56,735	$82,635
NET OPERATING INCOME	$9,244	$9,299	$9,347	$9,387	$9,418	$9,426	$9,111	$8,352	$4,837
DEBT SERVICE									
First Lien Financing	$0	$0	$0	$0	$0	$0	$0	$0	$0
Second Lien	7,116	7,116	7,116	7,116	7,116	7,116	7,116	7,116	7,116
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$2,129	$2,184	$2,231	$2,271	$2,303	$2,310	$1,995	$1,236	($2,279)
DEBT COVERAGE RATIO	1.30	1.31	1.31	1.32	1.32	1.32	1.28	1.17	0.68



Zoom Level: 13-0 Datum: WGS84

Scale 1 : 25 000

1" = 2080 ft

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MULTIFAMILY FINANCE PRODUCTION DIVISION
2003 DEVELOPMENTAND BOARD SUMMARY FOR RECOMMENDED HOME CHDO APPLICATIONS
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Development Name: **Arcadia Village** TDHCA #: **20030032**

DEVELOPMENT LOCATION AND DESIGNATIONS

Region: 5 Site Address: 673 Arcadia Rd.
City: Center County: Shelby Zip Code: 75935
Purpose / Activity: New Construction Participating Jurisdiction (PJ)[1]: ☐
Targeted Units: Family: 26 Elderly: 0 Handicapped/Disabled: 2 Total Special Needs[2]: **2**

OWNER AND PRINCIPAL INFORMATION

Owner Entity Name: Pineywoods Arcadia Home Team, Ltd.

Principal Names	Principal Contact	Percentage Ownership
Pineywoods Home Team Affordable Housing, Inc.	Douglas R. Dowler	90% of GP
Douglas R. Dowler	Douglas R. Dowler	10% of LP

Legal Form of Applicant: Non-Profit Corporation

HOME PRESERVATION FUNDING INFORMATION

Award Recommendation (Loan Amount): **$10,000**
HOME Amount Requested by Applicant: **$10,000** Affordability Period: 30 Years

UNIT INFORMATION

	Eff	1 BR	2 BR	3 BR	4 BR	Total
30%	0	0	0	2	1	3
40%	0	0	0	1	1	2
50%	0	0	0	1	0	1
60%	0	0	0	9	11	20
65%	0	0	0	0	0	0
80%	0	0	0	0	0	0
MR	0	0	0	0	0	0
Total	0	0	0	13	13	

Total LI Units: 26
Owner/Employee Units: 0
Total Development Units: 26

BUILDING INFORMATION

Total Development Cost: $2,860,181
Gross Building Square Feet: 33,618
Total Net Rentable Area Square Feet: 33,618
Average Square Feet/Unit: 1,293

INCOME AND EXPENSE INFORMATION

Effective Gross Income: $160,692
Total Expenses: $80,814
Net Operating Income: $79,878
Estimated 1st Year Debt Coverage Ratio: 1.14

RECOMMENDED FINANCING

Permanent Principal Amount: $10,000
HOME Amortization Rate: 30 Years
HOME Amortization Term: 30 Years
HOME Interest Rate: 4.56%
TDHCA Lien Position: 2nd
Other Funding Sources and Lien: $880,000, Bank of America, 1st lien

DEVELOPMENT TEAM

Note: "NA" = Not Yet Available

Developer:	Pineywoods Home Team Affordable	Market Analyst:	Mark Temple
Housing GC:	Moore Building Associates, LLP	Originator/UW:	NA
Engineer:	Pax-Sun, Inc.	Appraiser:	NA
Cost Estimator:	NA	Attorney:	John Stover
Architect:	Moore Building	Accountant:	Crowell, Pipes & Associates
Property Manager:	Moore Asset Management	Supp Services:	Pineywoods Home Team Affordable
Syndicator:	Enterprise Foundation	Permanent Lender:	Bank of America

1) No more than 5% of the total HOME funds can go to Participating Jurisdictions (PJs). If a Development is in a PJ, it is required that all HOME funds awarded go to persons with disabilities. However, to ensure compliance with the Integrated Housing Definition, only a portion of the Units in the Development will actually serve persons with disabilities.
2) Special Needs Definition By Rule: Persons with disabilities, persons with alcohol or other drug addiction, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, and migrant farmworkers.

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Development Name: Arcadia Village TDHCA Number: 20030032

DEPARTMENT EVALUATION

Final Home Score: 91 Site Finding: Acceptable Underwriting Finding: Approved with Conditions

CONDITIONS TO COMMITMENT

Receipt, review and acceptance of firm documentation from the local taxing authorities indicating full tax exemption for the subject site and proposed improvements by close of construction loan.

Receipt, review and acceptance of an executed construction contract with the general contractor for all construction costs including site work, contractor fees and profit not to exceed $2,282,280 or $67.89 per foot.

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. (relating to the tax credits only)

Alternate Recommendation:

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

☑ Score

Explanation: Needed to allocate funds available.

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 Award Amount: Date of Determination:

Michael E. Jones, Chairman of the Board | Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE:	June 15, 2003	**PROGRAM:**	9% LIHTC HOME	**FILE NUMBER:**	03196 2003-032

DEVELOPMENT NAME

Arcadia Village

APPLICANT

Name:	Pineywoods Arcadia Home Team, Ltd.			**Type:**	For Profit		
Address:	300 E Shepherd			**City:**	Lufkin	**State:**	TX
Zip:	75901	**Contact:**	Doug Dowler	**Phone:**	(936) 559-0883	**Fax:**	(936) 559-0334

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Pineywoods Home Team Affordable Housing, Inc.	**(%):**	0.09	**Title:**	Managing General Partner
Name:	Trout and Trout Development, LLC	**(%):**	0.01	**Title:**	Co-General Partner

PROPERTY LOCATION

Location:	673 Arcadia Road			☐ **QCT**	☐ **DDA**
City:	Center	**County:**	Shelby	**Zip:**	75935

REQUEST

Amount	**Interest Rate**	**Amortization**	**Term**
1) $268,802	N/A	N/A	N/A
2) $10,000	AFR%	30 yrs	30 yrs

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

Proposed Use of Funds: New Construction **Property Type:** Single Family Rental

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

RECOMMENDATION

☒ RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED $227,836 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF A HOME AWARD NOT TO EXCEED $10,000, STRUCTURED AS A 30-YEAR TERM LOAN, FULLY AMORTIZING OVER 30 YEARS AT AN INTEREST RATE EQUAL TO AFR, SUBJECT TO CONDITIONS.

1. Receipt, review, and acceptance of firm documentation from the local taxing authorities indicating full tax exemption for the subject site and proposed improvements by close of construction loan;
2. Receipt, review and acceptance of financial statements for the Co-General Partner, Trout and Trout, LLC by execution of commitment;
3. Receipt, review and acceptance of an executed construction contract with the general contractor for all construction costs including site work, contractor fees and profit not to exceed $2,282,280 or $67.89 per foot;

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: 26 **# Rental Buildings** 26 **# Common Area Bldngs** 0 **# of Floors** 1 **Age:** N/A yrs **Vacant:** N/A at / /

Net Rentable SF: 33,618 **Av Un SF:** 1,293 **Common Area SF:** N/A **Gross Bldg SF:** 33618

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 85% brick veneer/15% vinyl 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, cable, ceiling fans, high speed internet access, laminated counter tops, individual water heaters

ON-SITE AMENITIES

Perimeter fencing

Uncovered Parking: N/A spaces **Carports:** N/A spaces **Garages:** 52 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Arcadia Village is a single family new construction development of 26 units of affordable housing located in Center, Shelby County. The development is comprised of 13 three-bedroom and 13 four-bedroom rental homes located on lots cut from a contiguous 4.7 acres. The development acreage is listed as 3.13 acres due to the use of portions of the site for street improvements.

Architectural Review: All of the floorplans for the homes indicate adequate storage space, a utility room with space for full-size appliances, and a two-car garage. The exteriors are simple with brick veneer and siding.

Supportive Services: The Managing General Partner will provide optional supportive services including homebuyer counseling, credit counseling and financial planning at no additional cost to tenants.

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

SITE ISSUES

SITE DESCRIPTION

Size: 3.13 acres 136,343 square feet **Zoning/ Permitted Uses:** N/A (Center)

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject is located in the west area of Center, Shelby County at 673 Arcadia Road. Center is located near the Texas-Louisiana State Line about 170 miles southeast of Dallas.

Adjacent Land Uses:

- **North:** vacant land
- **South:** single family residential, vacant land
- **East:** single family residential
- **West:** single family residential

Site Access: The site is located within the major thoroughfares FM Highways 138 and 2974 to the north, Texas State Highway 7 to the south, US Highway 96 to the east, and FM Highway 138 to the west.

Public Transportation: Public transportation is not available in Center.

Shopping & Services: A large discount store, two groceries and a pharmacy are located within 2 miles of the site. The development will be served by the Center Independent School District which operates an elementary, intermediate, middle and high school within a 2 mile radius. Memorial Hospital is 0.5 miles northeast of the subject. Local amenities include several parks.

Site Inspection Findings: TDHCA staff performed a site inspection on April 22, 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 20, 2003 was prepared by AquaTerra Assessments and contained the following conclusion: "This assessment has revealed no evidence of recognized environmental conditions in connection with the property. AquaTerra Assessments recommends no further investigations be conducted to determine the presence of hazardous substances or petroleum products on the subject property." (p. 2)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants. Three of the units (12%) will be reserved for households earning 30% or less of AMGI, two units (8%) will be reserved for households earning 40% or less of AMGI, one of the units (4%) will be reserved for households earning 50% or less of AMGI and restricted at the low HOME rent, and 20 units (77%) 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	$17,280	$19,800	$22,260	$24,720	$26,700	$28,680

MARKET HIGHLIGHTS

A market feasibility study dated February 24, 2003 was prepared by Mark C. Temple and highlighted the following findings:

Definition of Primary Market: "The primary or defined market area for the Arcadia Village Single family Development is considered Shelby County, which includes the City of Center and is described by the farthest boundaries: North – Panola County, South – Sabine and San Augustine Counties, East – State of Louisiana, and West – Rusk and Nacogdoches Counties." (p. I-1) The market area contains 778 square miles but is acceptable for a rural market.

Population: The estimated 2002 population of the primary market area was 25,877 and is expected to increase by 6% to approximately 27,503 by 2007. Within the primary market area there were estimated to be 12,242 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	15	3%	10	2%
Resident Turnover	429	97%	534	98%
TOTAL ANNUAL DEMAND	444	**100%**	544	**100%**

Ref: p. IV-4

Inclusive Capture Rate: The Market Analyst calculated a capture rate of 5.9%. (p. IV-4)

Market Rent Comparables: "There are no market rate apartment projects located in the Center, Shelby

County market area. According to the Shelby County Chamber of Commerce, the average monthly rental rate for a two bedroom single family residence is approximately $350, $500 for a three bedroom residence, and approximately $700 for a four-bedroom residence." (p. III-1)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
3-Bedroom (30%)	$248	$253	-$5	$500	-$252
3-Bedroom (40%)	$355	$360	-$5	$500	-$145
3-Bedroom (50%)	$461	$467	-$6	$500	-$39
3-Bedroom (60%)	$568	$587	-$19	$500	-$68
4-Bedroom (30%)	$280	$284	-$4	$700	-$420
4-Bedroom (40%)	$398	$404	-$6	$700	-$302
4-Bedroom (60%)	$635	$643	-$8	$700	-$65

(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)

Primary Market Occupancy Rates: The Market Analyst has identified four multifamily developments in the primary market area. All are subsidized and/or affordable housing developments with 100% occupancy. (p. III-4)

Absorption Projections: "Based upon current positive multifamily indicators and present absorption levels of 4 to 7 units per month, it is estimated that a 95+ percent occupancy level can be achieved in a 3 to 6 month time frame." (p. IV-6) Because no new multifamily units have been developed in Shelby County since 1987 the absorption rate for Longview, Gregg County was used. (p. VI-2)

Known Planned Development: This was not discussed in the market analysis; however, the Underwriter has identified no proposed affordable rental units in Shelby County.

The Underwriter found the market study provides adequate information for this underwriting analysis. However, it should be noted that the Market Analyst did not include rent comparable information nor a market rent analysis for the subject units. Instead, the market rents are based on information provided by the Shelby County Chamber of Commerce. Although no market rate multifamily units are available in the primary market area, there are market rate single family rentals available. Since the subject will offer single family rentals, the Underwriter believes that the market analyst should have performed an analysis of the rents charged for comparable single family homes.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's potential gross income appears to have been calculated using understated gross rents and overstated utility allowances. The City of Center Housing Authority (HA) maintains a utility allowance sheet; however, the Applicant indicates the Center HA is not responsible for Section 8 Program in the area. Instead, the Applicant provided a utility allowance sheet prepared for Angelina, Houston, Polk, San Jacinto and Trinity Counties by the Deep East Texas Council of Government. The Underwriter verified through telephone conversations that the submitted utility allowance sheet is the most appropriate for the proposed development. The Applicant's inclusion of $4 for range and refrigerator allowance resulted in the overstated utility allowances. The application indicates that a range and refrigerator will be included in the appliance package for the units. Therefore, the $4 allowance should not be included in utility allowances for the subject units.

In addition, the Applicant has assumed the maximum 60% net rent limit for a three-bedroom unit is achievable in the market area. Based on the information available in the submitted market study, the average market rent for a three-bedroom single family home is $500. The underwriting analysis further limits the rent for the three-bedroom units set-aside at 60% of AMGI to the market rent of $500. Despite these differences, the Applicant's use of secondary income and vacancy loss assumptions that are in line with Department guidelines contributed to an effective gross income that is $5K higher than the Underwriter's estimate, but within 5%.

Expenses: The Applicant's estimate of total operating expense is 4% higher than the Underwriter's estimate, an acceptable deviation. In general, each of the Applicant's specific expense line items compare well to the

Underwriter's estimates. However, the Applicant chose not to include an annual expense for water, sewer and trash due to the lack of any community areas/buildings and the tenants' responsibility for payment of these expenses for each individual unit. The Underwriter included a minimal annual expense for water to maintain landscaping for vacant units.

The Applicant has claimed a property tax exemption based on the Managing General Partner's current status as a CHDO and 2002 tax laws. According to the 2003 Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines, "Property tax exemptions or proposed payment in lieu of taxes (PILOT) must be documented as being reasonably achievable if they are to be considered by the Underwriter. For Community Housing Development Organization ('CHDO') owned or controlled properties, this documentation includes, at a minimum, a letter from the local appraisal district recognizing that the Applicant is or will be considered eligible for the ad valorem tax exemption." Upon request, a letter was submitted from the Shelby County Appraisal District indicating, "Based on the information supplied…and assuming the corporation adheres to all the requirements set forth by Section 11.181 of the Property Tax Code, it is my opinion that the property would be exempt from taxation by all entities. This assumption is based on current information and current property tax laws."

The Applicant has met the requirements of the Department's guidelines and the current underwriting analysis assumes that a full tax exemption will be granted, but the development is considered to be at higher risk for long term infeasibility due to recent changes adopted by the state legislature. There is a possibility that the development may not receive a full tax exemption or even a partial exemption. The effects of this possibility will be discussed in the conclusion, below, and further in the conclusion of the Financing Structure Analysis section of this report. Receipt, review, and acceptance of firm documentation from the local taxing authorities indicating approval of full tax exemption for the subject site and proposed improvements is a condition of this report.

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. Based on the assumption that the development will qualify for full tax exemption, both the Underwriter's and the Applicant's proformas indicate the proposed loans can be supported with an initial debt coverage ratio at or above the Department's minimum guideline of 1.10.

If the development does not qualify for a tax exemption, the Applicant's annual expense projection and overall proforma would no longer be within 5% of the Underwriter's estimates and the Underwriter's proforma would be used to determine the development's debt service capacity. Based on a minimal assessed value of $15K per unit resulting in an estimated annual property tax expense of $11K, the Underwriter's proforma indicates that the development's annual debt service must be reduced from $70,160 to $66,679.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 4.7 acres	$20,210	**Assessment for the Year of:**	2002
Building:	N/A	**Valuation by:**	Shelby County Appraisal District
Total Assessed Value:	$20,210	**Tax Rate:**	

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved Commercial Property Contract (4.2 acres)		
Contract Expiration Date:	08/ 31/ 2003	**Anticipated Closing Date:**	08/ 15/ 2003
Acquisition Cost:	$40,000	**Other Terms/Conditions:**	
Seller:	Murco Farming & Leasing, LLC	**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. It should be noted, although the site control documents indicate an overall acreage of 4.2 acres, the application indicates development acreage of 3.13 acres. The difference can be attributed to road improvements to be made to provide access to the single family units.

Off-Site Costs: The Applicant claimed off-site costs of $3K for extension of a wastewater sewer lines and provided sufficient third party certification through an engineer to justify these costs.

Sitework Cost: The Applicant's claimed sitework costs of $6,667 per unit are considered reasonable.

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 overstated. Upon request and as justification for the higher costs, the Applicant cited underwriting estimates for similar homes proposed in 2000 for funding through the Department's HOME and HTF programs, per square foot costs for similar homes constructed by the Managing General Partner, and the Applicant's estimate based on Marshall & Swift Costing. No documentation was provided to support the per square foot cost of other homes constructed by the Managing General Partner and the Underwriter is comfortable with the costing performed for this analysis using the Marshall & Swift *Residential Cost Handbook* as it is consistent with the Department's costing methodology.

The Underwriter was able to reference the underwriting analysis and the Applicant's estimates for direct construction costs for The Pineywoods Home Team Universal Design Rental Project in Nacogdoches and Lufkin. Contrary to the Applicant's claim that the Department's underwriting analysis resulted in $58.22 per square foot for direct construction costs, the report shows a direct construction estimate of $48.77, which is comparable to the Applicant's estimate of $49.49 per square foot as of March 2000. Because the Applicant did not provide evidence of the actual direct construction cost for the units developed in Nacogdoches and Lufkin, the Underwriter was unable to justify an adjustment to the current Marshall & Swift *Residential Cost Handbook*-derived estimate of $48.79 per square foot.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. However, their contingency cost exceeds the Department's maximum guideline of 5% of sitework and direct construction costs for new construction. Therefore, the Applicant's eligible basis calculation was lowered $388 by the Underwriter.

Conclusion: Due to the Applicant's higher direct construction cost estimate and the subsequently overstated developer's and contractor's fees compared to the Underwriter's estimate, the Applicant's total development cost is more than 5% higher than the Underwriter's costs and is considered to be overstated. Therefore, the Underwriter's cost estimate is used to calculate eligible basis and determine the eligible tax credits. As a result, an eligible basis of $2,731,841 is used to determine eligible tax credits of $227,836. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended annual tax credit allocation.

FINANCING STRUCTURE

INTERIM to PERMANENT FINANCING

Source: Bank of America **Contact:** Angela Kelcher

Principal Amount: $880,000 **Interest Rate:** Fannie Mae rate; 6.90% underwriting rate

Additional Information: Forward Funded Fannie Mae structure; 18 month interim period; Bridge loan of $95,000 based on 6.9% interest rate

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

Annual Payment: $69,548 **Lien Priority:** 1st **Date:** 02/ 24/ 2003

CASH INCENTIVE

Source: Deep East Texas Council of Governments (DETCOG) **Contact:** Tenika Brooks

Principal Amount: $10,800 **Commitment:** ☒ None ☐ Firm ☐ Conditional

Additional Information: HUD – Desegregative Housing Opportunities (DHO) Program

LIHTC SYNDICATION

Source: Enterprise Foundation **Contact:** Diane Morales

Address: 11824 28th Street **City:** Santa Fe

State: TX **Zip:** 77510 **Phone:** (409) 925-6767 **Fax:** (409) 925-2384

Net Proceeds: $2,142,111 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 80¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 02/ 18/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $296,174 **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 Applicant has requested HOME funds of $10,000 to be structured as a loan with an interest rate at AFR and a 30-year term. Because a HOME loan structured in this manner would not be considered below-market federal funds, the Applicant is not required to subtract the requested $10,000 from the development's eligible basis.

In addition, $10,800 is listed as a source of funds through HUD's Desegregative Housing Opportunities (DHO) Program. A letter addressed to the executive director of the Housing Authority of the City of Nacogdoches from HUD and dated March 21, 2002 details the program rules. The DHO program authorizes the housing authority to adopt exception payment standard amounts to the 148% of HUD's published Fair Market Rents for class member families that lease housing in the non-racially impacted census blocks in Nacogdoches County. Class members are defined as "an African American applicant for or resident of public housing in the litigation area." Racially non-impacted census blocks include those that are 80% inhabited by white individuals.

The DHO program also provides a cash incentive to landlords who for the first time lease a property located in a non-racially impacted neighborhood to a class member. A letter from HUD indicates that the proposed site is located in a non-impacted census block and the development would qualify for the DHO program. The incentive schedule includes $800 for three-bedroom single family rentals, $900 for +four-bedroom single family rentals, and $1,000 for any unit modified to qualify as handicapped accessible. Based on this information, the Applicant has assumed receipt of the incentive for 11 three-bedroom units at $800 and two handicapped accessible units at $1,000 for a total of $10,800 in incentives. The number of households that meet the definition of "class members" and are eligible for the HOME/LIHTC units is unknown. Therefore, the Underwriter has not included the $10,800 as a definite source of funds for purposes of this underwriting analysis. Any amount ultimately received will serve to reduce the anticipated deferred developer fee.

LIHTC Syndication: The syndication commitment is consistent with the terms reflected in the sources and uses listed in the application. The majority of the funds will be distributed for use during the construction period.

Deferred Developer's Fees: The Applicant's estimate of deferred fees amounts to 71% of total developer fees.

Financing Conclusions: As stated above, the Underwriter's cost estimate is used to calculate eligible basis and determine the eligible tax credits. The eligible tax credits of $227,836 are recommended as they are supported by the development's gap in need for permanent funds. The recommended annual tax credit allocation is $40,966 less than requested due to the Applicant's overstated direct construction costs. The resulting decrease in anticipated syndication proceeds results in a need to defer $149,320 in fees based on the Underwriter's total development cost estimate. Deferred developer fees in this amount appear to be repayable from cashflow within ten years of stabilized operation. The anticipated deferred fees are also based on Board approval of a HOME loan at the requested amount of $10,000 with a percentage rate at AFR and fully amortized over a repayment term of 30 years. If the Applicant cannot build the property for less than the budget included in the application there would be insufficient funds to defer to make up the gap of uses. In fact the Applicant must provide documentation in the form of a AIA contract or general contractors written agreement that direct construction costs including sitework and contractor fees and profit does not exceed $2,282,280 or $67.89 per square foot or the development will not be financially feasible.

As detailed in the Operating Proforma Analysis section of this report, the development's tax exempt status is not definite. If the development does not qualify for a tax exemption, the Underwriter's proforma would be used to determine the development's debt service capacity indicating a need for a reduction in annual debt service and resulting in a reduced permanent loan amount. The gap in permanent funds caused by a reduced permanent loan amount would be filled with additional deferred fees, which the current analysis indicated cannot be repaid within 10 years of stabilized operation. Therefore the development would be at higher risk for long term infeasibility. However, because the anticipated deferred fees under this scenario appear to be repayable within 15 years of stabilized operation, the development would still be recommended for funding.

Return on Equity: Since the Applicant is projected to contribute only a modest amount of owner equity to this project, a cash-on-cash rate of return on equity is not a reliable measure of the subsidy layering concern for which the calculation is required

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, and Supportive Services firm are all related entities. 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 statements.
- The Managing General Partner, Pineywoods Home Team Affordable Housing, submitted a balance sheet dated December 2002 indicating total assets of $2.4M comprised of cash, receivables, rental housing investments, escrows, work in progress, and equipment. Total liabilities equaled $2.5M for a fund balance of $94K.
- The Co-General Partner, Trout and Trout, LLC, provided an unaudited financial statement indicating total asset of $1K and no liabilities.
- Principals of the Co-General Partner, Trout and Trout Development, LLC, submitted unaudited financial statements dated as of February 27, 2003.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The Managing General Partner indicates participation in 326 units of affordable housing since 1996.
- Howard Trout, Jr. indicates participation in one affordable housing project with 72 units in 1997. Mr. Trout has also received a certificate of experience from the Department.

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 significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Credit Underwriting Supervisor:	*Lisa Vecchietti*	**Date:**	June 15, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	June 15, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Arcadia Village, Center, 9% LIHTC 03196/HOME 2003-032

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Trsh
TC 30%	2	3	2	1,134	$321	$253	$507	$0.22	$55.24	$12.36
TC 40%	1	3	2	1,134	428	360	360	0.32	55.24	12.36
TC 50%/LH	1	3	2	1,134	535	467	467	0.41	55.24	12.36
TC 60%	9	3	2	1,251	642	500	4,500	0.40	55.24	12.36
TC 30%	1	4	2	1,371	358	284	284	0.21	61.33	12.36
TC 40%	1	4	2	1,371	478	404	404	0.29	61.33	12.36
TC 60%	11	4	2	1,371	717	643	7,076	0.47	61.33	12.36
TOTAL:	26		**AVERAGE:**	1,293	$619	$523	$13,600	$0.40	$58.29	$12.36

INCOME	Total Net Rentable Sq Ft:	33,618	TDHCA	APPLICANT		USS Region	5
POTENTIAL GROSS RENT			$163,196	$169,044		IREM Region	6
Secondary Income	Per Unit Per Month:	$15.00	4,680	4,680	$15.00	Per Unit Per Month	
Other Support Income: (describe)			0	0			
POTENTIAL GROSS INCOME			$167,876	$173,724			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(12,591)	(13,032)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$155,285	$160,692			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.21%	$311	0.24	$8,094	$8,410	$0.25	$323	5.23%
Management		5.00%	299	0.23	7,764	$8,039	0.24	309	5.00%
Payroll & Payroll Tax		10.19%	609	0.47	15,823	$15,655	0.47	602	9.74%
Repairs & Maintenance		17.32%	1,034	0.80	26,892	$31,460	0.94	1,210	19.58%
Utilities		0.20%	12	0.01	309	$300	0.01	12	0.19%
Water, Sewer, & Trash		0.19%	11	0.01	289	$0	0.00	0	0.00%
Property Insurance		5.41%	323	0.25	8,405	$9,100	0.27	350	5.66%
Property Tax	2.7985	0.00%	0	0.00	0	$0	0.00	0	0.00%
Reserve for Replacements		5.02%	300	0.23	7,800	$5,200	0.15	200	3.24%
Supportive Services, Compliance		1.71%	102	0.08	2,650	$2,650	0.08	102	1.65%
TOTAL EXPENSES		50.25%	$3,001	$2.32	$78,026	$80,814	$2.40	$3,108	50.29%
NET OPERATING INC		49.75%	$2,971	$2.30	$77,259	$79,878	$2.38	$3,072	49.71%
DEBT SERVICE									
First Lien Mortgage		44.79%	$2,675	$2.07	$69,548	$69,548	$2.07	$2,675	43.28%
HOME		0.39%	$24	$0.02	612	0	$0.00	$0	0.00%
HOME		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		4.57%	$273	$0.21	$7,098	$10,330	$0.31	$397	6.43%
AGGREGATE DEBT COVERAGE RATIO					1.10	1.15			
RECOMMENDED DEBT COVERAGE RATIO						1.14			

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)		1.45%	$1,596	$1.23	$41,500	$41,500	$1.23	$1,596	1.24%
Off-Sites		0.10%	115	0.09	3,000	3,000	0.09	115	0.09%
Sitework		6.06%	6,667	5.16	173,340	173,340	5.16	6,667	5.19%
Direct Construction		57.34%	63,081	48.79	1,640,115	2,002,565	59.57	77,022	59.97%
Contingency	5.00%	3.17%	3,487	2.70	90,673	109,183	3.25	4,199	3.27%
General Req'ts	6.00%	3.80%	4,185	3.24	108,807	130,554	3.88	5,021	3.91%
Contractor's G & A	2.00%	1.27%	1,395	1.08	36,269	43,518	1.29	1,674	1.30%
Contractor's Profit	6.00%	3.80%	4,185	3.24	108,807	130,554	3.88	5,021	3.91%
Indirect Construction		3.86%	4,250	3.29	110,500	110,500	3.29	4,250	3.31%
Ineligible Costs		1.80%	1,975	1.53	51,347	51,347	1.53	1,975	1.54%
Developer's G & A	2.00%	1.66%	1,827	1.41	47,510	83,939	2.50	3,228	2.51%
Developer's Profit	13.00%	10.80%	11,878	9.19	308,817	335,757	9.99	12,914	10.06%
Interim Financing		3.74%	4,116	3.18	107,003	107,003	3.18	4,116	3.20%
Reserves		1.14%	1,250	0.97	32,493	16,325	0.49	628	0.49%
TOTAL COST		100.00%	$110,007	$85.08	$2,860,181	$3,339,085	$99.32	$128,426	100.00%
Recap-Hard Construction Costs		*75.45%*	***$83,000***	***$64.19***	***$2,158,011***	***$2,589,714***	***$77.03***	***$99,604***	*77.56%*

SOURCES OF FUNDS						RECOMMENDED	
First Lien Mortgage	30.77%	$33,846	$26.18	$880,000	$880,000	$880,000	Developer Fee Available
HOME	0.35%	$385	$0.30	10,000	10,000	10,000	$419,696
HUD	0.38%	$415	$0.32	10,800	10,800	0	
LIHTC Syndication Proceeds	74.89%	$82,389	$63.72	2,142,111	2,142,111	1,820,862	% of Dev. Fee Deferred
Deferred Developer Fees	10.36%	$11,391	$8.81	296,174	296,174	149,320	36%
Additional (excess) Funds Required	-16.74%	($18,419)	($14.25)	(478,904)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$2,860,181	$3,339,085	$2,860,181	$320,786.34

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Arcadia Village, Center, 9% LIHTC 03196/HOME 2003-032

PAYMENT COMPUTATION

Primary	$880,000	Term	360
Int Rate	6.90%	DCR	1.11

Secondary	$10,000	Term	360
Int Rate	4.56%	Subtotal DCR	1.10

Additional	$2,142,111	Term	
Int Rate		Aggregate DCR	1.10

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	$69,548
Secondary Debt Service	612
Additional Debt Service	0
NET CASH FLOW	$9,718

Primary	$880,000	Term	360
Int Rate	6.90%	DCR	1.15

Secondary	$10,000	Term	360
Int Rate	4.56%	Subtotal DCR	1.14

Additional	$2,142,111	Term	0
Int Rate	0.00%	Aggregate DCR	1.14

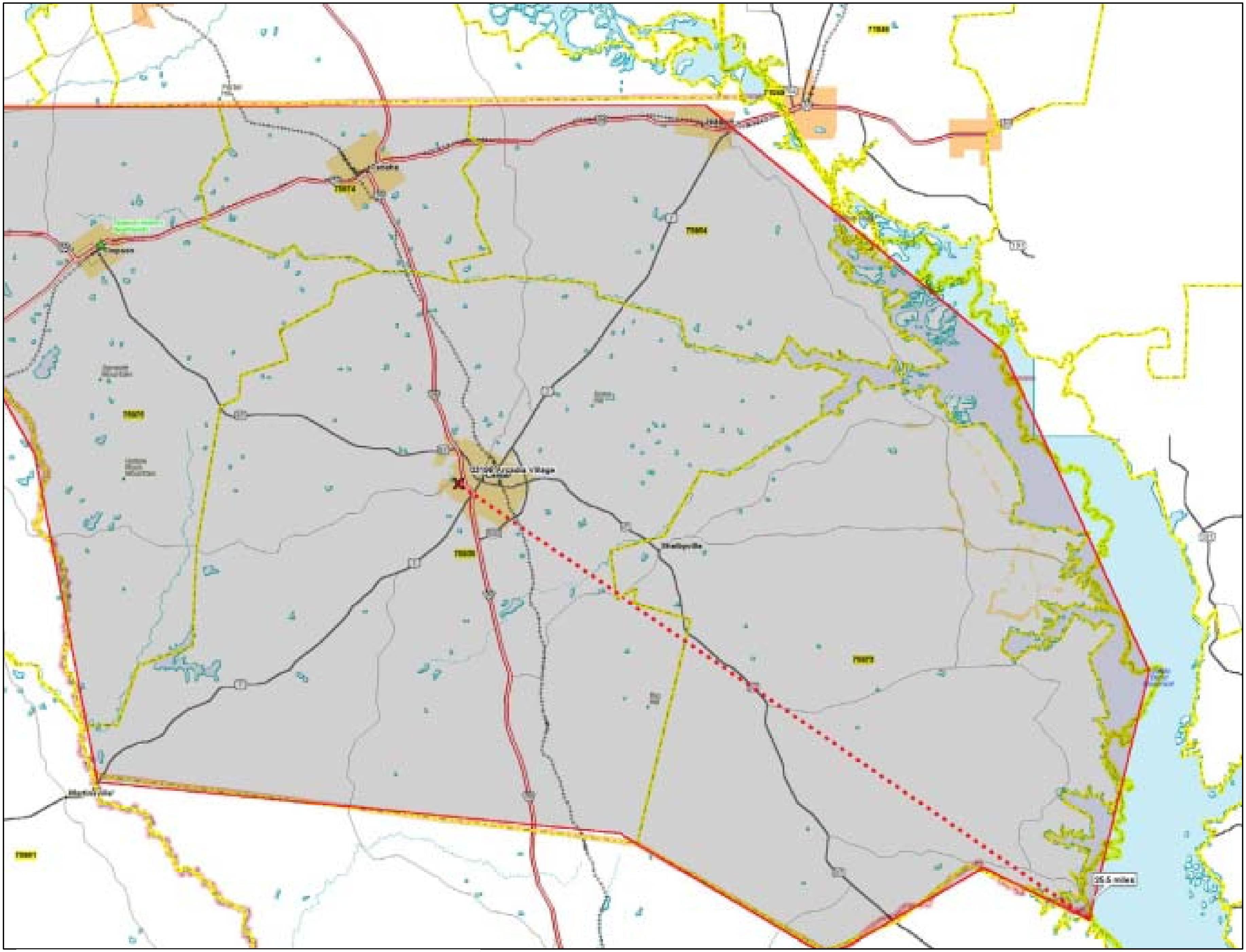
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

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	$169,044	$174,115	$179,339	$184,719	$190,261	$220,564	$255,694	$296,420	$398,363
Secondary Income	4,680	4,820	4,965	5,114	5,267	6,106	7,079	8,206	11,029
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	173,724	178,936	184,304	189,833	195,528	226,670	262,773	304,626	409,392
Vacancy & Collection Loss	(13,032)	(13,420)	(13,823)	(14,237)	(14,665)	(17,000)	(19,708)	(22,847)	(30,704)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$160,692	$165,516	$170,481	$175,595	$180,863	$209,670	$243,065	$281,779	$378,688
EXPENSES at 4.00%									
General & Administrative	$8,410	$8,746	$9,096	$9,460	$9,839	$11,970	$14,563	$17,719	$26,228
Management	8,039	8280.30913	8528.7184	8784.579952	9048.11735	10489.24787	12159.91311	14096.67201	18944.74841
Payroll & Payroll Tax	15,655	16,281	16,932	17,610	18,314	22,282	27,109	32,983	48,822
Repairs & Maintenance	31,460	32,718	34,027	35,388	36,804	44,777	54,479	66,281	98,113
Utilities	300	312	324	337	351	427	520	632	936
Water, Sewer & Trash	0	0	0	0	0	0	0	0	0
Insurance	9,100	9,464	9,843	10,236	10,646	12,952	15,758	19,172	28,380
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	5,200	5,408	5,624	5,849	6,083	7,401	9,005	10,956	16,217
Other	2,650	2,756	2,866	2,981	3,100	3,772	4,589	5,583	8,264
TOTAL EXPENSES	$80,814	$83,966	$87,242	$90,647	$94,185	$114,071	$138,183	$167,423	$245,905
NET OPERATING INCOME	$79,878	$81,549	$83,239	$84,949	$86,679	$95,599	$104,882	$114,357	$132,783
DEBT SERVICE									
First Lien Financing	$69,548	$69,548	$69,548	$69,548	$69,548	$69,548	$69,548	$69,548	$69,548
Second Lien	612	612	612	612	612	612	612	612	612
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$9,718	$11,389	$13,078	$14,788	$16,518	$25,439	$34,722	$44,196	$62,622
DEBT COVERAGE RATIO	1.14	1.16	1.19	1.21	1.24	1.36	1.49	1.63	1.89

LIHTC Allocation Calculation - Arcadia Village, Center, 9% LIHTC 03196/HOME 2003-032

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	$41,500	$41,500		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$173,340	$173,340	$173,340	$173,340
Off-site improvements	$3,000	$3,000		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$2,002,565	$1,640,115	$2,002,565	$1,640,115
(4) Contractor Fees & General Requirements				
Contractor overhead	$43,518	$36,269	$43,518	$36,269
Contractor profit	$130,554	$108,807	$130,554	$108,807
General requirements	$130,554	$108,807	$130,554	$108,807
(5) Contingencies	$109,183	$90,673	$108,795	$90,673
(6) Eligible Indirect Fees	$110,500	$110,500	$110,500	$110,500
(7) Eligible Financing Fees	$107,003	$107,003	$107,003	$107,003
(8) All Ineligible Costs	$51,347	$51,347		
(9) Developer Fees				
Developer overhead	$83,939	$47,510	$83,939	$47,510
Developer fee	$335,757	$308,817	$335,757	$308,817
(10) Development Reserves	$16,325	$35,222		
TOTAL DEVELOPMENT COSTS	$3,339,085	$2,862,910	$3,226,525	$2,731,841

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$3,226,525	$2,731,841
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$3,226,525	$2,731,841
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$3,226,525	$2,731,841
Applicable Percentage		8.34%	8.34%
TOTAL AMOUNT OF TAX CREDITS		$269,092	$227,836
Syndication Proceeds	**0.7992**	**$2,150,585**	**$1,820,862**
Total Credits (Eligible Basis Method)		**$269,092**	**$227,836**
Syndication Proceeds		**$2,150,585**	**$1,820,862**
Requested Credits		**$268,802**	
Syndication Proceeds		**$2,148,266**	
Gap of Syndication Proceeds Needed			**$1,970,181**
Credit Amount			**$246,519**



Scale: 1 : 275,000 Zoom Level: 9-5 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 3.6°E

The following Underwriting Reports are for those CHDO Rental Developments that were not recommended based on poor financial feasibility.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: September 2, 2003 **PROGRAM:** HOME 4% LIHTC **FILE NUMBER:** 2003-0354

DEVELOPMENT NAME

Ennis Senior Housing

APPLICANT

Name:	LRI IV, Ltd.	**Type:**	For Profit		
Address:	800 W. Airport Freeway, Suite 1100	**City:**	Irving	**State:**	TX
Zip:	76052 **Contact:** Barry Halla	**Phone:**	(972) 445-4139	**Fax:**	(972) 445-4138

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	LRI Ennis Senior Estates, LLC	**(%):**	.01	**Title:**	Managing General Partner
Name:	Life Rebuilders, Inc.	**(%):**	100% of MGP	**Title:**	Sole Member of MGP
Name:	Barry Halla	**(%):**	N/A	**Title:**	President & CEO of Life Rebuilders, Inc.

PROPERTY LOCATION

Location:	6600 Rudd Road	☐ **QCT**	☐ **DDA**		
City:	Ennis	**County:**	Ellis	**Zip:**	75119

REQUEST

Amount	Interest Rate	Amortization	Term
1) $1,000,000	AFR	40 yrs	40 yrs
2) $487,002	N/A	N/A	N/A
3) $10,145,000	6.75%	40 yrs	40 yrs

Other Requested Terms:
1) HOME loan
2) Annual ten-year allocation of low-income housing tax credits
3) Tax-exempt mortgage revenue bonds

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

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

RECOMMENDATION

☒ NOT RECOMMENDED DUE TO INSUFFICIENT DEMAND AS DEMONSTRATED BY THE INCLUSIVE CAPTURE RATE OVER THE 100% MAXIMUM ALLOWED FOR ELDERLY DEVELOPMENTS

☒ ANY BOARD APPROVAL OF FUNDS FOR THIS DEVELOPMENT SHOULD BE CONDITIONED ON THE FOLLOWING:

CONDITIONS

1. TDHCA Board waiver of the Department’s inclusive capture rate rule in 10TAC§1.32(g)(2);
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. Receipt, review, and acceptance of an acceptable Phase I Environmental Site Assessment report by a third party environmental engineer which indicates 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 or a follow-up study that reflects the same prior to the initial closing on the property;
4. A HOME allocation, if overruled by the Board, should not exceed $1,000,000, structured as an amortizing 30-year loan at 1.5% interest;
5. An LIHTC allocation, if approved by the Board, should not exceed the $487,002 requested; and
6. 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 or HOME terms may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

Ennis Senior Estates was submitted and underwritten in the 2001 LIHTC cycle. The underwriting analysis recommended the project be declined due to the following reason:

- There is insufficient demand demonstrated for the proposed project given that 315 units of additional affordable elderly housing are under development in this small outlying market where demand is estimated at between 174 to 431 units.

The project did not receive an award in the 2001 year cycle.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 248 **# Rental Buildings** 62 **# Common Area Bldngs** 3 **# of Floors** 1 **Age:** N/A yrs **Vacant:** N/A at / /

Net Rentable SF: 186,840 **Av Un SF:** 753 **Common Area SF:** 4,085 **Gross Bldg SF:** 190,925

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab, 90% brick veneer/10% 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, cable, ceiling fans

ON-SITE AMENITIES

A 4,085-SF community building with activity room, management offices, fitness & laundry facilities, kitchen, restrooms, computer/business center, & a central mailroom, swimming pool, & equipped children's play area are located at the entrance to the property. In addition, a sports courts and perimeter fencing with limited access gates are also planned for the site.

Uncovered Parking: 282 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Ennis Senior Estates is a relatively dense (12 units per acre) new construction development of 248 units of affordable housing located in southeast Ennis. The development is comprised of 62 evenly distributed small fourplex residential buildings as follows:

- (12) Building Type A with four one-bedroom/one-bath units;
- (24) Building Type B with four two-bedroom/one-bath units; and
- (26) Building Type C with two one-bedroom/one-bath units and two two- bedroom/one-bath units;

Architectural Review: The exterior elevations are functional with varied rooflines. All units are of average size for LIHTC units. Each unit has a private exterior entry. The units are in one-story fourplex structures with mixed brick veneer and cement fiber siding exterior finish.

Supportive Services: LRI Management, a division of Life Rebuilders, Inc., will provide supportive services to tenants at no extra cost. The services to be provided include activities, educational, training and development programs and life services. Additionally, Helping Hands of Ennis will also provide supportive services and programs to the tenants, including but not limited to a food pantry, rent and utility assistance, and weather relief supplies. The Applicant's annual expense budget did not include a line item for supportive services expense.

Schedule: The Applicant anticipates construction to begin in January of 2004 and to be completed in November of 2004. The development should be placed in service in August of 2005 and substantially leased-up in July of 2005.

SITE ISSUES

SITE DESCRIPTION

Size:	20	acres	871,200	square feet	**Zoning/ Permitted Uses:** A-3 PD/Multifamily
Flood Zone Designation:	Zone X		**Status of Off-Sites:**	Raw Land	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Ennis is located in the north central region of the state, approximately 40 miles south of Dallas in Ellis County. The site is a rectangular-shaped parcel located in the southeast area of Ennis, approximately four miles from the central business district and situated on the northeast side of Rudd Street.

Adjacent Land Uses:

- **North:** Vacant land
- **South:** Vacant land
- **East:** Vacant land
- **West:** Residential development

Site Access: The site is located about 0.4 miles south of the US Hwy 287 and 1.3 miles west of Interstate 45. The site borders on the northeast side of Rudd Road, approximately 650 feet northwest of Blazek Road. These roads provide links to US 287 and FM 1183 as well as routes to downtown Ennis.

Public Transportation: The availability of public transportation in the Ennis area is unknown. The project's van will provide transportation for shopping, medical and entertainment events.

Shopping & Services: Ennis is a small community; thus, all facilities such as shopping, community service and churches are within three to five miles of the site. The major interstates, US, and state highways through the community provide easy linkage to points in the Dallas-Fort Worth Metroplex. Several parks are located on the west side of Ennis and surrounding Lake Bardwell. New shopping facilities are planned on a 42-acre site, about 1,500 feet north of the subject. This commercial development is planned to coincide with the proposed elderly complex and other single-family and multifamily projects on the adjoining 140 acres. Ennis Medical Center is a 49-bed facility located about four miles north on Lampasas Street. For major surgery or intensive care, there are numerous hospitals scattered throughout the Dallas area. A college campus is located within 15 miles of the site.

Special Adverse Site Characteristics: The title commitment lists a vendor's lien that must be cleared or partially released by the closing.

Site Inspection Findings: TDHCA staff performed a site inspection on May 13, 2003 and found the location to be poor for the proposed development. The inspector noted that the site was extremely remote even for a rural location and due to the remoteness of the site, easy access to transportation would be necessary to satisfy the needs of seniors.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report was not included, as 2003 HOME rental program applicants are not required to submit this report. It is a requirement of the tax credits, however, and therefore receipt, review, and acceptance of same is a condition of this report.

POPULATIONS TARGETED

Income Set-Aside: All of the units (100% of the total) will be reserved for low-income, elderly tenants. All of the units will be reserved for households earning 50% or less of AMGI. While only the HOME application was received and evaluated for this transaction, the Underwriter is aware that the Applicant will also make application for an allocation of tax-exempt bonds and 4% tax credits. Based on this information, the Underwriter also evaluated the transaction as a Priority 1 private activity bond lottery project where 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI.

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 25, 2003 was prepared by Ipser & Associates, Inc. and highlighted the following findings:

Definition of Primary Market Area: "The primary market area for the proposed elderly housing complex is considered to be Ellis County, although tenants will also be drawn from the three adjoining counties to the east and south. These include the southern part of Kaufman County, the west part of Henderson County, around Cedar Creek Lake and parts of Navarro County." (p. 2-5)

Population: The estimated 2000 population of Ellis County was 111,360 and is expected to increase by 5.4% to approximately 127,260 by 2005. Within the primary market area there were estimated to be 37,020 households in 2000.

Total Primary Market Demand for Rental Units: According to the market analyst, "Housing demand, based on household growth, for the City of Ennis is estimated at approximately 149 renter units between 2003 and 2005, with an additional 397 renter units from 2005 to 2010. For Ellis County, the estimated demand is for 708 renter units in the next two years and continued demand for 1,898 units by 2010. This is considered minimum demand to meet the basic growth and need for replacement of substandard housing." (p. 2-11)

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	19	8%	14	8%
Resident Turnover	150	59%	159	92%
Other Sources: immigration & Sec. 8 vouchers	84	33%	N/A	N/A
TOTAL ANNUAL DEMAND	253	**100%**	173	**100%**

Ref: Exhibit N-1

Inclusive Capture Rate: The Underwriter calculated a concentration capture rate of 181% based upon a revised supply of unstabilized comparable affordable units of 313 divided by a revised demand of 173. The Underwriter included Oak Timbers, a 65-unit elderly HTF project. While the Market Analyst identified this development the units were not included in the Analyst's capture rate calculation. The Analyst indicated that Oak Timbers "…opened in September 2001…the 65-unit Oak Timbers was 85.4% occupied and 90% leased…" Given this information it does not seem that Oak Timbers has been stabilized at 90% occupancy level for at least 12 consecutive months. The Market Analyst calculated a capture rate of 98.2% based upon a supply of unstabilized comparable affordable units of 248 (the subject) divided by a demand of 253. Even if we used the Analyst's calculated demand but added the units from Oak Timbers the Analyst's capture rate would result at 124%, which is higher than the 100% maximum allowed for elderly projects. Based on this information it does not appear that there is sufficient demand to support this project and should not be recommended. It should be noted that this transaction was underwritten for the 2001 9% LIHTC cycle and was also not recommended due to insufficient demand.

Local Housing Authority Waiting List Information: "Ennis Housing Authority has a public housing waiting list with 23 names or a two-year wait for a vacant unit, and the waiting list for Section 8 Vouchers, according to the TDHCA, has at least 100 names, 10 to 15 of which are elderly/disabled applicants." (p. 2-19)

Market Rent Comparables: The market analyst surveyed five comparable apartment projects totaling 245 units in the market area. (p. 2-18)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (50%)	$484	$484	$0	$590	-$106
2-Bedroom (50%)	$574	$574	$0	$695	-$121

(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)

Primary Market Occupancy Rates: "…occupancy in Ellis County was 95.0% overall in 2000. Among rented units in 2000, occupancy was…93.7% in the county. Multifamily housing occupancy was 89.7% in the county…" (p. 2-7)

Absorption Projections: "The subject's absorption is conservatively estimated at 12 to 14 units per month." (p. 2-21)

Known Planned Development: The Market Analyst did not indicate any known planned developments for the area.

Effect on Existing Housing Stock: "The construction of the proposed project will have negligible impact on the rental housing market, although some elderly residing in conventional apartments may relocate to the new project specifically designed for older households." (p. 2-11)

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 HOME rents allowed which are equal to the 50% tax credit rents for the Dallas MSA. The Applicant's estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $2,760 per unit compares favorably with a TDHCA database-derived estimate of $2,784 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 ($32K lower), payroll ($27K lower), repairs and maintenance ($29K higher), water, sewer, and trash ($19K lower), insurance ($48K higher), property tax ($13K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. Additionally, the Applicant anticipates a property tax exemption based on the general partner's CHDO status. The Applicant indicated that they will negotiate a PILOT with the City of Ennis after they receive their tax exemption. The Applicant is proposing that they pay all county and city taxes but no school taxes. For purposes of this analysis, the Underwriter utilized the county and city tax rates to determine a property tax estimate and excluded the school tax rate.

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. Due primarily to the difference in operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.03 is slightly less than the program minimum standard of 1.10. As the Applicant's income and expense estimates are acceptable and the Underwriter's proforma indicates a DCR of 1.11 by the third year of operation (with steady improvement throughout the remainder of the 30-year period), the Applicant's DCR estimates are acceptable. It should be noted that if the Applicant were not able to secure a PILOT agreement with the city, then the Applicant's total expenses would fall outside of the 5% tolerance range. Consequently, the Underwriter's NOI would be used to evaluate the debt service capacity and, as will be discussed in the financing section below, the development would be fund to be infeasible.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 31.8695 acres	$210,000	**Date of Valuation:**	01/ 05/ 2001
Land Only: 20 acres	$131,787.45	**Date of Valuation:**	01/ 05/ 2001
Appraiser: Pacific Southwest Valuation	**City:** Dallas	**Phone:**	(214) 987-1032

ASSESSED VALUE

Land: 57.648 acres	$280,170	**Assessment for the Year of:**	2003- Proposed
Per Acre:	$4,860	**Valuation by:**	Ellis County Appraisal District
Total Assessed Value:	$97,200	**Tax Rate:**	2.63

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest money contract		
Contract Expiration Date:	12/ 31/ 2003	**Anticipated Closing Date:**	12/ 31/ 2003
Acquisition Cost:	$85,420	**Other Terms/Conditions:**	$1K earnest money
Seller:	Life Rebuilders, Inc.	**Related to Development Team Member:**	Yes

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The Applicant submitted an earnest money contract between Life Rebuilders, Inc. and LRI IV, Ltd. for a purchase price of $85,420 for the 20-acre site. The seller is 100% owner of the General Partner of the Applicant and acquired the site as part of a larger 160-acre parcel at a cost of $440,299. This amounts to a prorated cost of $2,500 per acre or $50,000 for the subject 20 acres. The Underwriter researched the Ellis County appraisal roll for an assessed value for the subject property. The only parcel of land located on Rudd Road and owned by Life Rebuilders, Inc. was for a total of 57.648 acres, of which the proposed 20-acre site is a part of, according to the Applicant. The total assessed value for the 57.648 acres is $280,170 ($4,860 per acre). The Applicant indicated that the total acquisition cost of $85,420 is the payoff amount for the original purchase of the land. The Applicant provided no other documentation of holding costs or improvements made to the site that would provide justification for a high non-arm's-length sale. Therefore, the Underwriter used a proration of the original purchase price of $2,500 per acre 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. The effect on the recommended credit amount is likely to be non-existent, however, due to the Applicant's anticipated deferred developer fee of over $1M.

Off-Site Costs: The Applicant claimed off-site costs of $550,000 for grading, drainage, storm and wastewater sewer lines, etc. and provided sufficient third party certification through a detailed offsite construction cost estimate signed by a third party engineer to justify these costs.

Sitework Cost: The Applicant's claimed sitework costs of $7,500 per unit are at the maximum guideline for multifamily projects without necessitating additional documentation.

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.

Ineligible Costs: The Applicant incorrectly included $35,000 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 $100,845 for the bond-financed permanent loan 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. The Underwriter reduced the Applicant's interim financing fees by $85K to reflect the net effect of the Applicant's projection of $85K in income from a guaranteed investment contract, which results in an equivalent reduction in eligible basis.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's contingency cost, however, exceeds the maximum allowed by TDHCA guidelines. Therefore, the Applicant's eligible fees have been reduced by $27,500 in this area 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 potion of the Applicant's developer fee must be reduced by $37,297.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limit of $22,579,608. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of $14,037,638 is used to determine a credit allocation of $508,162 from this method. This amount is greater than the requested credit amount of $487,002 due to the Applicant's use of a lower applicable percentage, 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: GMAC **Contact:** David Rosen

Principal Amount: $10,145,000 **Interest Rate:** 6.75%- minimum rate, net of bond issues fees, trustee fees, rebate analyst, etc.

Additional Information:

Amortization: 40 yrs **Term:** 32.5 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $734,427 **Lien Priority:** 1st **Commitment Date** 08/ 25/ 2003

LIHTC SYNDICATION

Source: Paramount Financial Group **Contact:** Michael Moses, VP, Acquisitions

Address: 4009 Columbus Road, SW **City:** Granville

State: Ohio **Zip:** 43023 **Phone:** (740) 587-4150 **Fax:** ( )

Net Proceeds: $3,944,320 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** 81¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 08/ 24/ 2003

Additional Information:

APPLICANT EQUITY

Amount: $1,290,946 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

HOME Loan: The Applicant has requested a HOME loan in the amount of $1,000,000 with a 40-year amortization and interest at the applicable federal rate (AFR). The Underwriter's analysis is based on the requested loan amount with a 40-year amortization and a 1.5% interest rate. Currently, the AFR is at 4.97%. If the requested HOME funds were granted at the terms proposed, the interest would likely be deferred the first couple of years. Thus, a lower HOME interest rate of 1.5% is recommended since at that level only one year of potential for a below 1.10 DCR exists. Moreover, given that the credits are already 4% credits there would be no negative affects of an interest rate below AFR for this development.

Permanent Financing: In addition to the requested HOME funds the Applicant will also make an application requesting tax-exempt mortgage revenue bonds and 4% tax credits. While the application for these funds was not available at the time of this analysis the Applicant submitted a commitment letter for the bond-financed permanent loan. The commitment letter from GMAC indicates a permanent loan amount of $10,145,000 with a 40-year amortization period and an interest rate stated to be at a spread of 150 basis points over the 30-Year "A"-Rated Municipal Housing Bond Index, with a minimum rate of 6.75%. This rate does not include fees to be paid under the bond indenture (e.g., bond issuer fees, trustee fees, rebate analyst, etc.). For purposes of this analysis, the Underwriter utilized the minimum rate of 6.75%.

LIHTC Syndication: A commitment letter from Paramount Financial Group was also submitted. PFG has offered terms for syndication of the tax credits anticipating total net proceeds of $3,944,320 based on a syndication factor of 81%.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,290,946 amounts to 69% of the total fees.

Financing Conclusions: As stated above, the Applicant's total development costs was used to determine the development's total need for funds. Based on this analysis, the Applicant's adjusted eligible basis of $14,037,638 qualifies the project to receive an annual tax credit allocation of $508,162. However, this amount is more than was originally requested by the Applicant. Since the Applicant is limited to their original request, the annual tax credit allocation should be limited to not more than $487,002 resulting in total syndication proceeds of $3,944,332. Based on the underwriting analysis, the Applicant's deferred developer fee of $1,290,942 appears to be repayable within 10 years. It should be noted that since the Applicant's estimated income and total operating expenses were within 5% of the Underwriter's estimate, this analysis is based on the Applicant's proforma. However, as mentioned previously should the Applicant not secure a property tax exemption and PILOT agreement with the City of Ennis, the Applicant's total expenses would fall outside of the 5% tolerance range and the Underwriter's NOI and proforma would be used to evaluate the project's debt service capacity. Additionally, without the PILOT agreement, the DCR would be a lower 0.91, therefore resulting in a reduction of the bond-financed loan by more than $1M in order to raise the DCR to an acceptable 1.10. This reduction would raise the deferred developer fees to over $3M which would not be repayable within 15 years. Thus without the PILOT agreement the development would be deemed as infeasible.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, Property Manager, and Supportive Services firm are all related entities. 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 owner of the General Partner, Life Rebuilders, Inc., submitted an audited financial statement as of December 31, 2001 reporting total assets of $3.8M and consisting of $186K in cash, $1M in receivables, $690K in related party receivables, $1.8M in construction in progress and $7K in deposits. Liabilities totaled $2.3M, resulting in a net worth of $1.5M.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The owner of the General Partner has completed four LIHTC housing developments totaling 444 units since 1996.

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%.

- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- The seller of the property has an identity of interest with the Applicant.

Underwriter:	*Raquel Morales*	**Date:**	September 2, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	September 2, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Ennis Senior Estates, Ennis, HOME #2003-0354

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	Trash only
TC50%=LH	100	1	1	640	$623	$484	$48,400	$0.76	$139.00	$11.00
TC50%=LH	148	2	1	830	748	$574	84,952	0.69	174.00	11.00
TOTAL:	248		AVERAGE:	753	$698	$538	$133,352	$0.71	$159.89	$11.00

INCOME	Total Net Rentable Sq Ft: 186,840		TDHCA	APPLICANT		USS Region	3
POTENTIAL GROSS RENT			$1,600,224	$1,600,224		IREM Region	Dallas
Secondary Income	Per Unit Per Month:	$10.00	29,760	29,760	$10.00	Per Unit Per Month	
Other Support Income: (describe)			0	0			
POTENTIAL GROSS INCOME			$1,629,984	$1,629,984			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(122,249)	(122,244)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$1,507,735	$1,507,740			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.10%	$310	0.41	$76,821	$44,640	$0.24	$180	2.96%
Management		4.85%	295	0.39	73,068	$60,399	0.32	244	4.01%
Payroll & Payroll Tax		11.79%	717	0.95	177,692	$150,350	0.80	606	9.97%
Repairs & Maintenance		5.48%	333	0.44	82,618	$111,600	0.60	450	7.40%
Utilities		3.59%	218	0.29	54,167	$49,600	0.27	200	3.29%
Water, Sewer, & Trash		4.54%	276	0.37	68,391	$49,600	0.27	200	3.29%
Property Insurance		2.58%	157	0.21	38,909	$86,800	0.46	350	5.76%
Property Tax	2.63	4.18%	254	0.34	63,079	$75,640	0.40	305	5.02%
Reserve for Replacements		3.29%	200	0.27	49,600	$49,600	0.27	200	3.29%
Other Expenses:compliance fees		0.41%	25	0.03	6,200	$6,200	0.03	25	0.41%
TOTAL EXPENSES		45.80%	$2,784	$3.70	$690,546	$684,429	$3.66	$2,760	45.39%
NET OPERATING INC		54.20%	$3,295	$4.37	$817,189	$823,311	$4.41	$3,320	54.61%
DEBT SERVICE									
HOME Loan		3.82%	$232	$0.31	$57,625	$745,350	$3.99	$3,005	49.43%
GMAC		48.72%	$2,962	$3.93	734,527		$0.00	$0	0.00%
GMAC		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		1.66%	$101	$0.13	$25,037	$77,961	$0.42	$314	5.17%
AGGREGATE DEBT COVERAGE RATIO					1.03	1.10			
RECOMMENDED DEBT COVERAGE RATIO						1.07			

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)		0.30%	$202	$0.27	$50,000	$85,420	$0.46	$344	0.52%
Off-Sites		3.26%	2,218	2.94	550,000	550,000	2.94	2,218	3.36%
Sitework		11.04%	7,500	9.96	1,860,000	1,860,000	9.96	7,500	11.36%
Direct Construction		46.37%	31,509	41.82	7,814,193	6,940,000	37.14	27,984	42.37%
Contingency	4.83%	2.77%	1,885	2.50	467,500	467,500	2.50	1,885	2.85%
General Req'ts	5.46%	3.13%	2,129	2.83	528,000	528,000	2.83	2,129	3.22%
Contractor's G & A	1.82%	1.04%	710	0.94	176,000	176,000	0.94	710	1.07%
Contractor's Profit	5.46%	3.13%	2,129	2.83	528,000	528,000	2.83	2,129	3.22%
Indirect Construction		5.47%	3,714	4.93	921,000	921,000	4.93	3,714	5.62%
Ineligible Costs		3.54%	2,408	3.20	597,222	597,222	3.20	2,408	3.65%
Developer's G & A	2.85%	2.22%	1,507	2.00	373,659	373,659	2.00	1,507	2.28%
Developer's Profit	11.40%	8.87%	6,027	8.00	1,494,634	1,494,634	8.00	6,027	9.12%
Interim Financing		4.83%	3,281	4.35	813,642	813,642	4.35	3,281	4.97%
Reserves		4.02%	2,729	3.62	676,915	1,045,188	5.59	4,214	6.38%
TOTAL COST		100.00%	$67,947	$90.19	$16,850,764	$16,380,264	$87.67	$66,049	100.00%
Recap-Hard Construction Costs		*67.50%*	*$45,862*	*$60.87*	*$11,373,693*	*$10,499,500*	*$56.20*	*$42,337*	*64.10%*

SOURCES OF FUNDS						RECOMMENDED	
HOME Loan	5.93%	$4,032	$5.35	$1,000,000	$1,000,000	$1,000,000	Developer Fee Available
GMAC	60.20%	$40,907	$54.30	10,145,000	10,145,000	10,145,000	$1,830,996
LIHTC Syndication Proceeds	23.41%	$15,905	$21.11	3,944,318	3,944,318	3,944,322	% of Dev. Fee Deferred
GIC Income					85,296		
Deferred Developer Fees	7.66%	$5,205	$6.91	1,290,946	1,290,946	1,290,942	71%
Additional (excess) Funds Required	2.79%	$1,897	$2.52	470,500	(85,296)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$16,850,764	$16,380,264	$16,380,264	$2,807,564.21

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Ennis Senior Estates, Ennis, HOME #2003-0354

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$45.17	$8,439,043
Adjustments				
Exterior Wall Finish	7.30%		$3.30	$616,050
Elderly	5.00%		2.26	421,952
Roofing			0.00	0
Subfloor			(2.02)	(377,417)
Floor Cover			1.92	358,733
Porches/Balconies	$12.29	16,219	1.07	199,332
Plumbing	$615	0	0.00	0
Built-In Appliances	$1,625	248	2.16	403,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	274,655
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$57.91	4,085	1.27	236,552
Other:			0.00	0
SUBTOTAL			56.58	10,571,900
Current Cost Multiplier	1.03		1.70	317,157
Local Multiplier	0.88		(6.79)	(1,268,628)
TOTAL DIRECT CONSTRUCTION COSTS			$51.49	$9,620,429
Plans, specs, survy, bld prm	3.90%		($2.01)	($375,197)
Interim Construction Interes	3.38%		(1.74)	(324,689)
Contractor's OH & Profit	11.50%		(5.92)	(1,106,349)
NET DIRECT CONSTRUCTION COSTS			$41.82	$7,814,193

PAYMENT COMPUTATION

Primary	$1,000,000	Term	480
Int Rate	4.97%	DCR	14.18

Secondary	$10,145,000	Term	480
Int Rate	6.75%	Subtotal DCR	1.03

Additional	$0	Term	
Int Rate		Aggregate DCR	1.03

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$33,261
Secondary Debt Service	734,527
Additional Debt Service	0
NET CASH FLOW	$55,524

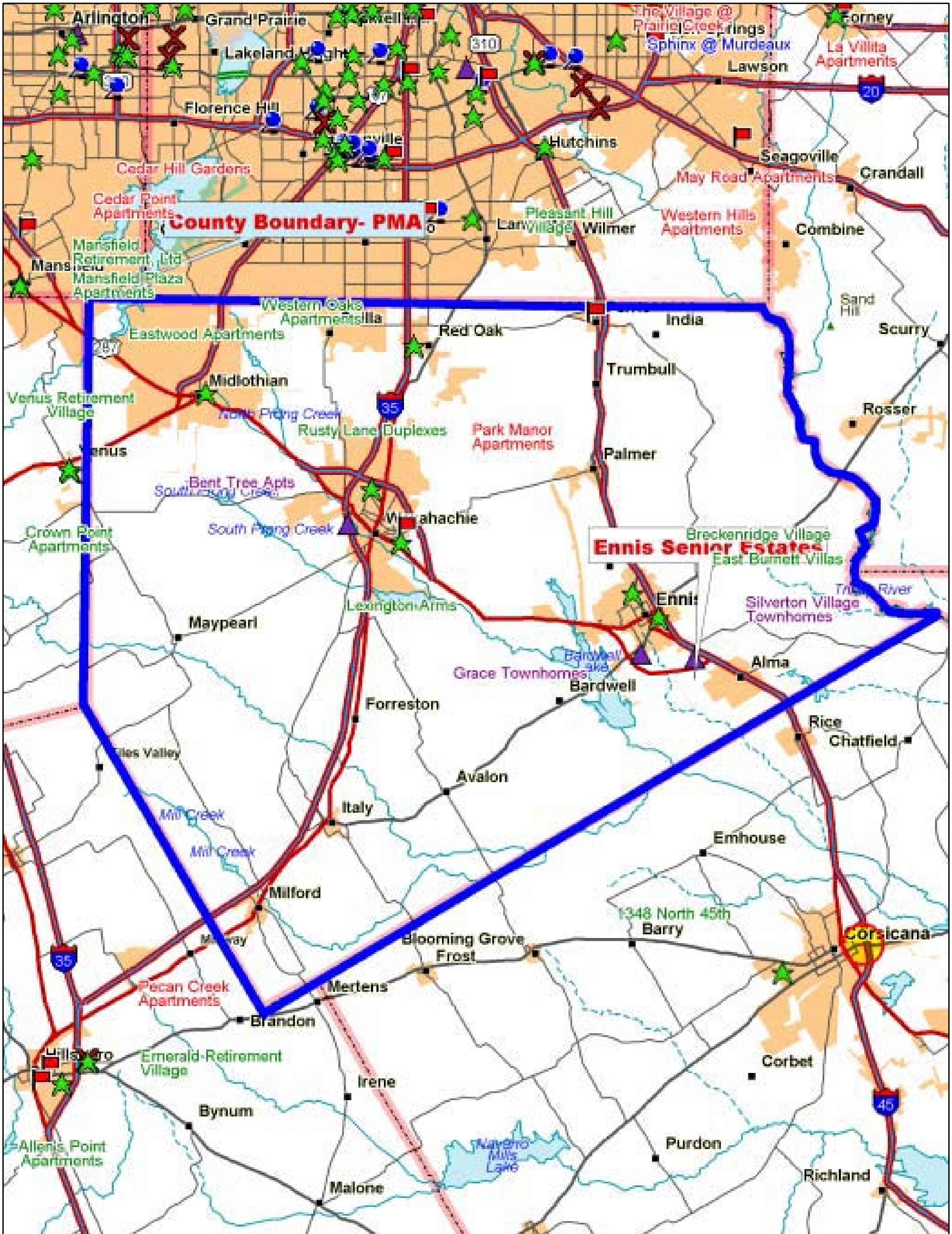
Primary	$1,000,000	Term	480
Int Rate	1.50%	DCR	24.75

Secondary	$10,145,000	Term	480
Int Rate	6.75%	Subtotal DCR	1.07

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.07

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	$1,600,224	$1,648,231	$1,697,678	$1,748,608	$1,801,066	$2,087,929	$2,420,482	$2,806,002	$3,771,033
Secondary Income	29,760	30,653	31,572	32,520	33,495	38,830	45,015	52,184	70,131
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,629,984	1,678,884	1,729,250	1,781,128	1,834,561	2,126,759	2,465,497	2,858,187	3,841,164
Vacancy & Collection Loss	(122,244)	(125,916)	(129,694)	(133,585)	(137,592)	(159,507)	(184,912)	(214,364)	(288,087)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,507,740	$1,552,967	$1,599,556	$1,647,543	$1,696,969	$1,967,252	$2,280,585	$2,643,823	$3,553,077
EXPENSES at 4.00%									
General & Administrative	$44,640	$46,426	$48,283	$50,214	$52,222	$63,537	$77,302	$94,050	$139,217
Management	60,399	62210.772	64077.09511	65999.40796	67979.3902	78806.74464	91358.61594	105909.6749	142333.7469
Payroll & Payroll Tax	150,350	156,364	162,619	169,123	175,888	213,995	260,358	316,765	468,889
Repairs & Maintenance	111,600	116,064	120,707	125,535	130,556	158,842	193,255	235,124	348,042
Utilities	49,600	51,584	53,647	55,793	58,025	70,596	85,891	104,500	154,685
Water, Sewer & Trash	49,600	51,584	53,647	55,793	58,025	70,596	85,891	104,500	154,685
Insurance	86,800	90,272	93,883	97,638	101,544	123,543	150,310	182,875	270,699
Property Tax	75,640	78,666	81,812	85,085	88,488	107,659	130,984	159,362	235,895
Reserve for Replacements	49,600	51,584	53,647	55,793	58,025	70,596	85,891	104,500	154,685
Other	6,200	6,448	6,706	6,974	7,253	8,825	10,736	13,062	19,336
TOTAL EXPENSES	$684,429	$711,202	$739,028	$767,948	$798,006	$966,996	$1,171,977	$1,420,647	$2,088,466
NET OPERATING INCOME	$823,311	$841,765	$860,528	$879,595	$898,963	$1,000,257	$1,108,608	$1,223,176	$1,464,611
DEBT SERVICE									
First Lien Financing	$33,261	$33,261	$33,261	$33,261	$33,261	$33,261	$33,261	$33,261	$33,261
Second Lien	734,527	734,527	734,527	734,527	734,527	734,527	734,527	734,527	734,527
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$55,524	$73,978	$92,741	$111,807	$131,176	$232,469	$340,821	$455,389	$696,824
DEBT COVERAGE RATIO	1.07	1.10	1.12	1.15	1.17	1.30	1.44	1.59	1.91



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TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: September 2, 2003 **PROGRAM:** HOME **FILE NUMBER:** 2003-0116

DEVELOPMENT NAME

Cottage Community

APPLICANT

Name:	Community Partnership for the Homeless			**Type:**	Non-Profit CHDO		
Address:	902 E. 5th Street			**City:**	Austin	**State:**	TX
Zip:	78702	**Contact:**	Alison Schmidt	**Phone:**	(512) 469-9130	**Fax:**	(512) 469-0724

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Alison Schmidt	**(%):**	N/A	**Title:**	Executive Director
Name:	Becca Bruce	**(%):**	N/A	**Title:**	Consultant
Name:	Stratus Properties	**(%):**	N/A	**Title:**	Consultant & lender

PROPERTY LOCATION

Location: 10500 block of Dessau Road, 300 feet south of intersection with Collinwood West Drive ☐ **QCT** ☐ **DDA**

City: In Austin's limited purpose jurisdiction **County:** Travis **Zip:** 78753

REQUEST

Amount	Interest Rate	Amortization	Term
1) $1,000,000	0%	30 yrs	30 yrs
2) $50,000	N/A	N/A	N/A

Other Requested Terms: 1) Forgivable HOME loan
2) CHDO operating expenses

Proposed Use of Funds: New construction **Property Type:** Single family rental

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

RECOMMENDATION

☒ NOT RECOMMENDED DUE TO THE LACK OF READINESS TO PROCEED AT THIS TIME AS EVIDNECED BY INCOMPLETE CONSTRUCTION PLANNING AND A LACK OF CONFIRMED FINANCING SUFFICIENT TO COMPLETE THE DEVELOPMENT RENDERING THE DEVELOPMENT INFEASIBLE AS PRESENTED.

☒ ANY APPROVAL OF FUNDING FOR THIS DEVELOPMENT SHOULD BE SUBJECT TO THE FOLLOWING CONDITIONS:

1. Receipt, review, and acceptance of a finalized and approved site plan, architectural drawings, construction specifications, a revised and certified project cost schedule, a certified off-site budget, a consistent sources and uses of funds statement, and a development proforma reflecting the finalized specifications.
2. A HOME allocation, if overruled by the Board, should not exceed $1,000,000, structured as a

$178,954 30-year term loan, fully amortizing over 30 years at 0% interest and a $821,046 non-amortizing five year loan at 0% interest At the end of the five-year loan term, the performance of the project should be reviewed and the potential for repayment should be re-evaluated;

3. Receipt, review, and acceptance of firm financing commitments for at least $1,107,087;
4. Should the terms and rates of the proposed debt change or total development costs exceed $2,603,670, the transaction should be re-evaluated and adjustment to the amounts described in these conditions may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

Cottage Community was submitted and partially underwritten in the 2001 HOME cycle, but the underwriting analysis was not completed due to the termination of the application due in part to insufficient documentation of the proposal.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	30	**# Rental Buildings**	30	**# Common Area Bldngs**	1	**# of Floors**	1 & 2	**Age:**	0 yrs	**Vacant:**	N/A	at	/ /

Net Rentable SF:	28,250	**Av Un SF:**	942	**Common Area SF:**	5,000	**Gross Bldg SF:**	33,250

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 40% brick veneer/60% cement fiber siding exterior wall covering with wood trim, drywall interior wall surfaces, galvanized metal roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting, vinyl, & stained concrete flooring, range & oven, hood & fan, refrigerator, fiberglass tub/shower, ceiling fans, laminated counter tops, individual water heaters, high-speed internet access

ON-SITE AMENITIES

A 5,000-SF (estimated area) community building with space for child daycare services, community space for case management and other supportive services, management offices, a kitchen, & restrooms, along with an equipped children's play area are located at the middle of the property. In addition, walking trails & perimeter fencing are also planned for the site

Uncovered Parking: 90 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Cottage Community is a dispersed single family (4 units per acre) new construction development of 30 units of affordable housing located just north of the Austin city limits in Austin's limited purpose jurisdiction. The development is to be comprised of 30 one- and two-story single-family houses. The Applicant proposes not to subdivide the property into individual lots but to place the buildings throughout the unified site, along with walking paths and a greenbelt area, and a community garden. Based on the most recent site plan the houses are arranged along an internal access road on the northern and central portions of the site, with the community building located near the entry and the greenbelt area on the southern portion which slopes down into a creekbed.

Architectural Review: The house elevations appear simple and traditional, with pitched roofs, double-hung windows, and covered porches, although there is considerable uncertainty (as discussed in the Construction Cost Estimate Evaluation section below) regarding construction specifications. No plans or elevations were provided for the community building.

Supportive Services: The Applicant proposes using a variety of local service providers to offer extensive supportive services geared toward both children and adults. These are to include discounted on-site child care, case management, a single parent support network, GED, computer, life skills, and employment training, homeownership classes, mentoring and music and arts activities for children, and legal and health services. The Applicant included no estimated expenses for these services and indicated that the chosen service providers would be responsible for expenses. Child care fees will be based on a sliding scale of tenant income.

Schedule: The Applicant anticipates construction to begin in November of 2003 and to be completed in September of 2004. The development should be substantially leased-up in March of 2005.

SITE ISSUES

SITE DESCRIPTION

Size:	7.337	acres	319,600	square feet	**Zoning/ Permitted Uses:**	SF-2, Single-Family Residence-Standard Lot, rezoning request submitted
Flood Zone Designation:			Zone X	**Status of Off-Sites:**		Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located just north of the Austin city limits, approximately five miles from the central business district. The site is situated on the west side of Dessau Road.

Adjacent Land Uses:

- **North:** A vacant parcel apparently under development immediately adjacent, followed by single-family residential
- **South:** Vacant land with a major stream valley, and single-family residential beyond
- **East:** Dessau Road with vacant land beyond
- **West:** Single-family residential

Site Access: Access to the property is from the north or south from Dessau Road or from the west from Claywood Drive. The most recent site plan depicts access from both Dessau Road and Claywood Drive. Access to Interstate Highway 35 is one-half mile west, which provides connections to all other major roads serving the Austin area.

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

Shopping & Services: The site is within two 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 southern portion of the site slopes steeply into a creekbed, which should be fenced to prevent access by resident children.
- The site is not currently zoned for the proposed development and a rezoning request has been submitted.

Site Inspection Findings: TDHCA staff performed a site inspection on June 26, 2003 and found the location to be acceptable for the proposed development. The inspector, however, noted that the site has a steep grade from north to south.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated March 5, 2003 was prepared by HBC/Terracon and contained the following findings and recommendations: "Based on the scope of services and limitations of this assessment, HBC/Terracon did not identify recognized environmental conditions in connection with the site which, in our opinion, require additional investigation at this time." (p. 16)

Income Set-Aside: All of the units (100% of the total) will be reserved for low-income families headed by a single parent, legal guardian, or grandparent with school-age and younger children. Six of the units (20%) will be reserved for households earning 50% or less of AMGI and the remaining 25 units (80%) will be reserved for households earning 65% or less of AMGI. Six of the units will be reserved for tenants with disabilities who also meet the definition of homeless.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$29,880	$34,140	$38,400	$42,660	$46,080	$49,500

MARKET HIGHLIGHTS

An updated market feasibility study dated March 31, 2003 was prepared by Joyce G. Pohlman and highlighted the following findings. (Although neither Ms. Pohlman or the original analyst, Sarah Andre, are on the list of approved TDHCA market analysts, the 2003 HOME application did not explicitly require use of a TDHCA-approved analyst, and the Applicant received guidance from TDHCA staff during the application cycle that use of an approved analyst was not mandatory. The market study report was therefore produced to comply with the market study guidelines contained in the 2003 HOME application and is not compliant with the 2003 TDHCA market analysis rules and guidelines in a number of significant respects. During the period of this analysis the Analyst was informed of the advisability of applying for TDHCA approval but to date has declined to do so. Therefore, to avoid requiring the Applicant to incur the additional expense of commissioning another market study the Underwriter has used Ms. Pohlman's report.)

Definition of Primary Market Area: "For the purposes of this study, the market will consist of the northeast submarket as defined by Austin Investor Interests and census tract 18.33, which contains the site. The boundaries of the northeast submarket are East Martin Luther King Boulevard to the south, the Travis County line to the east, Pflugerville city limits to the north, and IH-35 to the west…Data for both areas as well as knowledge about the population of persons who are homeless has been used for this analysis." (p. 13)

Population: "In 2000, 6,335 persons, representing 2,105 households, lived in the identified census tract." (p. 10) "Families with children comprise 44% of the homeless population in Travis County and, according to the City of Austin's Continuum of Care, are the fastest-growing segment of the homeless population. Approximately 1,732 individuals in homeless families are estimated to live in Austin/Travis County on any given day. A full 30% of Austin's homeless are children, the majority of whom are ages five or under." (p. 22)

Total Primary Market Demand for Rental Units: "Because of the cost burden faced by low-income renters, there is a need for more affordable housing. Although there is increased production of affordable housing, much of this is targeted to persons at 80% of median income." (p. 17)

Annual Income-Eligible Submarket Demand/Inclusive Capture Rate: Not estimated by the Analyst and not calculated by the Underwriter due to the lack of demographic data in the report (population, households, growth rate, income band, etc.).

Local Housing Authority Waiting List Information: "Currently, there are approximately 3,257 families on the public housing waiting list and 6,554 on the Housing Choice Voucher (Section 8) waiting list. The voucher waiting list has been closed since May 31, 2002…We currently have approximately 100 families searching for homes…any new units that become available may be listed on our available units list, which voucher families use to locate their homes." (3/5/2003 letter from the Housing Authority of the City of Austin)

Market Rent Comparables: The Market Analyst surveyed four comparable apartment projects totaling 581 units in the market area. "Proposed rents for all unit types in the Cottage Community are below those for the larger Northeast submarket…after adjustments, the Cottage Community offers rents that are highly competitive with other comparable properties. In this analysis, the primary factor impacting rental rates is the proposed availability of subsidized child care and after school programs for children at the Cottage Community. In Travis County, the average monthly cost of center-based child care for children ages five and under is $528.50…As most formerly homeless families are both low-income and single-parent families, the availability of on-site childcare at the Cottage Community is given a high value…" (p. 20)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type	Proposed	Program Max	Differential	Avg Market*	Differential
2-Bedroom (50%)	$643	$675	-$32	$697	-$54

2-Bedroom (65%)	$643	$786	-$143	$697	-$54
3-Bedroom (50%)	$727	$762	-$35	$812	-$85
3-Bedroom (65%)	$727	$1,005	-$278	$812	-$85
4-Bedroom (50%)	$778	$828	-$50	(none in submkt)	N/A
4-Bedroom (65%)	$778	$1,080	-$302	(none in submkt)	N/A

Ref: p. 19

(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 Analyst considered the subject's after school and child care programs to be valued at $500/month based on an average monthly Travis County cost of center-based child care of $528 (p. 20), resulting in estimated market rents $500 higher than these rents.

Primary Market Occupancy Rates: "The occupancy rate for the submarket is 88%." (p. 21)

Absorption Projections: No information provided.

Known Planned Development: The Analyst presented conflicting information: "There are no other multifamily projects planned for the immediate area, and no subsidized multifamily housing projects in the area." (p. 24) "Two multifamily apartment complexes are under construction northeast of the site along Dessau Road. These properties will add approximately 800 units, primarily consisting of one- and two-bedroom units. The properties are targeted to higher end tenants, with rents expected in the $.90-.94 per s.f. range and amenities such as an outdoor pool and fitness center." (p. 18)

Effect on Existing Housing Stock: No information provided.

The Underwriter found that the market study was not performed in accordance with the current TDHCA market study guidelines and is therefore deficient in a number of significant respects, to include the omission of demographic data and estimated market rents. However, due to the conflicting staff guidance provided to the Applicant as noted above, the small size of the subject, the large size of the market, and the attractiveness of the proposed supportive services package (especially discounted on-site childcare), the Underwriter believes that sufficient demand is likely to exist and that the subject would not have a significant detrimental effect on existing properties.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are significantly ($32-$302) lower than the maximum rents allowed under HOME guidelines, reflecting the Applicant's desire to maintain the affordability of the units. There is the potential for additional income (approximately $64K) if the Applicant chooses to increase rents to the maximum allowed, and the market study information suggests that the market could support rents at the rent limit maximums. The Applicant stated that tenants will pay all utilities in this development, and rents and expenses were calculated accordingly. 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 agrees with the Applicant's.

Expenses: The Applicant's total expense estimate of $3,377 per unit is 6.1% higher than the Underwriter's adjusted database-derived estimate of $3,183 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 ($3.1K lower), payroll ($4.1K lower), water, sewer, and trash ($6.5K higher), and insurance ($7.9K higher). The Applicant included no property taxes, and although the letter submitted from the Travis Central Appraisal District did not confirm an exemption, the Underwriter has likewise assumed an exemption would be likely. The Applicant estimated $500 in compliance fees which are not required under the HOME Program, and used $250/unit in annual replacement reserves instead of the TDHCA new construction standard of $200 without further documentation or justification.

Conclusion: Although the Applicant's estimated income and net operating income are consistent with the Underwriter's expectations, the Applicant's total estimated operating expense 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 and second lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30. Moreover some debt service capacity remains to amortize a $178,954 portion of the proposed HOME funds at 0% over 30 years.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 7.337 acres	$160,000 ($0.50/SF)	**Date of Valuation:**	3/ 5/ 2003
Appraiser: Paul Hornsby & Company	**City:** Austin	**Phone:**	(512) 477-6311

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The Appraiser used five land sales between April 2000 and April 2002 in Austin and Round Rock as sales comparables. Adjustments appeared appropriate, including those reflecting softening market conditions since 2000.

Conclusion: The appraised value is regarded as reasonable as submitted.

ASSESSED VALUE

Land: 7.337 acres	$0 (tax-exempt)	**Assessment for the Year of:**	2002
Building:	N/A	**Valuation by:**	Travis County Appraisal District
Total Assessed Value:	$0	**Tax Rate:**	2.2124

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Special warranty deed		
Closing Date:	3/ 7/ 2003		
Acquisition Cost:	$150,363	**Other Terms/Conditions:**	
Seller:	Travis County Emergency Services District #4	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

(NOTE: The specifications of the proposed development appear to be in considerable flux in terms of construction specifications, site plan, unit and community building floorplans, etc. For example, the site plan submitted with the application depicted two entries from Dessau Road servicing 14 one-story, duplex-type residential buildings (inconsistent with the 30 units proposed). The application also specified pier and beam and concrete slab foundation types, wood and steel framing as well as masonry and structural insulated panel wall structures, and composition shingle as well as galvanized metal roofing. A single two-bedroom floorplan was provided. The most recent (and very simple) site plan shows one entry from Dessau Road and a second entry from Claywood Drive, a swimming pool, and a different two-bedroom floorplan was provided along with a two-story, three-bedroom plan and a four-bedroom plan. The Applicant subsequently informed the Underwriter that the site plan has not been finalized and that the pool and Claywood entry are possible future additions, to be added if funding allows. The extent of this uncertainty raises serious concerns regarding the Applicant's readiness to proceed. Based on communications with the Applicant the Underwriter has based the direct construction cost estimate below on average quality single-family construction utilizing concrete slab foundations, wood framing, 40% masonry veneer/60% cement fiber siding, and galvanized metal roofing.)

Acquisition Value: The site cost of $150,363 ($0.47/SF or $20,494/acre) is substantiated by the appraisal value of $160,000 and is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Costs: Although no sitework costs were included in the project cost schedule the water and wastewater provider's commitment letter indicated that a wastewater lift station would be required. When queried regarding this requirement the Applicant replied that the project engineer had determined that connection to an existing lift station would be possible and that 200 linear feet on line extension would be required at an estimated cost of $5,000. The Applicant proposes to pay this cost from contingency allowance or developer fee, which appears feasible though the cost appears to be extremely conservative for such improvements. Receipt review and acceptance of a detailed off-site cost budget estimate certified to by a third party engineer is a condition of this report..

Sitework Cost: The Applicant's claimed sitework costs of $3,167 per unit are considered fairly low compared to historical sitework costs for multifamily projects, and the sloping nature of the site may cause actual costs to significantly exceed this estimate.

Direct Construction Cost: The Applicant's costs are more than 47% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are significantly overstated. Based on the minimal developer fee claimed, the cost estimator may have anticipated some amount of developer fee in the direct costs.

Interim Financing Fees: The Applicant did not include any interim financing interest or fees, without explanation since they would clearly be part of the conventional financing proposed.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit as well as the contingency allowance are all within the maximums allowed by TDHCA guidelines. As mentioned above the Applicant's claimed developer's fees are significantly below the maximum allowable fees.

Conclusion: Due to the Applicant's higher direct construction costs compared to the Underwriter's estimate, the Applicant's total development cost is more than 5% higher than the Underwriter's costs and is considered to be overstated. Therefore, the Underwriter's cost estimate is used to size the total sources of funds needed for the development.

FINANCING STRUCTURE

INTERIM to PERMANENT FINANCING

Source: Stratus Properties Operating Companies, L.P. **Contact:** Beau Armstrong

Principal Amount: $150,363 **Interest Rate:** 5%

Additional Information: Used for site acquisition, quarterly interest-only payments from cash flow to begin 6/15/05, matures on 3/8/08

Amortization: N/A yrs **Term:** 5 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

Annual Payment: $54,078 (soft) **Lien Priority:** 1st **Commitment Date** 3/ 7/ 2003

INTERIM to PERMANENT FINANCING

Source: Compass Bank (or Wells Fargo or Guaranteed Federal Bank) **Contact:** Brian Anderson

Principal Amount: $500,280 **Interest Rate:** None specified, estimated & underwritten at 8%

Additional Information: *Letter of interest in amount of $500K only, no terms specified

Amortization: 12 yrs **Term:** 12 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $64,984 **Lien Priority:** **Commitment Date** 3/ 26/ 2003

GRANT

Source: HUD (McKinney-Vento Act homeless competition award) **Contact:** Elva Garcia

Principal Amount: $322,720 (award in amount of $443,570, $110,850 allocated for operating expenses) **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

Additional Information: Unexecuted **Commitment Date** 12/ 12/ 2001

GRANT

Source: Federal Home Loan Bank of Atlanta **Contact:** (None listed)

Principal Amount: $500,000 **Commitment:** ☒ None ☐ Firm ☐ Conditional

Additional Information: Application pending

GRANT

Source: Austin Housing Finance Corporation **Contact:** Gary Adrian

Principal Amount: $500,000 **Commitment:** ☒ None ☐ Firm ☐ Conditional

Additional Information: Application pending

GRANT

Source: The Enterprise Foundation **Contact:** David Danenfelzer

Principal Amount: $10,000 **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

Additional Information: For predevelopment expenses **Commitment Date** (Undated)

GRANT

Source: The Morse Family Foundation **Contact:** Cynthia Scovel

Principal Amount: $3,500 **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

Additional Information: For unspecified use **Commitment Date** 8/11/2003

GRANT

Source: Future fundraising proceeds **Contact:** Alison Schmidt

Principal Amount: $362,337 **Commitment:** ☒ None ☐ Firm ☐ Conditional

Additional Information: Commitment for $350K provided from Applicant's board president **Commitment Date** 8/21/2003

APPLICANT EQUITY

Amount: (None) **Source:**

FINANCING STRUCTURE ANALYSIS

Conventional Loans:

- Stratus Properties Operating Company, L.P. has loaned $150,363 to the Applicant for the purpose of site acquisition, which has been completed. The terms call for quarterly interest-only payments commencing on June 15, 2005 and terminating on March 6, 2008, at which time the entire outstanding balance will be payable. The interest rate is specified as 0% until March 7, 2005 and 5% thereafter until repayment is complete. Payments are to be made as the property's cash flow permits, and the loan is secured with a deed of trust on the subject property.
- The Applicant indicated that a number of conventional lenders have been contacted regarding construction and permanent financing, but included only a letter of interest from Compass Bank in the

application. The letter stated only an interest in extending an unspecified $500,000 credit facility for the purpose of gap financing following grants and fund raising. No terms were specified; the Underwriter used an interest rate of 8% and a term and amortization period of 12 years in the analysis based on the Applicant's representations. Although the letter was in the amount of $500,000, the Applicant listed a loan amount of $500,280 in the sources and uses of funds statement.

Grants:

- The Applicant received a grant in the amount of $443,570 under the 2001 McKinney-Vento Act homeless assistance competition, of which $110,850 was allocated for operating costs and the remaining $332,720 is being used for project funding. It appears from the documentation provided, however, that fund disbursement is pending completion of several conditions.
- The Applicant listed a grant of $500,000 from the Austin Housing Finance Corporations Rental Housing Assistance Program as a source of funds but provided only an acknowledgement of application receipt from the HFC instead of a commitment. The HFC informed the Underwriter that the program's funding is currently unknown pending completion and approval of the City of Austin's FY 2004 budget, and that any award would also be subject to the city council's approval.
- The Applicant also listed a grant of $500,000 from the Federal Home Loan Bank of Atlanta but subsequently disclosed that this source is currently in the application stage.
- Finally, the Applicant claimed $372,337 in private grants but only provided evidence of a $10,000 grant from the Enterprise Foundation, which was to be used for predevelopment costs, and a $3,500 grant from the Morse Family Foundation, with an unspecified use restriction. The Applicant also submitted a letter from the board president certifying that at least $350,000 in grant funds would be raised for the development.

Deferred Developer's Fees: The Applicant is not proposing any deferral of developer fees.

Financing Conclusions: Currently the Applicant has firm financing commitments for only $496,583 of the Applicant's estimated total development cost of $3,355,700, resulting in a funding gap of $2,859,117. Using the Underwriter's estimated total development cost of $2,603,670 and assuming a $1M HOME award and 100% deferral of developer fee a funding gap of $996,887 remains. Therefore, due to the gap of funding the development must be characterized as infeasible and not ready to proceed as proposed.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant is also the Developer, Owner, and Property Manager. These are acceptable relationships.

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

Financial Highlights: The Applicant submitted an audited financial statement as of December 31, 2002 reporting total assets of $667K and consisting of $160K in cash, $45K in receivables, $494K in real property, $30K in furniture and equipment, and $1K in other assets. Liabilities totaled $88K, resulting in a net worth of $579K.

Background & Experience: The Applicant was founded in 1990 for the purpose of assisting homeless individuals and those at risk of homelessness and currently owns and manages seven three- and four-bedroom houses in the Austin area for residency by low-income tenants. The Applicant has no previous experience in developing affordable or conventional housing.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated total operating expenses are more than 5% outside of the Underwriter's verifiable range.
- 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%.

- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant uncertainties regarding site planning and construction specifications reflect a lack of readiness to proceed.
- 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.
- The recommended amount of deferred developer fee cannot be repaid within 15 years rendering the development infeasible.
- The principals of the Applicant have no previous development experience.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Jim Anderson*	**Date:**	September 2, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	September 2, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Cottage Community, Austin, HOME #2003-0116

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
LH	3	2	2	800	$800	$643	$1,929	$0.80	$79.00	$46.00
HH	12	2	2	800	911	643	7,716	0.80	79.00	46.00
LH	2	3	2	1,000	924	727	1,454	0.73	92.00	70.00
HH	8	3	2	1,000	1,167	727	5,816	0.73	92.00	70.00
LH	1	4	2	1,250	1,031	778	778	0.62	120.00	83.00
HH	4	4	2	1,250	1,283	778	3,112	0.62	120.00	83.00
TOTAL:	30		AVERAGE:	942	$1,023	$694	$20,805	$0.74	$90.17	$60.17

INCOME	Total Net Rentable Sq Ft:	28,250	TDHCA	APPLICANT		USS Region	7
POTENTIAL GROSS RENT			$249,660	$249,660		IREM Region	Austin
Secondary Income	Per Unit Per Month:	$5.00	1,800	1,800	$5.00	Per Unit Per Month	
Other Support Income:			0	0			
POTENTIAL GROSS INCOME			$251,460	$251,460			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(18,860)	(18,864)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$232,601	$232,596			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.59%	$356	0.38	$10,674	$7,600	$0.27	$253	3.27%
Management		5.15%	399	0.42	11,984	$12,500	0.44	417	5.37%
Payroll & Payroll Tax		11.44%	887	0.94	26,610	$22,500	0.80	750	9.67%
Repairs & Maintenance		9.59%	744	0.79	22,316	$19,450	0.69	648	8.36%
Utilities		1.64%	127	0.13	3,808	$4,000	0.14	133	1.72%
Water, Sewer, & Trash		2.37%	184	0.20	5,523	$12,000	0.42	400	5.16%
Property Insurance		3.04%	235	0.25	7,063	$15,000	0.53	500	6.45%
Property Tax	2.2124	0.00%	0	0.00	0	$0	0.00	0	0.00%
Reserve for Replacements		2.58%	200	0.21	6,000	$6,750	0.24	225	2.90%
Other: compliance fees, cable TV		0.43%	33	0.04	1,000	$1,500	0.05	50	0.64%
TOTAL EXPENSES		40.83%	$3,166	$3.36	$94,976	$101,300	$3.59	$3,377	43.55%
NET OPERATING INC		59.17%	$4,587	$4.87	$137,624	$131,296	$4.65	$4,377	56.45%
DEBT SERVICE									
Compass Bank/Wells Fargo Bank		27.94%	$2,166	$2.30	$64,984	$64,984	$2.30	$2,166	27.94%
Stratus Properties		23.25%	$1,803	$1.91	54,078	54,078	$1.91	$1,803	23.25%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		7.98%	$619	$0.66	$18,562	$12,234	$0.43	$408	5.26%
AGGREGATE DEBT COVERAGE RATIO					1.16	1.10			
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)		5.85%	$5,079	$5.39	$152,363	$152,363	$5.39	$5,079	4.54%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		3.65%	3,167	3.36	95,000	95,000	3.36	3,167	2.83%
Direct Construction		58.59%	50,851	54.00	1,525,536	2,245,500	79.49	74,850	66.92%
Contingency	5.00%	3.11%	2,701	2.87	81,027	106,500	3.77	3,550	3.17%
General Req'ts	5.68%	3.53%	3,067	3.26	92,000	92,000	3.26	3,067	2.74%
Contractor's G & A	2.00%	1.24%	1,080	1.15	32,411	40,000	1.42	1,333	1.19%
Contractor's Profit	6.00%	3.73%	3,241	3.44	97,232	100,000	3.54	3,333	2.98%
Indirect Construction		13.92%	12,081	12.83	362,437	362,437	12.83	12,081	10.80%
Ineligible Costs		0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's G & A	2.63%	2.31%	2,007	2.13	60,200	60,200	2.13	2,007	1.79%
Developer's Profit	2.18%	1.92%	1,667	1.77	50,000	50,000	1.77	1,667	1.49%
Permanent Financing		0.26%	223	0.24	6,700	6,700	0.24	223	0.20%
Reserves		1.87%	1,625	1.73	48,764	45,000	1.59	1,500	1.34%
TOTAL COST		100.00%	$86,789	$92.17	$2,603,670	$3,355,700	$118.79	$111,857	100.00%
Recap-Hard Construction Costs		*73.87%*	***$64,107***	***$68.08***	***$1,923,206***	***$2,679,000***	***$94.83***	***$89,300***	*79.83%*

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
Compass Bank/Wells Fargo Bank	19.21%	$16,676	$17.71	$500,280	$500,280	$0	Developer Fee Available
Stratus Properties	5.78%	$5,012	$5.32	150,363	150,363	150,363	$110,200
HOME Loan				1,000,000	1,000,000	1,000,000	
Federal Home Loan Bank Loan				500,000	500,000	0	
Austin HFC	19.20%	$16,667	$17.70	500,000	500,000	0	% of Dev. Fee Deferred
HUD Grant				332,720	332,720	332,720	
Future fundraising Proceeds				372,337	372,337	13,500	
Deferred Developer Fees	0.00%	$0	$0.00	0	0		0%
Additional (excess) Funds Required	-28.88%	($25,068)	($26.62)	(752,030)	0	1,107,087	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$2,603,670	$3,355,700	$2,603,670	$548,025

PAYMENT COMPUTATION

Primary	$500,280	Term	144
Int Rate	8.00%	DCR	2.12

Secondary	$150,363	Term	36
Int Rate	5.00%	Subtotal DCR	1.16

Additional	$1,000,000	Term	
Int Rate		Aggregate DCR	1.16

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$64,984
Secondary Debt Service	54,078
Additional Debt Service	5,965
NET CASH FLOW	$12,597

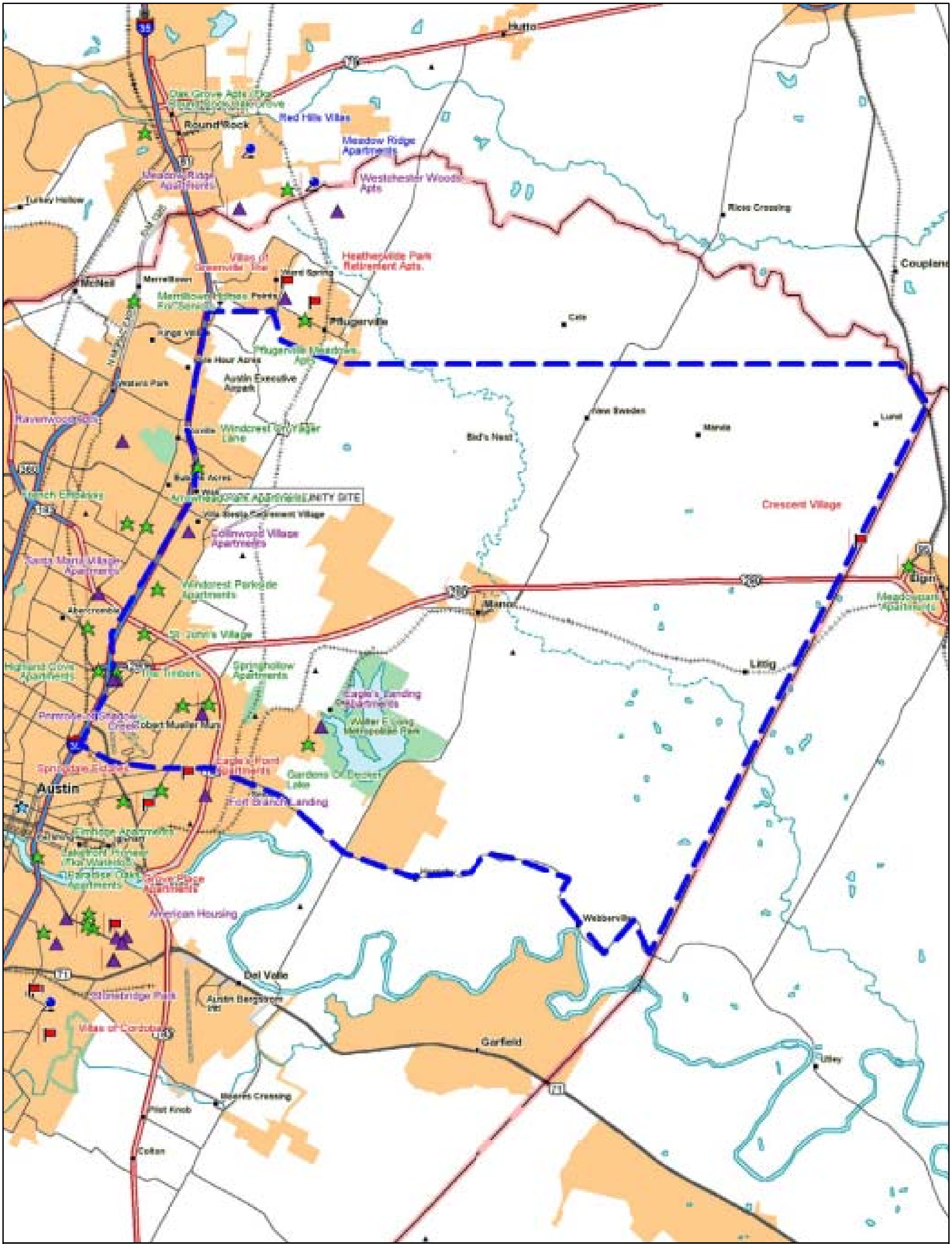
Primary	$500,280	Term	144
Int Rate	8.00%	DCR	2.12

Secondary	$150,363	Term	36
Int Rate	5.00%	Subtotal DCR	1.16

Additional	$178,954	Term	360
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	$249,660	$257,150	$264,864	$272,810	$280,995	$325,750	$377,633	$437,780	$588,340
Secondary Income	1,800	1,854	1,910	1,967	2,026	2,349	2,723	3,156	4,242
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	251,460	259,004	266,774	274,777	283,020	328,098	380,356	440,937	592,582
Vacancy & Collection Loss	(18,860)	(19,425)	(20,008)	(20,608)	(21,227)	(24,607)	(28,527)	(33,070)	(44,444)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$232,601	$239,579	$246,766	$254,169	$261,794	$303,491	$351,829	$407,866	$548,138
EXPENSES at 4.00%									
General & Administrative	$10,674	$11,101	$11,545	$12,007	$12,487	$15,192	$18,484	$22,488	$33,288
Management	11,984	12,343	12,713	13,095	13,488	15,636	18,126	21,013	28,240
Payroll & Payroll Tax	26,610	27,674	28,781	29,933	31,130	37,874	46,080	56,063	82,987
Repairs & Maintenance	22,316	23,208	24,137	25,102	26,106	31,762	38,643	47,016	69,595
Utilities	3,808	3,960	4,118	4,283	4,454	5,419	6,593	8,022	11,874
Water, Sewer & Trash	5,523	5,744	5,974	6,213	6,461	7,861	9,565	11,637	17,225
Insurance	7,063	7,345	7,639	7,944	8,262	10,052	12,230	14,880	22,025
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	6,000	6,240	6,490	6,749	7,019	8,540	10,390	12,641	18,712
Other	1,000	1,040	1,082	1,125	1,170	1,423	1,732	2,107	3,119
TOTAL EXPENSES	$94,976	$98,656	$102,478	$106,450	$110,578	$133,761	$161,843	$195,867	$287,066
NET OPERATING INCOME	$137,624	$140,923	$144,287	$147,718	$151,216	$169,730	$189,986	$212,000	$261,072
DEBT SERVICE									
First Lien Financing	$64,984	$64,984	$64,984	$64,984	$64,984	$64,984	$64,984	$64,984	$64,984
Second Lien	54,078	54,078	54,078	54,078	54,078	54,078	54,078	54,078	54,078
Other Financing	5,965	5,965	5,965	5,965	5,965	5,965	5,965	5,965	5,965
NET CASH FLOW	$12,597	$15,896	$19,261	$22,692	$26,190	$44,704	$64,959	$86,973	$136,046
DEBT COVERAGE RATIO	1.10	1.13	1.15	1.18	1.21	1.36	1.52	1.70	2.09



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TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: September 2, 2003 **PROGRAM:** HOME **FILE NUMBER:** 2003-0025

DEVELOPMENT NAME

Bowie Retirement Village

APPLICANT

Name:	Bowie Retirement Village Venture			**Type:**	For Profit		
Address:	c/o 742 E Pipeline Road			**City:**	Hurst	**State:**	TX
Zip:	76053	**Contact:**	Joe Chamy	**Phone:**	(817) 285-6315	**Fax:**	(817) 285-7157

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Montague County Regional EDC	**(%):**	51	**Title:**	Managing General Partner
Name:	Valcrest Investments	**(%):**	49	**Title:**	Co-General Partner/Developer

PROPERTY LOCATION

Location:	Eldorado Street near Zahara		☐ QCT		☐ DDA
City:	Bowie	**County:**	Montague	**Zip:**	76230

REQUEST

Amount	Interest Rate	Amortization	Term
1) $49,975	N/A	N/A	N/A
2) $999,500	0%	30 yrs	30 yrs

Other Requested Terms: 1) HOME CHDO Operating Expenses
2) HOME Activity

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

Set-Aside(s): ☐ General ☐ Contract for Deed ☒ CHDO ☒ Special Needs ☐ At Risk

RECOMMENDATION

☒ NOT RECOMMENDED DUE TO THE LACK OF LONG TERM FEASIBILITY AND THE ABSENCE OF A PLAN OR CAPACITY TO ENSURE 30 YEAR OPERATION

☒ ANY BOARD APPROVAL OF FUNDS FOR THIS DEVELOPMENT SHOULD BE CONDITIONED ON THE FOLLOWING:

1. Receipt, review and acceptance of current financial statement for the Managing General Partner, Montague County Regional EDC, or indication that the entity is newly formed;
2. Receipt, review and acceptance of a revised site plan and building plans reflecting the common areas within a building or buildings that also have residential units;
3. Acceptable completion of the Department's HOME environmental screening process;
4. Receipt, review and acceptance of a revised budget reflecting contractor fees within the Department's underwriting limits;
5. TDHCA Board acceptance of the possibility of negative cashflow after year 10; and,
6. A HOME allocation, if overruled by the Board, should not exceed $999,500, structured as a non-

amortizing 5-year loan at 0% interest and at maturity the potential repayment should be re-evaluated.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 22 **# Rental Buildings** 6 **# Common Area Bldngs** 1 **# of Floors** 1 **Age:** N/A yrs **Vacant:** N/A at / /

Net Rentable SF: 16,190 **Av Un SF:** 736 **Common Area SF:** 1,248 **Gross Bldg SF:** 17,438

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab, 60% brick veneer/35% Hardiplank siding exterior wall covering with vinyl 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, high speed internet access, individual water heaters, heat pump

ON-SITE AMENITIES

1,248-SF community building with activity room, management office, laundry room, kitchen, and restrooms is located at the rear of the property.

Uncovered Parking: 37 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Bowie Retirement Village is a moderately dense new construction development of 22 units of affordable housing located in north of Fort Worth in Montague County. The development is comprised of six evenly distributed residential buildings comprised of two to four townhouses as follows:

- Five Building Type A with four one-bedroom units; and
- One Building Type B with one one-bedroom unit and one two-bedroom unit.

The community area building is represented on the site plan as a separate building which is not attached to any residential units. The HOME final rule requires that HOME funds can only be used for residential building and common areas that are a part of residential buildings. Thus this report is conditioned upon receipt review and acceptance of a revised site plan and building plans for the common areas reflecting that they are a part of a building or buildings which include residential units.

Architectural Review: The unit floorplans appear to offer adequate storage including exterior storage rooms. Each unit also includes space for a full-size washer and dryer. The exterior of the residential buildings will be simple with pitched roofs and covered entryways. The community building will offer a large common room with kitchen, a washroom with one washer and dryer set, and public restrooms as well as a management/leasing office. The exterior of the building is in line with the residential buildings.

Supportive Services: Texoma Area Paratransit System will be available for public transportation. Pick-ups must be scheduled a day in advance and charges vary depending upon distance. The Applicant will also provide services including visitation, counseling and transportation to and from church.

Schedule: The Applicant anticipates construction to begin in December of 2003 and to be completed in July of 2004. The development should be placed in service in July of 2004 and substantially leased-up in October of 2004.

SITE ISSUES

SITE DESCRIPTION

Size: 2.53 acres 110,207 square feet **Zoning/ Permitted Uses:** Multifamily

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located along the east side of Eldorado Street in the southeastern part of the City of Bowie, Montague County. Downtown Bowie is within one mile and includes much of the areas community and service facilities. Bowie is 60 miles northwest of Fort Worth, 45 miles southeast of Wichita Falls and lies 24 miles south of the Oklahoma border.

Adjacent Land Uses: The location of the site is a low density, residential neighborhood.

- **North:** vacant land, single family beyond
- **South:** 48-unit multifamily
- **East:** vacant land, single family beyond
- **West:** vacant land, single family beyond

Site Access: The subject site is about 1.25 miles northeast of US Highway 287, the major route between Fort Worth and Wichita Falls. The area is also served by Highway 59.

Public Transportation: Public transportation to the area is provided by Texoma Area Paratransit System.

Shopping & Services: Groceries and a large discount store are located within a two mile radius of the site. For major purchases, Bowie residents commute to Wichita Falls, Senton or Fort Worth, where there are regional malls. The Bowie Memorial Hospital and two pharmacies are located in the neighborhood. For more intensive care and a full range of specialists, residents got to Wichita Falls or Fort Worth. Entertainment options in the area include the Second Monday Trade Days, Pelham Park, and three lakes.

Site Inspection Findings: TDHCA staff performed a site inspection on June 26, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

The 2003 HOME Investment Partnerships Program Application and Guidelines do not require an Environmental Site Assessment however prior to closing the Applicant will have to complete the Department's HOME environmental screening process. Acceptable completion of the Department's HOME environmental screening process is a condition of this report.

Income Set-Aside: The Applicant plans to set-aside five one-bedroom units with rents set at the Low HOME level for households with incomes at or below 50% of AMGI. Fifteen one-bedroom units with rents set at the Low HOME level will be reserved for households with incomes at or below 60% of AMGI. One one-bedroom unit and the only two-bedroom unit will have rents set at the High HOME limit with tenants income qualified at 80% of AMGI.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$18,480	$21,120	$23,760	$26,400	$28,500	$30,600
80% of AMI	$24,650	$28,150	$31,700	$35,200	$38,000	$40,850

MARKET HIGHLIGHTS

A market feasibility study dated March 24, 2003 was prepared by Ipser & Associates, Inc. and highlighted the following findings:

Definition of Primary Market Area: Montague County

Population: The estimated 2003 population of Montague County is 19,367 and is expected to increase by 0.2% annually to approximately 19,797 by 2008. Within the primary market area there is estimated to be 7,919 households in 2003.

Total Primary Market 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	1	1%	1	1%
Resident Turnover	69	90%	69	99%
Other Sources: 10% demand	7	9%	N/A	N/A
TOTAL ANNUAL DEMAND	77	**100%**	70	**100%**

Ref: p. 3-4

Inclusive Capture Rate: "The proposed 22 LIHTC units represent 28.7% of the estimated 77 income-qualified older households for LIHTC units." (p. 3-4) Because the proposed development is considered to be located in a rural area, the capture rate may be as high as 100%.

Market Rent Comparables: There are eight complexes within the City of Bowie. "In March 2003, I&A surveyed seven multifamily apartment projects in Bowie, Nocona, Henrietta and Decatur." (p. 2-17) Only two of the complexes surveyed were market rate properties. (p. 2-20)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (Set-Aside)	**Proposed**	**Program Max**	**Differential**	**Market**	**Differential**
1-Bedroom (Low HOME)	$273	$280	-$7	$380	-$107
1-Bedroom (High HOME)	$273	$280	-$7	$380	-$107
2-Bedroom (High HOME)	$324	$334	-$10	$485	-$161

(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)

Primary Market Occupancy Rates: "The only elderly retirement community surveyed, Independence Hall in Bowie, was 85.7% occupied…Of the seven properties surveyed, four had occupancy rates between 91% and 94%, while two were 100% occupied." (p. 2-19) "Rental housing occupancy was 88.6% in Montague County in 2000, while multifamily units were 85.3% occupied…" (p. 3-2)

Absorption Projections: "There are no recently compelted units within the subject's market area…The subject's absorption is conservatively estimated at 10 to 12 units per month, requiring less than two months for initial absorption to reach 92.5% or higher occupancy of the 22 units." (p. 2-21)

Known Planned Development: There are no known planned developments in Montague County.

The Underwriter found the market study provided sufficient information for purposes of this underwriting analysis.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's potential gross rent projection is less than the Underwriter's estimate due to their use of understated gross rent limits. However, the Applicant' secondary income and vacancy loss assumptions are in line with current TDHCA guidelines. The result is an effective gross income that is within 5% of the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of $2,730 per unit is not within 5% of the Underwriter's estimate. The Underwriter's estimate heavily relies upon historical performance of three comparable developments currently owned by the developer. In addition, the Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly: payroll ($4.5K lower), repairs and maintenance ($2K lower), and water, sewer and trash ($1.4K lower).

Conclusion: The Applicant's estimated total operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Assuming allocation of the full amount of the requested HOME funds structured as a loan with a 0% interest rate and repayment term of

30 years, the annual debt service would equal $33,317. Neither the Applicant's nor the Underwriter's proformas result in net operating income that would allow the development to fully service a loan with the above terms. The Applicant has suggested two separate loans with step payments for a portion of the HOME funds and debt service payable out of cashflow for the remaining portion (see Financing Structure Analysis section) resulting in a 1.15 debt coverage ratio based on their proforma. However, the requested structure is not feasible based on the Underwriter's proforma. Moreover, both the Underwriter's and the Applicant's proforma reflect an inability of the development to cover operating expenses by the 20th year of stabilized operation. The Applicant has indicated that steps will be taken to mitigate possible operating deficit, including: a reduction in management fees by the identity of interest management firm, use of accumulated reserves, and the possibility of requesting a tax abatement due to the Managing General Partner's status as a nonprofit entity. Because the proposed plan does not include a concrete source of additional funds to offset projected losses after year 10, it is also recommended that any HOME funds allocated to this development are structured with a repayment term of five years. At the end of the ten year term, the development should, if awarded, be re-evaluated to determine its debt service capacity and the loan restructured accordingly.

The 2003 Underwriting Rules and Guidelines (Section 1.31 of the Texas Administrative Code, Title 10, Part 1) states, "The DCR should remain above a 1.10 and a continued positive Cash Flow should be projected for the initial 30-year period in order for the Development to be characterized as feasible for the long term. Any Development where the amount of cumulative Cash Flow over the first fifteen years is insufficient to pay the projected amount of deferred developer fee amortized in irregular payments at zero percent interest is characterized as infeasible and will not be recommended for funding unless the Underwriter can determine a plausible alternative feasible financing structure and conditions the recommendation(s) in the Report accordingly." While the development does not appear to have need for deferred developer fees as a permanent source of funds, projections indicate the development will not maintain a positive cashflow over 30 years, therefore, it cannot be characterized as feasible. Any staff recommendations of an award for this development should be conditioned upon TDHCA Board acceptance of the possibility of negative cashflow after year 10. Accumulated losses are estimated to total over $250K over the long term feasibility period and no alternative source of funding these losses has been secured.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 15.305 acres	$38,260	**Assessment for the Year of:**	2002
1 acre:	$2,500	**Valuation by:**	Montague County Appraisal District
Total: 2.53 acres prorated	$6,325	**Tax Rate:**	2.3883

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved Commercial Property Contract		
Contract Expiration Date:	04/ 01/ 2004	**Anticipated Closing Date:**	10/ 01/ 2003
Acquisition Cost:	$10.00	**Other Terms/Conditions:**	$10.00 Earnest Money
Seller:	City of Bowie	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The City of Bowie plans to transfer the property to the Applicant at a nominal cost. The budgeted acquisition cost includes the nominal $10.00 sales prices as well as filing, replat and closing costs.

Off-Site Costs: The City of Bowie has agreed to pay for all off-site costs prior to transfer of the subject site to the Applicant. Therefore, the development budget does not include offsite costs.

Sitework Cost: The Applicant's claimed sitework costs of $5,045 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's costs are 32% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's development features were considered. However, the Underwriter reviewed the direct construction cost derived for a similar 24-unit development constructed in 2000 and operated by the developer. The Underwriter applied an annual increase of 5% to the per unit construction cost of this previous development to derive a total direct construction cost of $535,683 which is slightly lower than the Applicant's estimate.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit exceed the maximums allowed by TDHCA guidelines by a total of $3.5K and therefore are overstated based on their own costs. However since the Underwriter's Marshall and Swift based costs are significantly higher, no adjustment to these fees has been made at this time. If an award is made to this development, special note should be made of the potential for excess contractor fees to occur and the final budget should be adjusted if contractor fees exceed the 6%, 2%, 6% limits.

Conclusion: The Applicant's total development cost figure is within 5% of the Underwriter's estimate and will be used to determine the total need for permanent funds.

FINANCING STRUCTURE

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The Applicant plans to finance the entire cost of the development with the requested HOME funds. The Applicant has suggested two separate loans with separate terms: $340,410 at 0% interest with pre-set step-payments over a term of 30 years and $659,090 at 0% interest with payment from cashflow over a term of 30 years. The proposed amount and duration of the step-payments are inconsistent within the application.

Financing Conclusions: As stated above, the Applicant's total development cost was used to determine the development's permanent financing need. Any allocation for HOME funds should equal the total request of $999,500, which is within the 221(d)(3) limit of $1,780,478. However, as detailed in the Operating Proforma Analysis section of this report, the development's proformas indicate net operating income will not be substantial and it is likely the development will not be able to meet its operating expense obligations after year 10. Therefore, any HOME funds allocated to this development should be structured as a non-amortizing loan with no required debt service for a term of five years. At the end of the five year term, the development should be re-evaluated to determine its debt service capacity and the loan restructured accordingly. Again, funding for this development is not recommended due to its financial infeasibility. Any affirmative recommendation of this development by staff should be conditioned upon TDHCA Board acceptance of the possibility of negative cashflow after year 10.

Because an equity contribution is not anticipated, a return on equity cannot be calculated.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, and General Contractor are related entities. These are common relationships for HOME-funded developments.

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

Financial Highlights:

- The Applicant is a new entity formed for the purpose of developing the project and therefore has no material financial statements.
- The Managing General Partner, Montague County Regional EDC, did not submit a financial statement. Receipt review and acceptance of such or indication that the entity is newly formed is a condition of this report.
- The Co-General Partner/Developer, Valcrest Investments, Inc., submitted an unaudited financial statement reporting total assets of $2.34M consisting of cash, receivables, and real property. Liabilities totaled $1.95M, resulting in equity of $383K.
- Joe Chamy, the principal of the Co-General Partner/Developer, also submitted an unaudited financial statement.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- The Managing General Partner, Montague County Regional EDC, has not indicated previous participation in affordable housing development.
- The Co-General Partner/Developer has participated in three affordable housing developments totaling 98 units since 1996.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- Significant inconsistencies in the application and high expense to income ratio reflect the lack of financial feasibility of the project.
- The Development's 30-year proforma does not maintain a DCR in the acceptable range and net operating income does not remain positive over the projected 30-year period.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, and acceptable alternative structures may exist.

Underwriter:	*Lisa Vecchietti*	**Date:**	September 2, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	September 2, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Bowie Retirement Village, Bowie, HOME 2003-0025

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
LowHOME	20	1	1	725	$341	$280	$5,600	$0.39	$61.00	
HighHOME	1	1	1	725	341	$280	280	0.39	61.00	
HighHOME	1	2	1	965	412	$334	334	0.35	78.00	
TOTAL:	22		AVERAGE:	736	$344	$282	$6,214	$0.38	$61.77	$0.00

INCOME	Total Net Rentable Sq Ft: 16,190			TDHCA	APPLICANT		USS Region	2
POTENTIAL GROSS RENT				$74,568	$72,684		IREM Region	6
Secondary Income		Per Unit Per Month:	$6.00	1,584	1,584	$6.00	Per Unit Per Month	
Other Support Income: (describe)				0	0			
POTENTIAL GROSS INCOME				$76,152	$74,268			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(5,711)	(5,568)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$70,441	$68,700			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.13%	$164	0.22	3,611	$3,790	$0.23	$172	5.52%
Management		11.24%	360	0.49	7,920	7,326	0.45	333	10.66%
Payroll & Payroll Tax		21.27%	681	0.93	14,984	10,450	0.65	475	15.21%
Repairs & Maintenance		17.99%	576	0.78	12,673	10,700	0.66	486	15.57%
Utilities		4.62%	148	0.20	3,253	3,600	0.22	164	5.24%
Water, Sewer, & Trash		9.72%	311	0.42	6,850	8,278	0.51	376	12.05%
Property Insurance		6.90%	221	0.30	4,857	4,857	0.30	221	7.07%
Property Tax	2.3883	8.95%	287	0.39	6,305	6,304	0.39	287	9.18%
Reserve for Replacements		6.25%	200	0.27	4,400	4,400	0.27	200	6.40%
Other Expenses:		0.51%	16	0.02	360	360	0.02	16	0.52%
TOTAL EXPENSES		92.58%	$2,964	$4.03	$65,213	$60,065	$3.71	$2,730	87.43%
NET OPERATING INC		7.42%	$238	$0.32	$5,228	$8,635	$0.53	$393	12.57%
DEBT SERVICE									
First Lien Mortgage		47.30%	$1,514	$2.06	$33,317	$7,500	$0.46	$341	10.92%
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		-39.88%	($1,277)	($1.73)	($28,089)	$1,135	$0.07	$52	1.65%
AGGREGATE DEBT COVERAGE RATIO					0.16	1.15			
RECOMMENDED DEBT COVERAGE RATIO					N/A				

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)		0.02%	$10	$0.01	$227	$227	$0.01	$10	0.02%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		11.40%	5,045	6.86	111,000	111,000	6.86	5,045	11.11%
Direct Construction		55.04%	24,349	33.09	535,683	560,480	34.62	25,476	56.08%
Contingency	3.40%	2.26%	1,000	1.36	22,000	22,000	1.36	1,000	2.20%
General Req'ts	6.00%	3.99%	1,764	2.40	38,801	41,783	2.58	1,899	4.18%
Contractor's G & A	2.00%	1.33%	588	0.80	12,934	13,929	0.86	633	1.39%
Contractor's Profit	6.00%	3.99%	1,764	2.40	38,801	41,783	2.58	1,899	4.18%
Indirect Construction		6.14%	2,718	3.69	59,800	59,800	3.69	2,718	5.98%
Ineligible Costs		0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's G & A	2.00%	1.70%	752	1.02	16,550	0	0.00	0	0.00%
Developer's Profit	13.00%	11.05%	4,890	6.64	107,577	127,093	7.85	5,777	12.72%
Interim Financing		0.87%	386	0.53	8,500	8,500	0.53	386	0.85%
Reserves		2.21%	976	1.33	21,462	12,905	0.80	587	1.29%
TOTAL COST		100.00%	$44,243	$60.12	$973,336	$999,500	$61.74	$45,432	100.00%
Recap-Hard Construction Costs		*78.00%*	***$34,510***	***$46.89***	***$759,219***	***$790,975***	***$48.86***	***$35,953***	*79.14%*

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	102.69%	$45,432	$61.74	$999,500	$999,500	$999,500	221(d)3 Limit
Additional Financing	0.00%	$0	$0.00	0	0	0	$1,780,478
LIHTC Syndication Proceeds	0.00%	$0	$0.00	0	0	0	Return on Equity
Deferred Developer Fees	0.00%	$0	$0.00	0	0	0	N/A
Additional (excess) Funds Required	-2.69%	($1,189)	($1.62)	(26,164)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$973,336	$999,500	$999,500	$18,510.05

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Bowie Retirement Village, Bowie, HOME 2003-0025

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Fair Quality Town Houses Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$45.89	$742,958
Adjustments				
Exterior Wall Finish	4.55%		$2.09	$33,805
Elderly	6.00%		2.75	44,577
Roofing			0.00	0
Subfloor			(1.92)	(31,085)
Floor Cover			1.81	29,304
Porches/Balconies	$29.24	1259	2.27	36,813
Plumbing	$560	(44)	(1.52)	(24,640)
Built-In Appliances	$1,550	22	2.11	34,100
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			2.32	37,561
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$44.78	1,248	3.45	55,887
Other:			0.00	0
SUBTOTAL			59.25	959,280
Current Cost Multiplier	1.04		2.37	38,371
Local Multiplier	0.88		(7.11)	(115,114)
TOTAL DIRECT CONSTRUCTION COSTS			$54.51	$882,537
Plans, specs, survy, bld prm	3.90%		($2.13)	($34,419)
Interim Construction Interes	3.38%		(1.84)	(29,786)
Contractor's OH & Profit	11.50%		(6.27)	(101,492)
NET DIRECT CONSTRUCTION COSTS			$44.28	$716,841

PAYMENT COMPUTATION

Primary	$999,500	Term	360
Int Rate	0.00%	DCR	0.16
Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	0.16
Additional	$0	Term	
Int Rate		Aggregate DCR	0.16

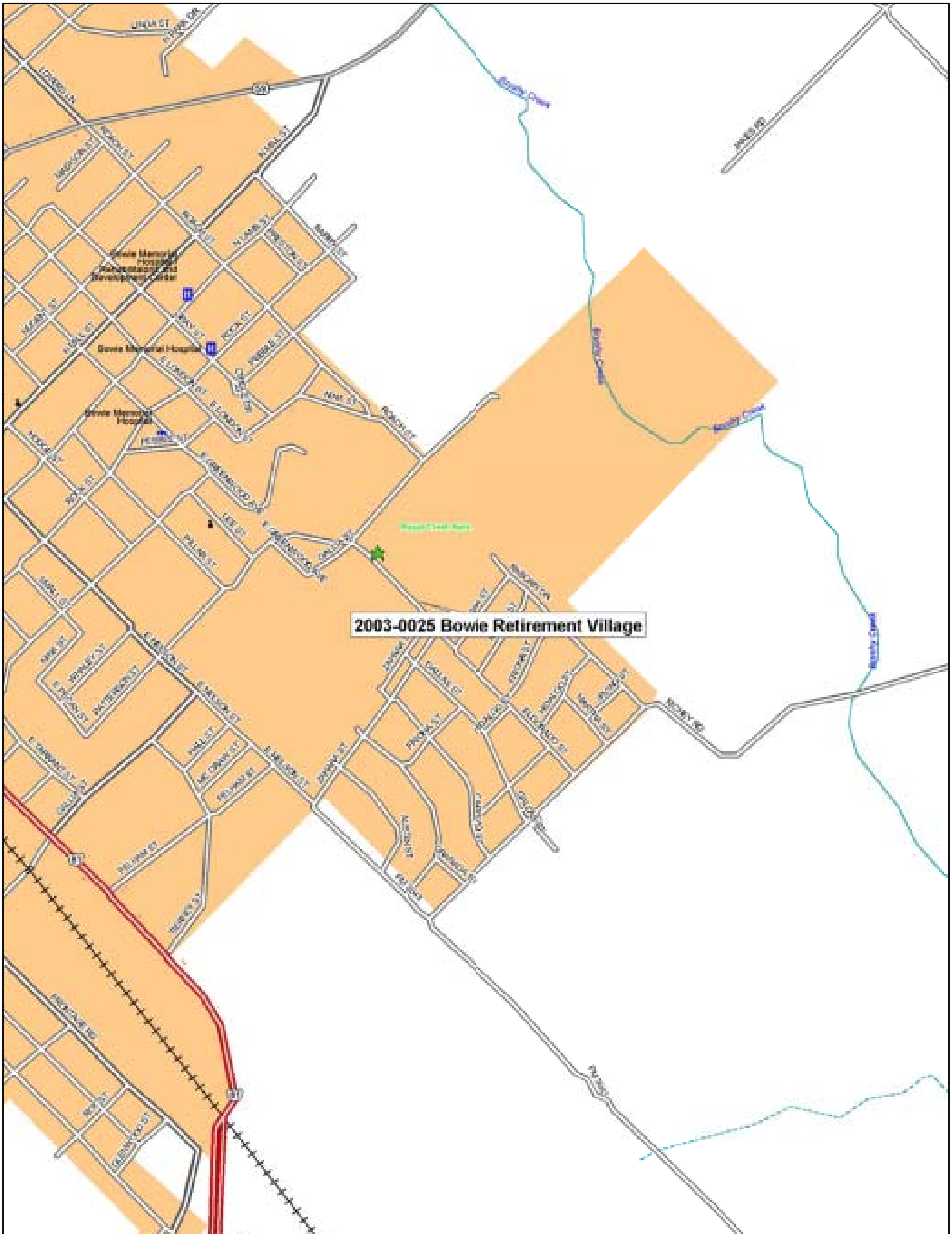
RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$0
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$5,228

Primary	$999,500	Term	0
Int Rate	0.00%	DCR	N/A
Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	N/A
Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	N/A

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	$74,568	$76,805	$79,109	$81,482	$83,927	$97,294	$112,791	$130,755	$175,724
Secondary Income	1,584	1,632	1,680	1,731	1,783	2,067	2,396	2,778	3,733
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	76,152	78,437	80,790	83,213	85,710	99,361	115,187	133,533	179,457
Vacancy & Collection Loss	(5,711)	(5,883)	(6,059)	(6,241)	(6,428)	(7,452)	(8,639)	(10,015)	(13,459)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$70,441	$72,554	$74,730	$76,972	$79,282	$91,909	$106,548	$123,518	$165,998
EXPENSES at 4.00%									
General & Administrative	$3,611	$3,755	$3,905	$4,061	$4,224	$5,139	$6,252	$7,607	$11,260
Management	7,920	8,158	8,402	8,654	8,914	10,334	11,980	13,888	18,664
Payroll & Payroll Tax	14,984	15,583	16,206	16,855	17,529	21,326	25,947	31,568	46,729
Repairs & Maintenance	12,673	13,180	13,707	14,256	14,826	18,038	21,946	26,701	39,524
Utilities	3,253	3,383	3,519	3,659	3,806	4,630	5,633	6,854	10,145
Water, Sewer & Trash	6,850	7,124	7,409	7,705	8,013	9,750	11,862	14,432	21,363
Insurance	4,857	5,051	5,253	5,463	5,682	6,913	8,411	10,233	15,147
Property Tax	6,305	6,557	6,820	7,092	7,376	8,974	10,918	13,284	19,663
Reserve for Replacements	4,400	4,576	4,759	4,949	5,147	6,263	7,619	9,270	13,722
Other	360	374	389	405	421	512	623	758	1,123
TOTAL EXPENSES	$65,213	$67,742	$70,370	$73,101	$75,938	$91,879	$111,192	$134,595	$197,340
NET OPERATING INCOME	$5,228	$4,812	$4,360	$3,871	$3,343	$30	($4,644)	($11,077)	($31,342)
DEBT SERVICE									
First Lien Financing	$0	$0	$0	$0	$0	$0	$0	$0	$0
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	$5,228	$4,812	$4,360	$3,871	$3,343	$30	($4,644)	($11,077)	($31,342)
DEBT COVERAGE RATIO	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A



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1" = 1070 ft

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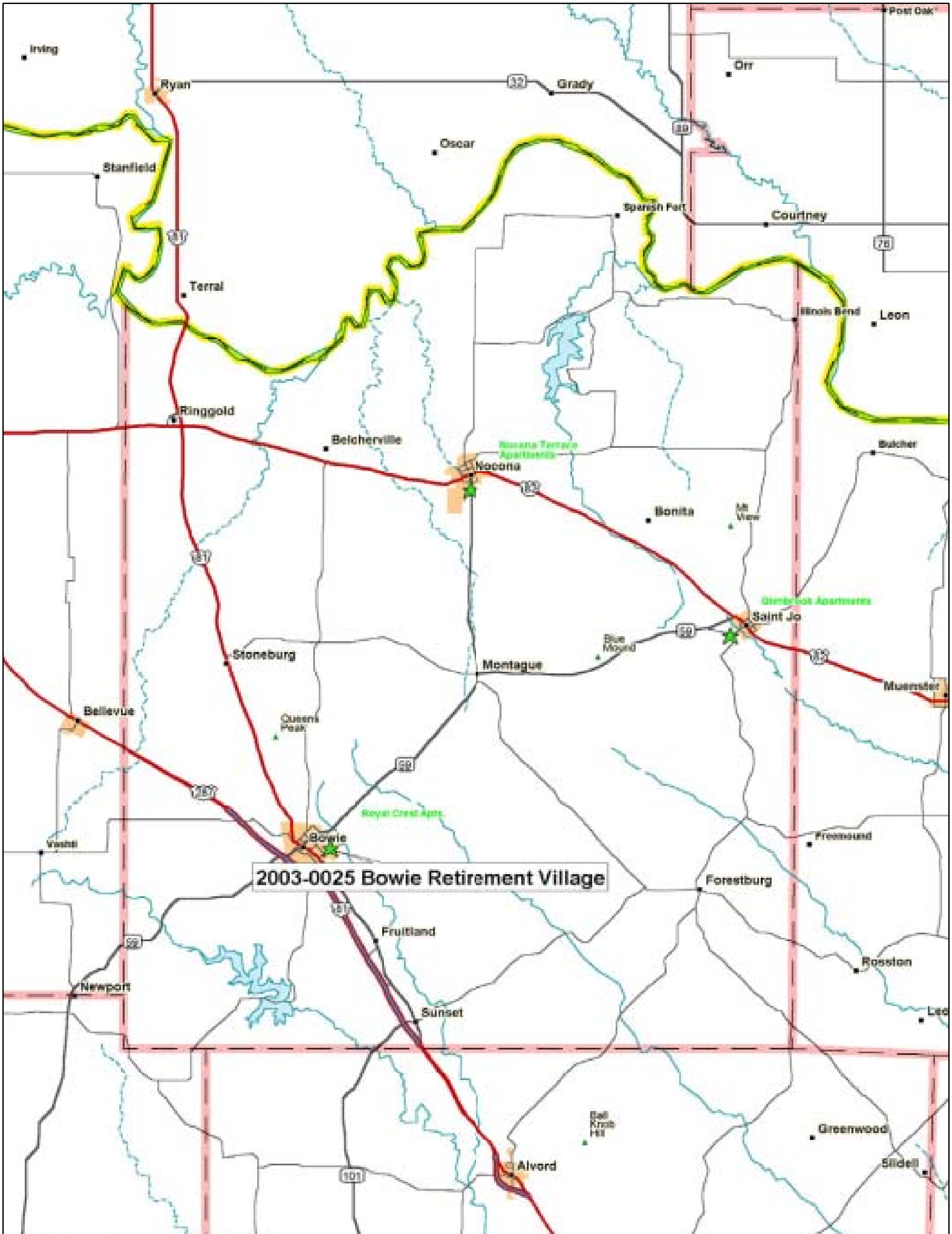

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TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: July 20, 2003 **PROGRAM:** HOME **FILE NUMBER:** 2003-0288

DEVELOPMENT NAME

Bethel Senior Housing

APPLICANT

Name:	East Austin Economic Development Corp.	**Type:**	Non-Profit				
Address:	1009 East 11th Street, Suite 103	**City:**	Austin			**State:**	TX
Zip:	78702	**Contact:**	Van Dyke Johnson	**Phone:**	(512) 472-1472	**Fax:**	(512) 457-1237

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Marvin C. Griffin	**(%):**	N/A	**Title:**	President

PROPERTY LOCATION

Location: 913 West Goliad ☐ **QCT** ☐ **DDA**

City: Crockett **County:** Houston **Zip:** 75835

REQUEST

Amount	Interest Rate	Amortization	Term
$999,999	0%	30	30

Other Requested Terms: HOME Loan

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

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

RECOMMENDATION

☒ NOT RECOMMENDED DUE TO THE FOLLOWING: LACK OF LONG TERM FEASIBILITY AND THE ABSENCE OF A PLAN OR CAPACITY TO ENSURE 30 YEAR OPERATION

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report prior to any Board approval;
2. Should the Board approve an award for this development, all net operating income after TDHCA approved expenses have been paid should be deposited in a reserve account controlled by the Department to fund future operating deficits.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 16 **# Rental Buildings** 4 **# Common Area Bldngs** 1 **# of Floors** 1 **Age:** N/A yrs **Vacant:** N/A at / /

Net Rentable SF: 10,960 **Av Un SF:** 685 **Common Area SF:** 1,216 **Gross Bldg SF:** 12,176

STRUCTURAL MATERIALS

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

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

1,216-SF community building with community room, management offices, laundry facilities, kitchen, restrooms, and storage rooms located in the middle of the property.

Uncovered Parking: 35 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Bethel Senior Housing is a low density (4 units per acre) new construction development of 16 units of affordable housing located in southwest Crockett. The development is comprised of four evenly distributed medium four-plex residential buildings as follows:

- (4) Building Type A with four one-bedroom/one-bath units;

Architectural Review: The buildings are functional with varied rooflines. Each unit has a private exterior entry.

Supportive Services: The Applicant's supportive services plan indicates that EAEDC will work with residents to assure that they have the opportunity to access the following services in Houston County: Meals on Wheels, Congregate Meals, HOME Health Care, Prescriptions, Medical and Churches.

Schedule: The Applicant anticipates construction to begin in November of 2003 and to be completed in July of 2004. The development should be placed in service in August of 2004. The Applicant did not anticipate a date for substantial lease-up of the property.

SITE ISSUES

SITE DESCRIPTION

Size: 4.259 acres 185,522 square feet **Zoning/ Permitted Uses:** R3

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

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Crockett is located in southeast Texas, approximately 42 miles west of Lufkin in Houston County. The site is an irregularly-shaped parcel located in the southwest area of Crockett, approximately 2 miles from the central business district. The site is situated on the south side of Goliad Avenue.

Adjacent Land Uses:

- **North:** wooded acreage
- **South:** wooded vacant land and single family residential
- **East:** vacant land and small warehouse building
- **West:** single family on small farm

Site Access: Access to the property is from the east or west along West Goliad. The development is to have one main entry from the east or west from West Goliad. Access to State Highway 287 is approximately one mile east and Interstate Highway 45 is 30 miles west, which provides connections to all other major roads serving the Crockett area.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within 2 miles of one major grocery and pharmacy store. Retail shopping, library, and a variety of other retail establishments and restaurants are within a short distance from the site. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

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

POPULATIONS TARGETED

Income Set-Aside: All 16 of the units (100%) will be reserved for low-income/elderly tenants.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$18,480	$21,120	$23,760	$26,400	$28,500	$30,600

MARKET HIGHLIGHTS

A market feasibility study dated March 19, 2003 was prepared by the Center for Housing and Economic Opportunities Corporation. The market study did not contain detailed information about the market or meet the Department's Market Analysis guidelines, (the HOME NOFA went out prior to the guidelines final approval) but concluded the following:

"The 2002 Census date indicated the total population of Houston County is 23,185. A full 18.0% or 4,167 persons are over 60 years of age or older. 24.0% of the households in the Houston County are renters. 51.9% of the renters pay more than $300 per month in gross rent…Over 53.8% of the households pay more than 30% of their income for rent. The eligibility factor for the proposed Bethel Senior Housing is a maximum of $28,150 per year for a 2 person household. There are 2,491 householders age 55+ whose income is below $29,999 per year and are thus income eligible for Bethel Senior Housing. There are 597 householders over age 60 whose income is $29,999 or less who are currently renters in Houston County."

In addition, the market analysis projects the proposed 16 units to be absorbed within 6 months. "The initial residents would come from the general population, and those currently on waiting lists for the existing apartments in Crockett. Also, referrals from Home Health agencies, churches, the Chamber of Commerce and The Crockett Senior Center will enhance the absorption rate." (p. 5)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum HOME rents allowed, reflecting the low fair market rent in Houston County. The Applicant did not include secondary income in the rent schedule. Estimates of vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant's total expense estimate of $2,772 per unit is 3% higher than a TDHCA database-derived estimate of $2,691 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 ($2K higher) and water, sewer, and trash ($2K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. It should be noted that the Applicant anticipates the development to be property tax-exempt based upon their nonprofit CHDO ownership status. This assumption was also utilized by the Underwriter. The Applicant's operating expenses represent 85% of anticipated income as presented calling into question the viability of this development to service any debt and to be able to maintain a positive cash flow in the long run.

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. Due primarily to the difference in total estimated operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 0.29 is less than the program minimum standard of 1.10. This suggests that the maximum debt service for this project should be limited to $8,655 by a reduction of the requested loan amount and/or a reduction in the interest rate and/or an extension of the term and/or reduction in the repayable portion of the debt in order to achieve a debt coverage ratio that is within the Department's guidelines. It should be noted that the Applicant did not include a debt service for the requested funds. When asked about the debt service, the Applicant indicated that the request was for a deferred loan, which is why no debt service is reflected in the Applicant's original proforma. It should also be noted that the Applicant's original 30 year proforma was modified such that expense growth in the latter years ceased to outpace income growth. When the TDHCA guideline of three percent growth in income and four percent growth in expenses is applied to the proforma based upon the Applicant's stabilized income and expenses, net operating income before any debt service becomes negative before year 20. Moreover, if every dollar of net operating income (assuming no debt service whatsoever) were deposited into a secured reserve account and held until operating deficits began to occur it would be doubtful that sufficient funds could be saved to cover future projected operating losses. In a situation such as this only a few mitigation tool such as budget based rents or deep pocketed sponsors exist and none appear to apply to the subject.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 5.12 acres	$51,980	**Assessment for the Year of:**	2003
Prorated (per acre):	$10,152	**Valuation by:**	Houston County Appraisal District
Total Assessed Value (4.259 acres):	$43,237	**Tax Rate:**	2.31918

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Option to Purchase		
Contract Expiration Date:	11/ 21/ 2003	**Anticipated Closing Date:**	11/ 21/ 2003
Acquisition Cost:	$15,300	**Other Terms/Conditions:**	
Seller:	Otis Duren	**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.

Sitework Cost: The Applicant's claimed sitework costs of $6,719 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 overstated.

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 TDHCA guidelines when compared to the Underwriter's costs but are within the guidelines based upon their own costs.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limit of $1,282,304. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown can be used to size an award.

FINANCING STRUCTURE

FINANCING STRUCTURE ANALYSIS

Permanent Financing: Based upon the limited debt service capacity of the development as a result of higher expenses, a debt service of not more than $7,326 per year at the proposed terms is required in order to yield an acceptable DCR of 1.30 and not unduly burden the development. However, even if the debt service were limited to this amount, the project would begin to experience a DCR below a 1.10 by year 10 and a negative cashflow by year 15 based on the Applicant's proforma and year 25 based on the Underwriter's. In either case it would deem the project infeasible for the state mandated 30 years. Without any viable mitigation via project based vouchers or another dedicated funding source, the HOME award is not recommended.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, Property Manager and Supportive Services firm are all related entities. These are common relationships for rural multifamily.

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

Financial Highlights:

- The Applicant, East Austin Economic Development Corporation, submitted an audited financial statement as of December 31, 2002 reporting total assets of $2.5M and consisting of $26K in cash, $22K in receivables, $647K in senior housing, $835K in office buildings, $946K in housing under construction and held for resale and $27K in machinery and equipment. Liabilities totaled $1.5M, resulting in a fund balance of $967K. It should be noted that the corporation's assets are tied up in long term assets with questionable equity capacity. Other than grants and other funding from the Department and the City of Austin, and the Ebeneezer Baptist Church, the Applicant has no significant ongoing fundraising experience. The Applicant does not appear to possess the financial capacity to support the transaction. Moreover, the corporation's bylaws indicate that while it is incorporated to serve every within the State of Texas, it shall concentrate its efforts in areas around Austin, Bastrop, Cedar Creek, Elgin, Lockhart, Pflugerville, Round Rock and San Antonio and focus its interests and activities in the zip codes of 78744 and 78702 of the City of Austin. The nearest area of concentration, Bastrop, is over 130 miles away and its focus zip codes are approximately 150 miles away. Thus, it is difficult to see the vesting of long term permanent interest in this satellite development.

Background & Experience:

The Applicant has completed two HOME housing developments totaling 32 units since 1994.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The Development's 30-year proforma does not maintain a DCR in the acceptable range and net operating income does not remain positive over the projected 30-year period.
- The Applicant does not have the financial capacity to support the development for the long term.

Underwriter:	*Raquel Morales*	**Date:**	July 20, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	July 20, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Bethel Senior Housing, Crockett, HOME #2003-0288

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
LH = 30%	4	1	1	685	$341	$291	$1,164	$0.42	$50.00	$12.36
LH [50% inc]	5	1	1	685	341	$291	1,455	0.42	$50.00	$12.36
LH [60% inc]	6	1	1	685	341	$291	1,746	0.42	$50.00	$12.36
HH	1	1	1	685	341	$291	291	0.42	$50.00	$12.36
TOTAL:	16		AVERAGE:	685	$341	$291	$4,656	$0.42	$50.00	$12.36

INCOME

INCOME	Total Net Rentable Sq Ft:	10,960		TDHCA	APPLICANT		USS Region	5
POTENTIAL GROSS RENT				$55,872	$55,872		IREM Region	6
Secondary Income		Per Unit Per Month:	$5.00	960	0	$0.00	Per Unit Per Month	
Other Support Income: (describe)				0				
POTENTIAL GROSS INCOME				$56,832	$55,872			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(4,262)	(4,188)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$52,570	$51,684			

EXPENSES

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		7.06%	$232	0.34	3,712	$5,500	$0.50	$344	10.64%
Management		9.09%	299	0.44	4,781	$3,101	0.28	194	6.00%
Payroll & Payroll Tax		17.26%	567	0.83	9,074	$9,150	0.83	572	17.70%
Repairs & Maintenance		18.37%	604	0.88	9,659	$8,560	0.78	535	16.56%
Utilities		3.42%	112	0.16	1,797	$1,500	0.14	94	2.90%
Water, Sewer, & Trash		9.59%	315	0.46	5,042	$7,348	0.67	459	14.22%
Property Insurance		8.34%	274	0.40	4,384	$4,595	0.42	287	8.89%
Property Tax	2.31918	0.00%	0	0.00	0	$0	0.00	0	0.00%
Reserve for Replacements		6.09%	200	0.29	3,200	$3,200	0.29	200	6.19%
Other Expenses:		2.66%	88	0.13	1,400	$1,400	0.13	88	2.71%
TOTAL EXPENSES		81.89%	$2,691	$3.93	$43,050	$44,354	$4.05	$2,772	85.82%
NET OPERATING INC		18.11%	$595	$0.87	$9,519	$7,330	$0.67	$458	14.18%

DEBT SERVICE

DEBT SERVICE	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
HOME Amortized Loan	63.41%	$2,083	$3.04	$33,333		$0.00	$0	0.00%
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	-45.30%	($1,488)	($2.17)	($23,814)	$7,330	$0.67	$458	14.18%
AGGREGATE DEBT COVERAGE RATIO				0.29	#DIV/0!			
RECOMMENDED DEBT COVERAGE RATIO				1.30				

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)		1.74%	$1,050	$1.53	$16,800	$16,800	$1.53	$1,050	1.68%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		11.15%	6,719	9.81	107,500	107,500	9.81	6,719	10.75%
Direct Construction		55.17%	33,247	48.54	531,948	571,000	52.10	35,688	57.10%
Contingency	0.94%	0.62%	375	0.55	6,000	6,000	0.55	375	0.60%
General Req'ts	6.00%	3.98%	2,398	3.50	38,367	40,710	3.71	2,544	4.07%
Contractor's G & A	2.00%	1.33%	799	1.17	12,789	13,570	1.24	848	1.36%
Contractor's Profit	6.00%	3.98%	2,398	3.50	38,367	40,710	3.71	2,544	4.07%
Indirect Construction		8.38%	5,050	7.37	80,800	80,800	7.37	5,050	8.08%
Ineligible Costs		0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's G & A	2.42%	2.07%	1,250	1.82	20,000	20,000	1.82	1,250	2.00%
Developer's Profit	10.30%	8.82%	5,313	7.76	85,009	85,009	7.76	5,313	8.50%
Interim Financing		1.03%	619	0.90	9,900	9,900	0.90	619	0.99%
Reserves		1.74%	1,047	1.53	16,751	8,000	0.73	500	0.80%
TOTAL COST		100.00%	$60,264	$87.98	$964,231	$999,999	$91.24	$62,500	100.00%
Recap-Hard Construction Costs		*76.22%*	***$45,936***	***$67.06***	***$734,971***	***$779,490***	***$71.12***	***$48,718***	*77.95%*

SOURCES OF FUNDS

SOURCES OF FUNDS						RECOMMENDED	
HOME Amortized Loan	103.71%	$62,500	$91.24	$999,999	$999,999	$293,038	221(d)(3) max subsidy
HOME Term Loan	0.00%	$0	$0.00	0		706,961	$1,282,304
LIHTC Syndication Proceeds	0.00%	$0	$0.00	0		0	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0		0	0%
Additional (excess) Funds Required	-3.71%	($2,236)	($3.26)	(35,768)	0	(0)	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$964,231	$999,999	$999,999	$13,548

Bethel Senior Housing, Crockett, HOME #2003-0288

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$46.20	$506,324
Adjustments				
Exterior Wall Finish	8.00%		$3.70	$40,506
Elderly	5.00%		2.31	25,316
Roofing			0.00	0
Subfloor			(2.02)	(22,139)
Floor Cover			1.92	21,043
Porches/Balconies	$29.24	1352	3.61	39,532
Plumbing	$615	0	0.00	0
Built-In Appliances	$1,625	16	2.37	26,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	16,111
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$68.39	1,216	7.59	83,157
Other:			0.00	0
SUBTOTAL			67.14	735,851
Current Cost Multiplier	1.03		2.01	22,076
Local Multiplier	0.86		(9.40)	(103,019)
TOTAL DIRECT CONSTRUCTION COSTS			$59.75	$654,907
Plans, specs, survy, bld prm	3.90%		($2.33)	($25,541)
Interim Construction Interes	3.38%		(2.02)	(22,103)
Contractor's OH & Profit	11.50%		(6.87)	(75,314)
NET DIRECT CONSTRUCTION COSTS			$48.54	$531,948

PAYMENT COMPUTATION

Primary	$999,999	Term	360
Int Rate	0.00%	DCR	0.29

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	0.29

Additional	$0	Term	
Int Rate		Aggregate DCR	0.29

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$7,326
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$2,193

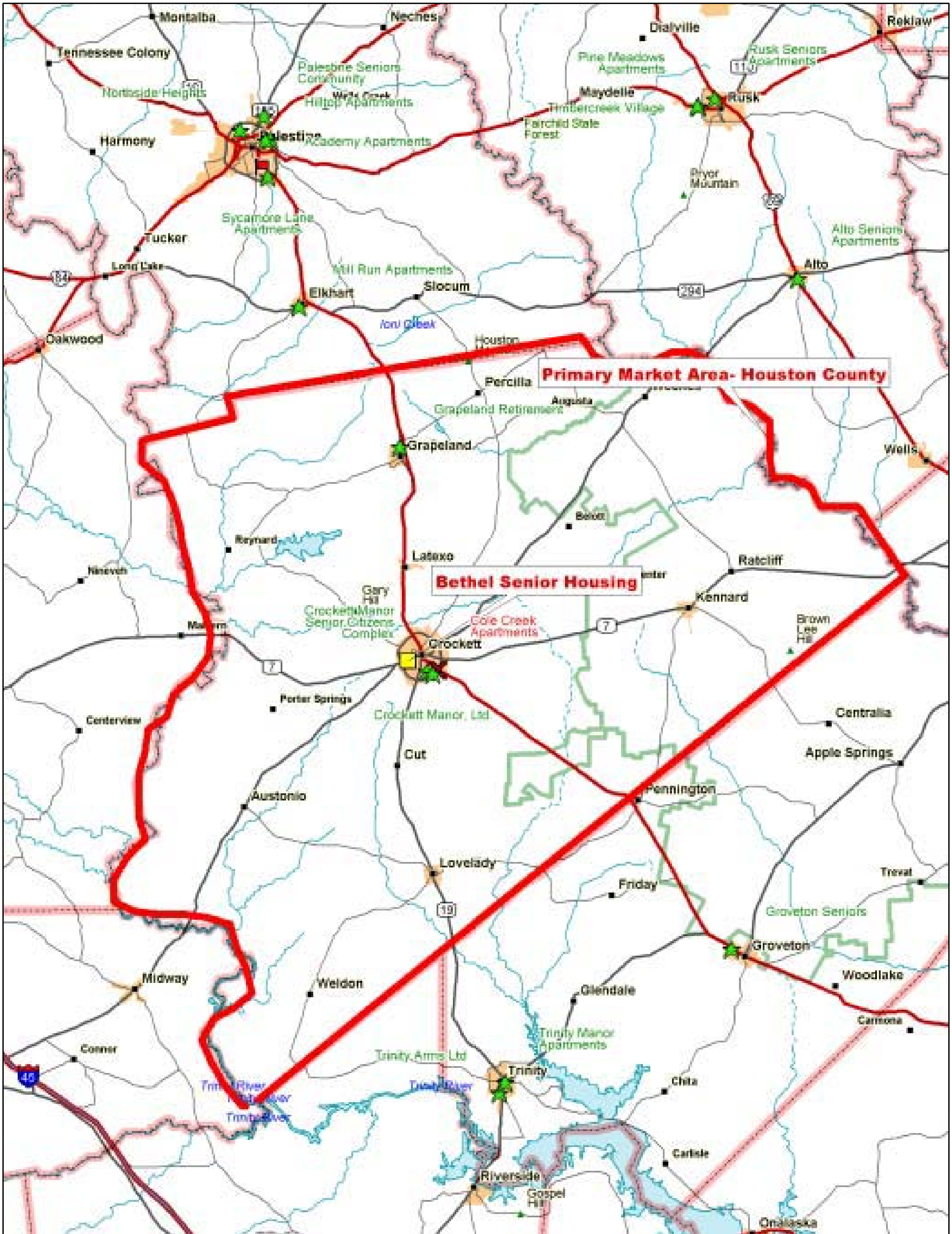
Primary	$293,038	Term	480
Int Rate	0.00%	DCR	1.30

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.30

Additional	$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.30

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	$55,872	$57,548	$59,275	$61,053	$62,884	$72,900	$84,511	$97,972	$131,666
Secondary Income	960	989	1,018	1,049	1,080	1,253	1,452	1,683	2,262
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	56,832	58,537	60,293	62,102	63,965	74,153	85,963	99,655	133,928
Vacancy & Collection Loss	(4,262)	(4,390)	(4,522)	(4,658)	(4,797)	(5,561)	(6,447)	(7,474)	(10,045)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$52,570	$54,147	$55,771	$57,444	$59,168	$68,591	$79,516	$92,181	$123,884
EXPENSES at 4.00%									
General & Administrative	$3,712	$3,861	$4,015	$4,176	$4,343	$5,284	$6,429	$7,822	$11,578
Management	4,781	4,924	5,072	5,224	5,381	6,238	7,231	8,383	11,266
Payroll & Payroll Tax	9,074	9,437	9,815	10,208	10,616	12,916	15,714	19,119	28,300
Repairs & Maintenance	9,659	10,045	10,447	10,865	11,299	13,748	16,726	20,350	30,123
Utilities	1,797	1,869	1,944	2,022	2,103	2,558	3,113	3,787	5,606
Water, Sewer & Trash	5,042	5,244	5,454	5,672	5,899	7,177	8,732	10,623	15,725
Insurance	4,384	4,559	4,742	4,931	5,129	6,240	7,592	9,236	13,672
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	3,200	3,328	3,461	3,600	3,744	4,555	5,541	6,742	9,980
Other	1,400	1,456	1,514	1,575	1,638	1,993	2,424	2,950	4,366
TOTAL EXPENSES	$43,050	$44,724	$46,464	$48,272	$50,151	$60,707	$73,502	$89,011	$130,615
NET OPERATING INCOME	$9,519	$9,422	$9,307	$9,172	$9,017	$7,884	$6,015	$3,170	($6,732)
DEBT SERVICE									
First Lien Financing	$7,326	$7,326	$7,326	$7,326	$7,326	$7,326	$7,326	$7,326	$7,326
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$2,193	$2,096	$1,981	$1,846	$1,691	$558	($1,311)	($4,156)	($14,058)
DEBT COVERAGE RATIO	1.30	1.29	1.27	1.25	1.23	1.08	0.82	0.43	(0.92)



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TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: July 18, 2003 **PROGRAM:** HOME **FILE NUMBER:** 2003-0320

DEVELOPMENT NAME

Star Village Apartments

APPLICANT

Name:	Housing Plus, Inc.			**Type:**	Non-Profit CHDO		
Address:	518 E. Harrison Street			**City:**	Harlingen	**State:**	TX
Zip:	78550	**Contact:**	Alfredo Huerta	**Phone:**	(956) 421-3290	**Fax:**	(956) 421-1084

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Alfredo Huerta	**(%):**	100	**Title:**	Executive Director
Name:	Robert Chavira dba SMi Consulting	**(%):**	N/A	**Title:**	Consultant

PROPERTY LOCATION

Location:	N. McCullough St., 1000 feet SW of intersection with Line 17 Road	☐ **QCT**	☐ **DDA**		
City:	San Benito	**County:**	Cameron	**Zip:**	78586

REQUEST

Amount	Interest Rate	Amortization	Term
1) $1,000,000	N/A	30 yrs	30 yrs
2) $50,000	N/A	N/A	N/A

Other Requested Terms: 1) HOME Program loan
2) CHDO operating expenses grant

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

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

RECOMMENDATION

☒ NOT RECOMMENDED DUE TO INSUFFICIENT COMMITTED FUNDING SOURCES TO COMPLETE THE DEVELOPMENT AS PROPOSED

☒ ANY BOARD APPROVAL OF FUNDS FOR THIS DEVELOPMENT SHOULD BE CONDITIONED ON THE FOLLOWING:

1. The HOME award should not exceed $1,000,000, structured as a 5-year term, non-amortizing loan at 0% interest to be restructured at the end of the term based upon operating cash flow history;
2. Receipt, review, and acceptance of evidence of successful rezoning of the site to a conforming use.
3. Receipt, review, and acceptance of evidence of commitment of at least $363,165 in grant funds or other soft financing or fully committed first lien debt of at least $1,953,165 (which is still subject to item 4 below) or some applicable combination of these;
4. Receipt, review, and acceptance of a revised permanent loan commitment(s) reflecting a maximum total debt service amount of $140,000.
5. Should the terms or rates of the permanent funding change or additional financing be secured this development should be reevaluated.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	52	**# Rental Buildings**	13	**# Common Area Bldgs**	1	**# of Floors**	1	**Age:**	0 yrs	**Vacant:**	N/A at / /
Net Rentable SF:	55,072	**Av Un SF:**	1,059	**Common Area SF:**	1,950	**Gross Bldg SF:**	57,022				

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 60% stucco 40% brick veneer exterior wall covering, drywall interior wall surfaces, composite shingle roofing.

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

A 1,950-SF community building with activity room, management offices, laundry facilities, kitchen, & restrooms is to be located at the entrance to the site. A swimming pool, basketball court, & equipped children's play area are to be located in the middle of the property.

Uncovered Parking:	126	spaces	**Carports:**	0	spaces	**Garages:**	0	spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Star Village Apartments is a moderately dense (7.4 units per acre) new construction development of 52 units of affordable housing located in northeast San Benito. The development is to be comprised of 13 evenly distributed fourplex residential buildings as follows:

- Seven Building Type A with four three-bedroom/two-bath units; and
- Six Building Type B with four two-bedroom/two-bath units.

Architectural Review: The buildings are simple in appearance, with pitched and hipped roofs and exterior entries off an unusual covered alcove which is shared with another unit. Each unit also has an outside storage closet at the end of this alcove and a covered porch off the living and dining area.

Supportive Services: The Applicant indicates that supportive services will be provided by themselves and their parent organization, the Harlingen Community Development Corporation, at no cost to the property.

Schedule: The Applicant anticipates construction to begin in March of 2004, to be completed in Octoberof 2005, to be placed in service in November of 2005, and to be substantially leased-up in January of 2006.

SITE ISSUES

SITE DESCRIPTION

Size:	7	acres	304,920	square feet	**Zoning/ Permitted Uses:**	A-O, Agriculture & Open Space, rezoning request submitted
Flood Zone Designation:	Zone X			**Status of Off-Sites:**	Partially improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: San Benito is located in far south Texas, approximately 15 miles northwest of Brownsville in Cameron County. The site is a rectangularly-shaped parcel located in the northeast area of the city, approximately one mile from the central business district. The site is situated on the southeast side of N. McCullough Street.

Adjacent Land Uses: The site is surrounded by undeveloped agricultural land, interspersed with single-family residential uses. Adjacent land uses include:

- **Northwest:** N. McCullough Street with agricultural land, single-family residential, and a school beyond

- **Northeast:** agricultural land with Line 17 Road and scattered single-family residences beyond
- **Southeast:** agricultural land
- **Southwest:** agricultural land

Site Access: Access to the property is from the northeast or southwest from N. McCullough Street. The development is to have two entries from N. McCullough Street. Access to U.S. Highway is one mile southwest, which provides connections to all other major roads serving the San Benito area as well as Harlingen, Brownsville, and other surrounding communities.

Public Transportation: The availability of public transportation is unknown.

Shopping & Services: The site is within three miles of all the facilities and services available in San Benito.

Special Adverse Site Characteristics: The site is not currently zoned for the proposed use and a rezoning request has been submitted. Receipt, review, and acceptance of evidence of the site's successful rezoning to a conforming use is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection on May 15, 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 2003 HOME rental program applicants are not required to submit this report.

Income Set-Aside: All of the units (100% of the total) will be reserved for low-income. Eleven of the units (22%) will be reserved for households earning 50% or less of AMGI and the remaining 41 units (78%) will be reserved for households ultimately earning up to 80% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$17,280	$19,800	$22,260	$24,720	$26,700	$28,680

MARKET HIGHLIGHTS

A market analysis report was not included, as 2003 HOME rental program applicants are not required to submit this report. A review of known TDHCA funded developments in the area reflects only one property, a 1996 LIHTC property known as Canal Place Apartments within a five mile radius of the proposed subject. Yearend 2001 financial statements for Canal Place reflects that the 72 units (100% affordable development consisting of two, three and four bedroom units) is 95% occupied for the year. The 2000 census reflected that San Benito had a total population of 23,444 and total households of 7,065. Renter households comprised 2,160 units. Based upon the census data approximately 21.15% of all households would be income eligible to live in the proposed units suggested a gross income eligible renter demand at 456 units. Census information reflects that 18% of all households moved into their current residence within the past year, and while this percentage should be higher for renter households its conservative use reflects a turnover demand of at least 82 income eligible renter households. Another measure of demand can be calculated by considering the percentage of renters paying 35 percent or more for rent. In San Benito this amounts to 28.9 percent and using that as a proxy for the turnover rate would yield a demand 132 units. Finally using the traditional IREM region 6 turnover rate of 63% would yield 287 units of turnover demand. Census information also suggests 3.7% growth in San Benito which would increase demand by 17 units. These crude demand calculations result in inclusive capture rates of 53%, 35%, and 17% respectively which are below the 100% allowed for rural areas.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under HOME Program guidelines. Due to the lack of third party market analysis information the Underwriter was unable to conclusively confirm the reasonableness of these rents however the low HOME rents are less than the rents charged in 2001 at the nearby Canal Place, and the proposed high HOME rents are only slightly higher than those historical rents and therefore are likely to be feasible today. 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 is identical to the Underwriter's.

Expenses: The Applicant's total expense estimate of $2,145 per unit is 17% lower than the Underwriter's database-derived estimate of $2,579 per unit for comparably-sized developments. The Applicant's payroll estimate, at $327/unit, is regarded as 40%-50% lower than either TDHCA or IREM database averages. The Applicant used a payroll estimate from a 2001 TDHCA underwriting analysis done for a Harlingen development as substantiation, but the TDHCA database has been updated with more recent data from the subject's region which suggests the Underwriter's estimate is more accurate. The Applicant, assuming a CHDO tax exemption, has included no property taxes in the operating budget, and the Underwriter has concurred with this assumption on the basis of exemptions granted on similar properties.

Conclusion: Due primarily to the difference in operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 0.96 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to $140,000 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. This will significantly limit the potential debt of the development and hinder any HOME fund repayment.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 7 acres	$92,000	**Date of Valuation:**	3/ 28/ 2003
Appraiser: Rio Grande Appraisals	**City:** San Benito	**Phone:**	(956) 428-9595

APPRAISED ANALYSIS/CONCLUSIONS

Analysis: The Appraiser used only the market approach as the property is not currently producing any income. The three comparables used were all within one mile of the subject, sold within the last two years and were residential in purpose. All three comps sold for $10K per acre but the appraiser adjusted the sales prices for various reasons to result in a value of $13,142 per acre for the subject.

ASSESSED VALUE

Land: 13.678 acres	$68,390	**Assessment for the Year of:**	2003
Land: 1 acre	$5,000	**Valuation by:**	Cameron County Appraisal District
Prorated Value: 7 acres	$35,000	**Tax Rate:**	

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Commercial contract – unimproved property		
Contract Expiration Date:	11/ 4/ 2003	**Anticipated Closing Date:**	11/ 4/ 2003
Acquisition Cost:	$94,000*	**Other Terms/Conditions:**	$1,000 earnest money
Seller:	Kenneth J. Benton*	**Related to Development Team Member:**	No

*Note: The 7-acre site is part of a 13.678-acre parcel currently owned by Robert and Sandra Nelson. The Applicant proposes that the larger parcel be acquired for an undisclosed price by Kenneth Benton (a developer unrelated to the Applicant), rezoned and improved with water, sewer, and drainage by Mr. Benton, and then resold to the Applicant for $94,000.

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $94,000 ($0.31/SF or $13,429/acre) is three times the assessed prorata value but is substantiated by the appraised value of $92,000 and more importantly is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Costs: No off-site costs were included in the application. Mr. Kenneth Benton will arrange for the completion of off-site improvements prior to conveying the land to the Applicant.

Sitework Cost: The Applicant's claimed sitework costs of $5,577 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is $37K or 2% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all 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 The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limits of $71,549 and $92,559 for two- and three-bedroom units, respectively. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to size the award recommendation.

FINANCING STRUCTURE

INTERIM CONSTRUCTION or GAP FINANCING

Source: First National Bank **Contact:** Edna Martinez

Principal Amount: $1,822,072 **Interest Rate:** 8.5%

Additional Information:

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

LONG TERM/PERMANENT FINANCING

Source: First National Bank **Contact:** Edna Martinez

Principal Amount: $1,822,072 **Interest Rate:** 8%

Additional Information:

Amortization: 30 yrs **Term:** 15 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $160,437 **Lien Priority:** 1st **Commitment Date** 3/ 28/ 2003

APPLICANT EQUITY

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

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The original application included the First National Bank loan of $1,822,072 and a Federal Home Loan Bank (FHLB) grant of $350,000. Subsequent to submitting the application the Applicant received notification that the FHLB grant had been denied and it appears that the First National Bank loan is less likely. As of the date of this report the Applicant has applied to Coastal Banc for a loan of $2,172,072 to fill this financing gap, but Coastal Banc has provided only a letter of interest subject to their underwriting. Documentation as to the interest rate or terms on this potential loan was not included in the July 14, 2003 letter of interest. While the proposed debt amount in the letter does not appear to be credibly possible an increase in the Underwriter's anticipated debt amount would be possible with a reduction in the interest rate assumption. The Underwriter's analysis suggests that at a 6% interest rate the increase in debt would be marginally sufficient to absorb the gap of funds resulting from the loss of the FHLB AHP grant.

Financing Conclusions: As discussed in the Operating Proforma Analysis section above, due to the difference in estimated net operating income the Underwriter's debt coverage ratio (DCR) of 0.96 is less than the TDHCA minimum standard of 1.10. Therefore, the maximum debt service for this development should not exceed $140,000 by a reduction of the permanent loan amount and/or a reduction in the interest rate and/or an extension of the term. To compensate for the reduction in loan funds and the loss of the FHLB grant, the Applicant's entire developer fee of $218,907 would have to be deferred and furthermore a funding gap of $363,165 would remain which would have to be filled with grant funds or other soft financing. Therefore, due to the loss of the FHLB funding as well as the development's limited debt service capacity, the development is regarded as infeasible as currently proposed. Alternatively, a loan structured with an interest rate at 6% or less would provide enough debt capacity (approximately $1,953,165) to cover the excess gap. Though most or all of the developer fee would still need to be deferred. Should the Board choose to fund this transaction it should be conditioned upon the receipt, review, and acceptance of a revised debt structure and the HOME loan should be structured as a five year non amortizing zero percent interest loan to be re-structured at maturity based upon historic operating cash flow.

Return on Equity: As proposed no equity was to be contributed and as underwritten an infeasible amount of equity is required therefore a return on equity has not been calculated.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant is also the Developer. These are common relationships for affordable housing developments.

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

Financial Highlights:

- The Applicant, Housing Plus, Inc., submitted an audited financial statement as of September 30, 2002 reporting total assets of $253K and consisting of $800 in cash and other current assets, $37K in receivables, $96K in work in progress, $101K in real property, $4K in furniture and fixtures, and $14K in restricted assets. Liabilities totaled $501K, resulting in net assets of ($248K).
- The parent of the Applicant, the Harlingen Community Development Corporation (HCDC), submitted an audited financial statement as of September 30, 2002 reporting total assets of $3.9M and consisting of $451K in cash and other current assets, $222K in fixed assets, $1.8M in receivables, $179K in work in progress, $716K in real property, and $256K in other long-term assets, and $250K in restricted assets. Liabilities totaled $1.5M, resulting in a net worth of $2.4M. The Applicant provided a commitment from HCDC to act as guarantor for the development contingent upon the Applicant's receipt of HOME and bank funding.

Background & Experience: The Applicant administers a TDHCA HOME Homebuyer Assistance program in conjunction with a 24-unit single-family development in Crystal City and also has a 72-unit LIHTC development (Northstar Apartments, 9% LIHTC #01069) in Raymondville 25 miles northwest of San Benito currently under construction.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The Applicant does not appear to have sufficient financial capacity to support the project if needed.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	Jim Anderson	**Date:**	July 18, 2003
Director of Real Estate Analysis:	Tom Gouris	**Date:**	July 18, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Star Village Apartments, San Benito, HOME #2003-0320

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
LH	5	2	2	932	$463	$403	$2,015	$0.43	$60.00	$35.00
HH	19	2	2	932	501	441	8,379	0.47	60.00	35.00
LH	6	3	2	1,168	535	464	2,784	0.40	71.00	45.00
HH	22	3	2	1,168	628	557	12,254	0.48	71.00	45.00
TOTAL:	52		AVERAGE:	1,059	$555	$489	$25,432	$0.46	$65.92	$40.38

INCOME	Total Net Rentable Sq Ft:	55,072		TDHCA	APPLICANT		USS Region	11
POTENTIAL GROSS RENT				$305,184	$305,184		IREM Region	
Secondary Income		Per Unit Per Month:	$10.00	6,240	6,240	$10.00	Per Unit Per Month	
Other Support Income:				0	0			
POTENTIAL GROSS INCOME				$311,424	$311,424			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(23,357)	(23,352)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$288,067	$288,072			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.04%	$335	0.32	$17,402	$15,500	$0.28	$298	5.38%
Management	5.00%	277	0.26	14,403	$14,339	0.26	276	4.98%
Payroll & Payroll Tax	11.96%	663	0.63	34,458	$17,000	0.31	327	5.90%
Repairs & Maintenance	7.06%	391	0.37	20,338	$22,000	0.40	423	7.64%
Utilities	3.38%	187	0.18	9,726	$12,000	0.22	231	4.17%
Water, Sewer, & Trash	5.76%	319	0.30	16,601	$11,600	0.21	223	4.03%
Property Insurance	3.63%	201	0.19	10,464	$8,830	0.16	170	3.07%
Property Tax (Exempt)	0.00%	0	0.00	0	$0	0.00	0	0.00%
Reserve for Replacements	3.61%	200	0.19	10,400	$10,296	0.19	198	3.57%
Other: compliance fees	0.00%	0	0.00	0	$0	0.00	0	0.00%
TOTAL EXPENSES	46.44%	$2,573	$2.43	$133,792	$111,565	$2.03	$2,145	38.73%
NET OPERATING INC	53.56%	$2,967	$2.80	$154,275	$176,507	$3.21	$3,394	61.27%
DEBT SERVICE								
First National Bank Loan	55.69%	$3,085	$2.91	$160,437	$160,437	$2.91	$3,085	55.69%
Federal Home Loan Bank Grant	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
HOME Loan	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW	-2.14%	($118)	($0.11)	($6,161)	$16,070	$0.29	$309	5.58%
AGGREGATE DEBT COVERAGE RATIO				0.96	1.10			
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)		3.04%	$1,875	$1.77	$97,500	$97,500	$1.77	$1,875	3.07%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.04%	5,577	5.27	290,000	290,000	5.27	5,577	9.14%
Direct Construction		61.47%	37,934	35.82	1,972,584	1,935,546	35.15	37,222	61.02%
Contingency	1.47%	1.04%	641	0.61	33,323	33,323	0.61	641	1.05%
General Req'ts	5.89%	4.15%	2,563	2.42	133,293	133,293	2.42	2,563	4.20%
Contractor's G & A	1.96%	1.38%	854	0.81	44,430	44,430	0.81	854	1.40%
Contractor's Profit	5.89%	4.15%	2,563	2.42	133,293	133,293	2.42	2,563	4.20%
Indirect Construction		4.23%	2,608	2.46	135,600	135,600	2.46	2,608	4.27%
Permanent Financing		0.77%	478	0.45	24,845	24,845	0.45	478	0.78%
Developer's G & A	0.80%	0.69%	427	0.40	22,215	22,215	0.40	427	0.70%
Developer's Profit	7.04%	6.13%	3,783	3.57	196,692	196,692	3.57	3,783	6.20%
Interim Financing		1.61%	993	0.94	51,655	51,655	0.94	993	1.63%
Reserves		2.30%	1,417	1.34	73,680	73,680	1.34	1,417	2.32%
TOTAL COST		100.00%	$61,714	$58.27	$3,209,110	$3,172,072	$57.60	$61,001	100.00%
Recap-Hard Construction Costs		*81.24%*	***$50,133***	***$47.34***	***$2,606,923***	***$2,569,885***	***$46.66***	***$49,421***	*81.02%*

SOURCES OF FUNDS

						RECOMMENDED	
First National Bank Loan	56.78%	$35,040	$33.09	$1,822,072	$1,822,072	$1,590,000	Developer Fee Available
Federal Home Loan Bank Grant	0.00%	$0	$0.00	0	0	0	$218,907
HOME Loan	31.16%	$19,231	$18.16	1,000,000	1,000,000	1,000,000	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0	0	218,907	100%
Additional (excess) Funds Required	12.06%	$7,443	$7.03	387,038	350,000	363,165	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$3,209,110	$3,172,072	$3,172,072	$580,804.06

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Star Village Apartments, San Benito, HOME #2003-0320

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$42.12	$2,319,835
Adjustments				
Exterior Wall Finish	3.20%		$1.35	$74,235
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(2.02)	(111,245)
Floor Cover			1.92	105,738
Porches	$10.79	13,812	2.71	149,031
Plumbing	$615	156	1.74	95,940
Built-In Appliances	$1,625	52	1.53	84,500
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	80,956
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$65.08	1,951	2.31	126,965
Other:			0.00	0
SUBTOTAL			53.13	2,925,955
Current Cost Multiplier	1.03		1.59	87,779
Local Multiplier	0.80		(10.63)	(585,191)
TOTAL DIRECT CONSTRUCTION COSTS			$44.10	$2,428,543
Plans, specs, survy, bld prm	3.90%		($1.72)	($94,713)
Interim Construction Interes	3.38%		(1.49)	(81,963)
Contractor's OH & Profit	11.50%		(5.07)	(279,282)
NET DIRECT CONSTRUCTION COSTS			$35.82	$1,972,584

PAYMENT COMPUTATION

Primary	$1,822,072	Term	360
Int Rate	8.00%	DCR	0.96
Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	0.96
Additional	$1,000,000	Term	
Int Rate		Aggregate DCR	0.96

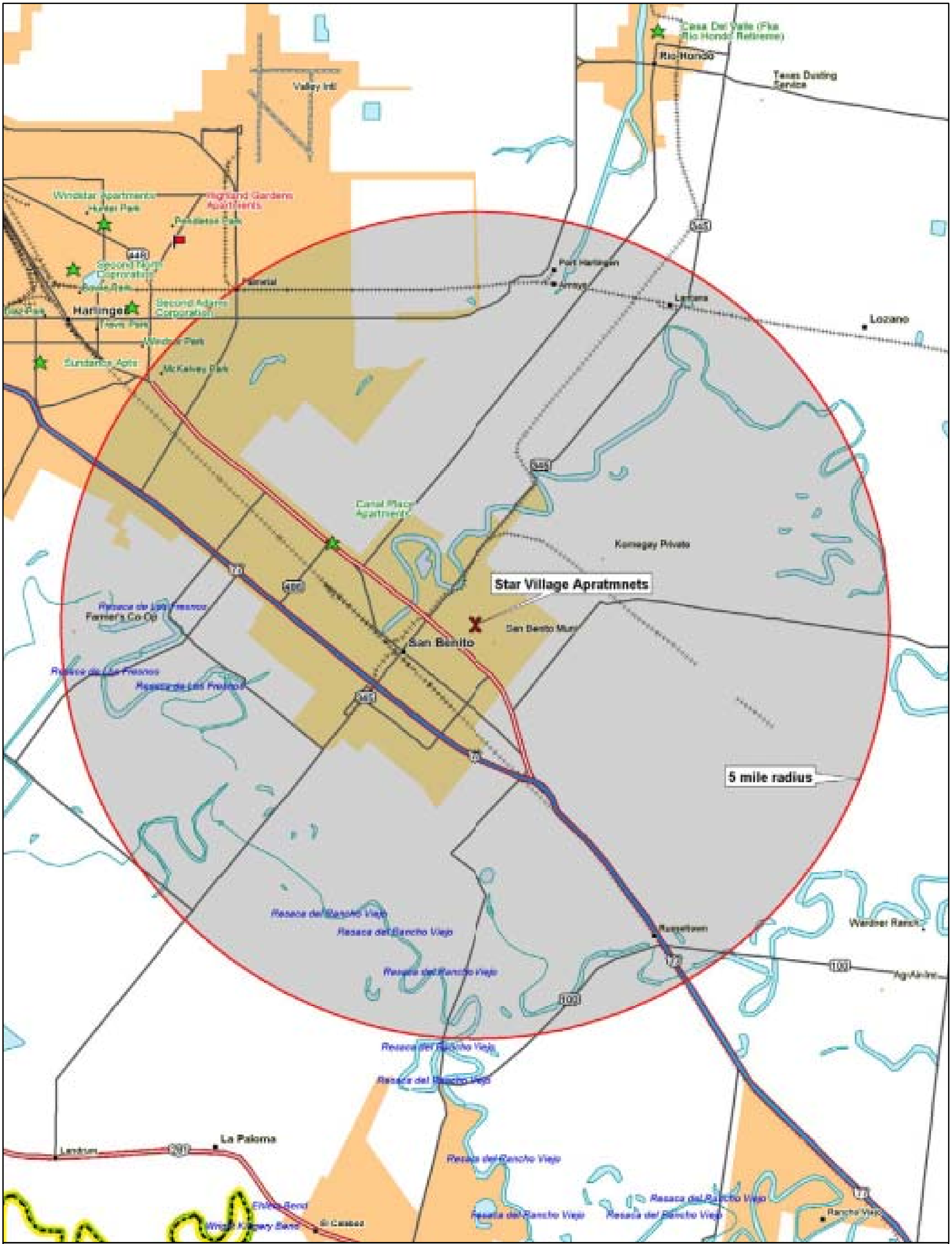
RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$140,002
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$14,273

Primary	$1,590,000	Term	360
Int Rate	8.00%	DCR	1.10
Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	$1,000,000	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	$305,184	$314,340	$323,770	$333,483	$343,487	$398,196	$461,618	$535,142	$719,186
Secondary Income	6,240	6,427	6,620	6,819	7,023	8,142	9,439	10,942	14,705
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	311,424	320,767	330,390	340,301	350,510	406,338	471,057	546,084	733,891
Vacancy & Collection Loss	(23,357)	(24,058)	(24,779)	(25,523)	(26,288)	(30,475)	(35,329)	(40,956)	(55,042)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$288,067	$296,709	$305,610	$314,779	$324,222	$375,862	$435,727	$505,128	$678,849
EXPENSES at 4.00%									
General & Administrative	$17,402	$18,098	$18,822	$19,575	$20,358	$24,769	$30,135	$36,664	$54,271
Management	14,403	14,835	15,281	15,739	16,211	18,793	21,786	25,256	33,942
Payroll & Payroll Tax	34,458	35,836	37,269	38,760	40,311	49,044	59,670	72,597	107,462
Repairs & Maintenance	20,338	21,151	21,997	22,877	23,792	28,947	35,219	42,849	63,427
Utilities	9,726	10,115	10,520	10,941	11,378	13,844	16,843	20,492	30,333
Water, Sewer & Trash	16,601	17,265	17,955	18,674	19,421	23,628	28,747	34,975	51,772
Insurance	10,464	10,882	11,318	11,770	12,241	14,893	18,120	22,045	32,633
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	10,400	10,816	11,249	11,699	12,167	14,802	18,009	21,911	32,434
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$133,792	$139,000	$144,411	$150,035	$155,879	$188,720	$228,529	$276,790	$406,274
NET OPERATING INCOME	$154,275	$157,710	$161,199	$164,744	$168,343	$187,142	$207,199	$228,338	$272,576
DEBT SERVICE									
First Lien Financing	$140,002	$140,002	$140,002	$140,002	$140,002	$140,002	$140,002	$140,002	$140,002
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	$14,273	$17,707	$21,197	$24,742	$28,341	$47,140	$67,197	$88,335	$132,573
DEBT COVERAGE RATIO	1.10	1.13	1.15	1.18	1.20	1.34	1.48	1.63	1.95



Zoom Level: 11-0 Datum: WGS84

Scale 1 : 100 000
1" = 1.58 mi

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TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE:	September 2, 2003	**PROGRAM:**	HOME Housing Trust Fund	**FILE NUMBER:**	2003-0178 03808

DEVELOPMENT NAME

Canal Street Apartments (Single Room Occupancy "SRO")

APPLICANT

Name:	NHH-Canal Street Apartments, Inc.	**Type:**	Non-Profit (CHDO)		
Address:	1117 Texas Avenue	**City:**	Houston	**State:**	TX
Zip:	77002	**Contact:**	Joy Horak-Brown	**Phone:**	(713) 222-0293
Fax:	(713) 222-2412				

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	New Hope Housing, Inc. (NHH)	**(%):**	100	**Title:**	Developer & parent of Applicant
Name:	Joy Horak-Brown	**(%):**	N/A	**Title:**	Executive Director of NHH
Name:	MaryEllen Forgay	**(%):**	N/A	**Title:**	Consultant

PROPERTY LOCATION

Location:	2821 Canal Street	☒ **QCT**	☐ **DDA**		
City:	Houston	**County:**	Harris	**Zip:**	77003

REQUEST

Amount	Interest Rate	Amortization	Term
❶$1,000,000	N/A	N/A	N/A
❷$250,000	N/A	N/A	N/A

Other Requested Terms: ❶HOME grant
❷Housing Trust Fund grant

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

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

RECOMMENDATION

☒ NOT RECOMMENDED DUE TO THE LACK OF LONG TERM FEASIBILITY AS A RESULT OF THE INABILITY TO GENERATE SUFFICIENT OPERATING INCOME TO OFFSET OPERATING EXPENSES

☒ ANY BOARD APPROVAL OF FUNDS FOR THIS DEVELOPMENT SHOULD BE CONDITIONED ON THE FOLLOWING:

1. TDHCA Board acceptance of the Applicant's plan, commitment and documented ability to generate at least $2.34M in additional soft funding as needed over the first 30 years of operations to offset anticipated operating deficits.
2. A HOME allocation, if approved by the Board, should not exceed $1,000,000, structured as a grant.

3. A HTF allocation, if approved by the Board and if funds are available, should not exceed $250,000, structured as a grant

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports. The Applicant received a $50,000 Housing Trust Fund capacity-building grant in 2002 but the development was not underwritten.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	133	**# Rental Buildings**	2	**# Common Area Bldgs**	0	**# of Floors**	3	**Age:**	0 yrs	**Vacant:**	N/A at / /

Net Rentable SF:	28,294	**Av Un SF:**	213	**Common Area SF:**	13,583	**Gross Bldg SF:**	41,877

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 85% stucco/15% brick veneer exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting, vinyl, & ceramic tile flooring, range & oven, hood & fan, garbage disposal, refrigerator, microwave oven, tile tub/shower, ceiling fans, laminated counter tops, central gas-fired boiler hot water system

ON-SITE AMENITIES

6,800 SF of common areas on 1st & 2nd floors of 3-story building with activity & meeting rooms, management offices, laundry facilities, kitchen, restrooms, & library. In addition a community garden, maintenance building, & perimeter fencing with limited access gate are also planned for the site.

Uncovered Parking:	46 spaces	**Carports:**	0 spaces	**Garages:**	0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Canal Street Apartments is a very dense (83 units per acre) new construction development of 133 units of affordable single room occupancy housing located in southeast-central Houston. The development is comprised of two large residential buildings as follows:

- One two-story walk-up building with 42 efficiency units, arranged around three sides of an enclosed coutrtyard, and
- One three-story elevator-served building with 91 efficiency units which forms the fourth side of the courtyard.

The two buildings will be connected on two floors by two enclosed corridors each so that mobility-restricted tenants may access the ADA units in the two-story building by using the elevator in the three-story building. The common areas will be located on all three floors of the three-story building.

Architectural Review: The buildings are simple and dormitory-like in appearance. The units in the three-story building are accessed from interior corridors while units in the two-story building are accessed from covered exterior walkways in the courtyard. The Applicant intends to build a higher-than-average quality development and has incorporated features such as a large metal sunshade and covered corridors which are intended to complement the Hispanic neighborhood.

Supportive Services: The Applicant proposes an extensive supportive services program organized around three areas:

- Assistance with basic necessities: initial supply of food, cooking utensils, bed linens, and clothing; emergency loans; transportation; and a daily meal
- Recreational opportunities: community meals ands movies, book club, sobriety meetings, and religious activities
- Facilitation of access to medical and dental care

The Applicant will be the services provider, and has budgeted $35,530 annually for these services.

Schedule: The Applicant anticipates construction to begin in November of 2003 and to be completed in December of 2004.

SITE ISSUES

SITE DESCRIPTION

Size:	1.595 acres	69,496	square feet	**Zoning/ Permitted Uses:**	No zoning in Houston
Flood Zone Designation:	Zone X			**Status of Off-Sites:**	Fully improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the southeast-central area of Houston, approximately one mile from the central business district. The site occupies most of a block bounded by Canal, North Delano and Paige Streets, and Navigation Boulevard.

Adjacent Land Uses:

- **North:** a vacant building and a nightclub followed by Navigation Boulevard and a fire station and commercial
- **South:** multifamily residential and Canal Street with commercial beyond
- **East:** North Paige Street followed by a funeral home, florist,, and restaurant
- **West:** North Delano Street with a restaurant and commercial beyond

Site Access: Access to the property is from the east or west along Canal Street or the north or south from North Delano or Paige Streets. The development is to have entries from Delano and Paige Streets.

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

Shopping & Services: The site is within one mile of numerous 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.

Site Inspection Findings: TDHCA staff performed a site inspection on April 30, 2003 and found the location to be acceptable for the proposed development. The inspector noted the site is in an urban industrial area and may not be appealing to potential residents for that reason.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

The Applicant submitted the following environmental reports prepared by HBC/Terracon:

- Phase I Environmental Site Assessment report dated January 24, 2001
- Environmental Site Investigation (ESI) report dated March 16, 2001
- Asbestos Sampling and Analysis Program report dated June 15, 2001
- Asbestos Abatement Project Completion report dated October 24, 2001
- Geotechnical Study report dated November 5, 2001
- A Phase I Environmental Site Assessment Update report dated February 25, 2003. This most recent report summarized the preceding reports and contained the following findings and recommendations:

Findings:

"The previous ESA report prepared for the site by HBC/Terracon identified several RECs [recognized environmental conditions] including the presence of asbestos-containing materials [ACM], a monitor well, and several nearby historic off-site facilities. HBC/Terracon then conducted an ESI to evaluate the soil and groundwater conditions at selected portions of the site based on potential impact from off-site sources considered to be RECs to the site. The ESI consisted of the installation of three soil borings/temporary groundwater sampling points, and the collection and analysis of soil and groundwater samples. One soil and one groundwater sample were collected from each soil boring/temporary groundwater sampling point, and analyzed for volatile organic compounds (VOCs) and total petroleum hydrocarbons (TPH). The results of the analyses identified groundwater impacted with methyl tertiarybuytl ether (MTBE) on the southeast portion of the subject site; however, the concentration of MTBE detected did not exceed its Texas Natural Resource Conservation Commission (TNRCC) Texas Risk Reduction Program (TRRP) Tier I protective concentration level (PCL). HBC concluded that the presence of MTBE at the site was likely from a release of gasoline at an off-site source. HBC also intended to sample the existing monitor well at the site, but no groundwater sample could be collected due to debris that had been placed in the well. HBC recommended that the monitor well be plugged and abandoned….At the time of the recent site inspection, the monitor well appeared to be plugged and abandoned…HBC Terracon then prepared an asbestos sampling and analytical report for New Hope Housing in June 2001, and the scope of work was based on the findings of the previously referenced ESA report. The scope of work included sampling and analysis from a debris pile of composition roofing shingles, a brick incinerator, and floor tile/linoleum on a concrete slab. Based on the analytical results, the floor tile and linoleum were identified as ACM, and HBC recommended that these materials be properly removed and disposed of in accordance with applicable regulations. HBC/Terracon then prepared a report for New Hope Housing in October 2001 to document the abatement activities of the asbestos-containing floor tile and linoleum materials identified in the previous report. The regulatory database review identified [36 potential off-site facilities of concern] within the specified search radii. The facilities in the regulatory database review do not appear to constitute RECs to the site based on distance, topographic relationship, and/or facility characteristics as discussed in this report." (p. 12-13)

Recommendations: "Based on the scope of services and limitations of this assessment, HBC/Terracon did not identify recognized environmental conditions in connection with the site, which, in our opinion, warrant additional investigation at this time." (p. 13)

POPULATIONS TARGETED

Income Set-Aside: 100% of the units will be reserved for low-income tenants. One of the units (<1%) will be reserved for tenants earning 60% or less of AMGI, 12 of the units (9%) will be reserved for tenants earning 50% or less of AMGI, and the remaining 120 units (90%) will be reserved for tenants earning 30% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES				
	30% AMGI	**40% AMGI**	**50% AMGI**	**60% AMGI**
1 Person	$12,500	$16,680	$20,850	$25,020

MARKET HIGHLIGHTS

A market feasibility study dated February 25, 2003 was prepared by Patrick O'Connor & Associates, L.P. and highlighted the following findings:

Definition of Market/Submarket: "For the purposes of this report, the subject's primary market area is defined as those properties bound by Liberty Road to the north, Wayside Drive to the east, Braes Bayou to the south, and Main Street to the west. This geographic area essentially is contained within the following zip codes: 77002, 77003, 77004, 77011, 77020, and 77023." (p. 17) "The subject's secondary market is defined as that area within [the primary market area's zip codes plus] 77006, 77009, 77012, 77021, 77026, 77029, and 77030." (p. 10)

Population: The estimated 2001 population of the primary market area was 149,501 and is expected to increase by 2.8% to approximately 153,708 by 2006. Within the primary market area there were estimated to be 46,869 households in 2001.

Total Local/Submarket Demand for Rental Units: "…there are approximately 2,968 potential households based on income eligibility, housing preference, and taking into consideration the typical turnover rate in the subject's primary market" (p. 67) "According to CDS, the majority of SRO facilities in the near downtown area are already full and the need for 500 additional units in the next three years is evident." (p. 43)

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	61	2%	35	1%
Resident Turnover	2,637	89%	2,657	99%
Other Sources: other sources	270	9%	0	0%
TOTAL ANNUAL DEMAND	**2,968**	**100%**	**2,692**	**100%**

Ref p. 66

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 4.48%. (p. 67) The Underwriter calculated an inclusive capture rate of 4.9% based upon a revised demand of 2,692 units.

Local Housing Authority Waiting List Information: "There are thousands of families in the City of Houston currently on the growing waiting lists for low-rent public housing, apartment rental subsidies, or Section 8 vouchers administered by the Houston Housing Authority. The waiting list for Section 8 vouchers was closed in 1994 when the list had grown to more than 26,000 households. According to a September 2000 article in the Houston Chronicle, the waiting list for Section 8 vouchers is approximately six years. " (p. 42)

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 359 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Est. Market**	**Differential**
Efficiency (<30%)	$300	$312	-$12	$300	$0
Efficiency (<50%)	$300	$521	-$221	$300	$0
Efficiency (<60%)	$300	$625	-$325	$300	$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 overall occupancy for projects in this primary market area was 88% as of December 2002. Occupancy rates for Class A properties were lower at 84.17% and Class B occupancy rates were 95.56%." (p. 35) "According to CDS, the majority of SRO facilities in the near downtown area are already full and the need for 500 additional units in the next three years is evident." (p. 43)

Absorption Projections: "Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 25-30 units per month until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within six to eight months following completion." (p. 74)

Known Planned Development: "Based on our research, there are no affordable housing projects (other than the subject property) currently proposed, under construction, or approved for construction in the subject's primary market." (p. 11)

Effect on Existing Housing Stock: "Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 12)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation, although the inclusion of other SRO properties, even if not within the defined submarket, would have been helpful. .

The Applicant also provided an Enumeration and Needs Assessment report dated September 13, 1999 and prepared by CDS Market Research. Although significantly dated, the study focused specifically on demand other than the "standard low-rental segment of the market". The report contained the following findings:

- "The primary target group for which New Hope should provide badly needed housing is projected to be adults living alone with minimum monthly incomes of $560 for non-working persons and $800 for working persons."
- "Based on personal and telephone interviews with 12 leading Houston social service organizations, there is a projected need for 690 additional SRO living units for income-qualified single homeless over the next 12 months…Probably only 188 [units of the other existing Houston SRO facilities] represent any potential absorption of need for the income-qualified homeless. Therefore, there appears to be a strong need for 500 additional New Hope-type housing units in the near term."
- "The lower rental housing market could also provide assurance of full occupancy at any New Hope facilities." (executive summary)

OPERATING PROFORMA ANALYSIS

(NOTE: The Applicant operates two other SRO properties in Houston and supplied historical operating data for these properties. Due to the unique operating characteristics of SRO properties and the lack of SRO-specific TDHCA data, the Underwriter relied heavily on the Applicant's information in evaluating the subject application. The Applicant's business model is to operate debt-free and to set rents at a slightly higher than breakeven level to fund operating expenses and reserves.)

Income: The Applicant's rent projections of $310/month are approximately the 30% AMI rents and are significantly lower than the maximum rents allowed under program guidelines, reflecting the Applicant's desire to maintain the affordability of the units. There is the potential for significant additional income (approximately $86K) if the Applicant chooses to increase rents to the maximum allowed. Tenants must have a source of income (wages, Social Security or VA benefits, funding from a social service provider, housing vouchers, etc.) which is too low to afford market rate housing but which allows payment of the proposed rent. The Applicant stated that the property will pay all utilities, and rents and expenses were calculated accordingly. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines, although the Applicant included $30K per year in estimated grant income which is intended to pay for the extensive proposed supportive services program. Although the Applicant provided a nine-year fundraising history averaging $988K annually, the Applicant indicated that these funds were largely restricted to capital expenditures and that supportive services have been paid out of the general operating fund on the two existing properties. Absent a documented history of successful fundraising specifically for supportive services rather than building funds, the Underwriter regards this source of income as somewhat untested and has not included it.

Expenses: The Applicant's total operating expense estimate of $2,802/unit is 16.2% lower than the Underwriter's estimate of $3,343/unit. The average historical total operating expense for the Applicant's two other Houston SRO properties is $3,186/unit, without replacement reserves or property taxes. The Applicant has not historically set aside replacement reserves from income but instead maintains an escrow account of one month's income for that purpose; in this case, however, the Applicant has included $200/month in replacement reserves as required by the TDHCA underwriting guidelines, and the Underwriter has used a similar amount. The Applicant has not included a management fee as the property is to be self-managed; as the Applicant has until recently used third party managers, however, the Underwriter conservatively included a typical fee of 5% of effective gross income. The Applicant's payroll and repairs and maintenance estimates are $36.1K and $7.4K lower, respectively than the Underwriter's estimates, which are based upon the historical operating data provided for the Applicant's other SRO properties.

Conclusion: Due to the debt-free nature of the proposed financing structure, this analysis will focus on projected cash flow instead of debt coverage ratio as a measure of feasibility and viability. Using standard TDHCA underwriting guidelines of a 3% annual income growth rate and a 4% annual expense growth rate, the development's projected cash flow turns negative between years 5 and 10 using the Underwriter's projections, and the Underwriter estimates cumulative negative cash flow of slightly over ($2.34M) in 30 years of operation. The Applicant has indicated that any operating deficits would be covered by the Applicant's fund-raising activities, but also stressed that their other SRO properties have not experienced operating deficits in seven years of operations as rents have always been able to be raised to meet increases in expenses. This may be a viable tool for the proposed development as well since rents are far below the required rent limits and less than rental alternatives for the tenants. However, given the extremely low-income target population it is uncertain as to how much of a rental increase they could bear over the long run and due to the narrow margin between operating income and expenses planned for this development, it is necessary to characterize the proposed development as financially infeasible over the longer term in the absence of significant ongoing operating subsidies. The Applicant intends to mitigate this by committing to generate approximately $2.3M in additional soft funding from fundraising over the first 30 years of operations. Based upon past fundraising performance, it would appear to be plausible that the Applicant could raise sufficient funds. It should be noted however that past fundraising experience has primarily been capital campaigns to raise funds for constructing and acquiring buildings. Fundraising for operational purposes is somewhat different as it requires the effort to be more continually sustained. In the end however the 2003 TDHCA Underwriting Guidelines provides the Underwriter with limited latitude in accepting such fundraising as mitigation for financial feasibility concerns. The proposed 2004 guidelines would allow more flexibility in underwriting fundraising as a mitigating factor for transitional developments sponsored by non-profit owners.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 1.595 acres	$127,100	**Assessment for the Year of:**	2002
Improvement:	$1,000	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$128,100	**Tax Rate:**	3.1126

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Two general warranty deeds		
Purchase Date:	4/ 26/ 2001		
Acquisition Cost:	$281,792	**Other Terms/Conditions:**	
Seller:	Tract 1: Carlos R. Quintero & Dale M. Shearer Tract 2: Sandra Q. Sisk	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $281,792 ($4.05/SF or $177K/acre), although over twice the tax assessed value of $127,100 is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Costs: The Applicant claimed off-site costs of $10,718 for driveways and utilities and provided sufficient third party certification through a third party architect to justify these costs.

Sitework Cost: The Applicant's claimed sitework costs of $3,098 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: (Note: The subject, with an average unit size of 213 SF and unusual features such as extensive enclosed common area and corridor space, an elevator, as well as a significant amount of covered exterior patios and balconies, required the Underwriter to use the Marshall & Swift Valuation Service's dormitory costs rather than multifamily residential costs to perform a construction cost evaluation. The Underwriter used "good" rather than "average" quality costs based on information provided by the Applicant and the proposed general contractor.)

The Applicant's costs of $121 per net residential square foot are slightly more than 5% more than the Underwriter's Marshall & Swift Valuation Service-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are somewhat overstated, although the proposal includes features and construction specifications which may range above "good" quality. The proposed general contractor communicated to the Underwriter that they also regarded the costs as unusually high, and had offered the Applicant a number of value engineering ideas to reduce the cost. The total amount of these suggestions is $319K or 9.3% of the total direct construction cost, and the Applicant has not provided a revised cost estimate including any of the suggestions. The Applicant did emphasize, however, that preserving a high-quality "look and feel" is a priority.

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.

Reserves: The Applicant has budgeted $200K in total reserves which represents approximately five months of operating expenses.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. The Applicant's total development cost estimate is also within the HUD 221(d)(3) HOME subsidy limit of $69,915. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to size the award recommendation.

FINANCING STRUCTURE

INTERIM to PERMANENT FINANCING

Source: City of Houston HOME funds **Contact:** Ken Fickes

Principal Amount: $1,500,000 **Interest Rate:** (Grant)

Additional Information:

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

INTERIM to PERMANENT FINANCING

Source: Federal Home Loan Bank of Atlanta **Contact:** Robert Warwick

Principal Amount: $500,000 **Interest Rate:** (Grant)

Additional Information: Affordable Housing Program, Compass Bank as sponsor

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

INTERIM to PERMANENT FINANCING

Source: Houston Endowment **Contact:** H. Joe Nelson III

Principal Amount: $500,000 **Interest Rate:** (Grant)

Additional Information:

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

INTERIM to PERMANENT FINANCING

Source: Brown Foundation **Contact:** Nancy Pittman

Principal Amount: $500,000 **Interest Rate:** (Grant)

Additional Information:

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

INTERIM to PERMANENT FINANCING

Source: Private grants in individual amounts of less than $500,000 **Contact:** (Various donors)

Total Amount: $863,207 **Interest Rate:** (Grants)

Additional Information: Applicant provided letters of commitment in total amount of $994,220, plus a listing of $322,265 in unconfirmed donations

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

INTERIM to PERMANENT FINANCING

Source: TDHCA Housing Trust Fund **Contact:** Stacy Higgins

Principal Amount: $50,000 **Interest Rate:** (Grant)

Additional Information: Capacity-building award

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

INTERIM to PERMANENT FINANCING

Source: Christus Health System **Contact:** Peter Maddox

Principal Amount: $500,000 **Interest Rate:** 2%

Additional Information: Funds available in 2 options:

1. Interest proceeds in excess of 2% on principal invested in certificate of deposit
2. Loan at 2% for 3 years, interest-only payments

Applicant does not include these funds in financing structure, but submitted commitment as evidence of contingency funding

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

APPLICANT EQUITY

Amount: $150,000 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing:

- Private Grants: As mentioned above the Applicant's operating model is to rely on grant financing to allow debt-free operation of the development. The Applicant listed $2,863,207 in private loans or grants as the primary funding source but originally provided letters of commitment in the total amount of only $2,454,220 (including a TDHCA HTF capacity-building grant of $50K). The Applicant subsequently submitted a listing of unconfirmed additional donations in the total amount of $422,265, signed by the Applicant's treasurer and stating that the governing board had designated all represented funds for the project. Thus the Applicant has provided evidence of $2,906,485 in grant financing, along with a history of successful grant fundraising. The Applicant also listed $250K in additional funding requests which have been submitted to potential donor organizations or are pending.
- City of Houston Grant: The City of Houston grant commitment for $1.5M is consistent with the sources and uses of funds statement. As of the date of this report the city council is said to have approved the commitment and a copy of their approval was being sent to the Department for documentation but had not yet arrived in underwriting.
- Christus Health System Financing: The Applicant provided a commitment from the Christus Health System for construction financing at the terms listed above, but also indicated that this debt financing source would only be used as a last resort if unanticipated costs arise.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $150,000 represent approximately 38% of the total fees, but are not foreseeably repayable due to the cash flow deficiency discussed above. Repayablility of the deferred developer fee is not of as great a concern for non-tax credit transactions since overstated or unrepayable deferred developer fees do not increase eligible costs funded with HOME monies or affect the award amount as they could in a tax credit development.

Financing Conclusions: The Applicant has demonstrated a strong fundraising history and sufficient soft funding sources to construct the development if the HOME and Housing Trust Fund grants are awarded as requested. Due to extremely limited net operating income the Underwriter concurs with the Applicant that the development should not be burdened with debt service. Budgeted reserves appear adequate to support the property for a six-month lease-up period.

Return on Equity: The lack of sustaining cash flow suggests the return on equity is negligible.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

None noted.

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

Financial Highlights: An audited consolidated financial statement as of August 6, 2002 was submitted for the Applicant and its parent, New Hope Housing, Inc., reporting total assets of $4.9M and consisting of $254K in cash, $961K in receivables and prepaids, $636K in cash restricted to the subject development, and $3.1M in property and equipment. Liabilities totaled $15K, resulting in net assets of $4.9M.

Background & Experience:

- The Applicant is a new entity formed for the purpose of developing the project.
- New Hope Housing, Inc. has owned and operated the 129-unit Hamilton Street Residence SRO property since 1995, and acquired the 57-unit 1414 Congress SRO property in 2002.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- The Development's 30-year proforma does not maintain a DCR in the acceptable range and net operating income does not remain positive over the projected 30-year period.

Underwriter:	*Jim Anderson*	**Date:**	September 2, 2003
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	September 2, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Canal Street Apartments (SRO), Houston, HTF #03838 & HOME #2003-0178

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Util Allow	Wtr, Swr, Trsh
<LH (30%)	26	Eff.	1	203	$312	$310	$8,060	$1.53	$25.00	$28.62
<HTF (30%)	94	Eff.	1	203	312	310	29,140	1.53	25.00	28.62
<HTF (50%)	12	Eff.	1	302	521	310	3,720	1.03	25.00	28.62
<HTF (60%)	1	Eff.	1	310	625	310	310	1.00	25.00	28.62
TOTAL:	133		AVERAGE:	213	$333	$310	$41,230	$1.46	$25.00	$28.62

INCOME	Total Net Rentable Sq Ft:	28,294			TDHCA	APPLICANT		USS Region	6
POTENTIAL GROSS RENT					$494,760	$494,760		IREM Region	Houston
Secondary Income		Per Unit Per Month:		$8.15	13,000	13,000	$8.15	Per Unit Per Month	
Other Support Income: Grant Awards					0	30,000			
POTENTIAL GROSS INCOME					$507,760	$537,760			
Vacancy & Collection Loss		% of Potential Gross Income:		-7.50%	(38,082)	(38,082)	-7.08%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$469,678	$499,678			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		7.20%	$254	1.20	$33,831	$30,740	$1.09	$231	6.15%
Management		5.00%	177	0.83	23,484	$0	0.00	0	0.00%
Payroll & Payroll Tax		39.09%	1,381	6.49	183,618	$147,528	5.21	1,109	29.52%
Repairs & Maintenance		10.59%	374	1.76	49,721	$42,317	1.50	318	8.47%
Utilities		12.56%	443	2.08	58,981	$57,181	2.02	430	11.44%
Water, Sewer, & Trash		6.56%	232	1.09	30,806	$30,806	1.09	232	6.17%
Property Insurance		5.86%	207	0.97	27,546	$27,546	0.97	207	5.51%
Property Tax	3.1126	0.00%	0	0.00	0	$0	0.00	0	0.00%
Reserve for Replacements		5.66%	200	0.94	26,600	$26,600	0.94	200	5.32%
Other: spt svcs, cable TV		2.13%	75	0.35	10,000	$10,000	0.35	75	2.00%
TOTAL EXPENSES		94.66%	$3,343	$15.71	$444,587	$372,718	$13.17	$2,802	74.59%
NET OPERATING INC		5.34%	$189	$0.89	$25,091	$126,960	$4.49	$955	25.41%
DEBT SERVICE									
Private Grants		0.00%	$0	$0.00	$0	$0	$0.00	$0	0.00%
HOME Grant		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
HTF Grant		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		5.34%	$189	$0.89	$25,091	$126,960	$4.49	$955	25.41%
AGGREGATE DEBT COVERAGE RATIO					N/A	N/A			
RECOMMENDED DEBT COVERAGE RATIO					N/A				

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)		5.76%	$2,434	$11.44	$323,683	$323,683	$11.44	$2,434	5.57%
Off-Sites		0.19%	81	0.38	10,718	10,718	0.38	81	0.18%
Sitework		7.33%	3,098	14.56	412,092	412,092	14.56	3,098	7.09%
Direct Construction		57.68%	24,387	114.64	3,243,496	3,412,606	120.61	25,659	58.70%
Contingency	4.92%	3.20%	1,353	6.36	180,000	180,000	6.36	1,353	3.10%
General Req'ts	6.00%	3.90%	1,649	7.75	219,335	223,580	7.90	1,681	3.85%
Contractor's G & A	2.00%	1.30%	550	2.58	73,112	82,215	2.91	618	1.41%
Contractor's Profit	4.50%	2.92%	1,236	5.81	164,428	164,428	5.81	1,236	2.83%
Indirect Construction		7.18%	3,037	14.27	403,886	403,886	14.27	3,037	6.95%
Ineligible Costs		0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's G & A	8.52%	7.11%	3,008	14.14	400,000	400,000	14.14	3,008	6.88%
Developer's Profit	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Interim Financing		0.00%	0	0.00	0	0	0.00	0	0.00%
Reserves		3.42%	1,445	6.79	192,251	200,000	7.07	1,504	3.44%
TOTAL COST		100.00%	$42,278	$198.73	$5,623,001	$5,813,207	$205.46	$43,708	100.00%
Recap-Hard Construction Costs		*76.34%*	*$32,274*	*$151.71*	*$4,292,463*	*$4,474,921*	*$158.16*	*$33,646*	*76.98%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Private Grants	50.92%	$21,528	$101.19	$2,863,207	$2,863,207	$2,863,207	Developer Fee Available
HOME Grant	17.78%	$7,519	$35.34	1,000,000	1,000,000	1,000,000	$400,000
HTF Grant	4.45%	$1,880	$8.84	250,000	250,000	0	% of Dev. Fee Deferred
HTF Capacity-Building Grant	0.89%	$376	$1.77	50,000	50,000	50,000	100%
City of Houston HOME Grant	26.68%	$11,278	$53.01	1,500,000	1,500,000	1,500,000	
Deferred Developer Fees	2.67%	$1,128	$5.30	150,000	150,000	400,000	
Additional (excess) Funds Required	-3.38%	($1,430)	($6.72)	(190,206)	(0)	(0)	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$5,623,001	$5,813,207	$5,813,207	($109,664.76)

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Canal Street Apartments (SRO), Houston, HTF #03838 & HOME #2003-0178

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Good Quality Dormitory Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$89.74	$2,539,104
Adjustments				
Exterior Wall Finish	0.00%		$0.00	$0
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(0.81)	(22,862)
Floor Cover			1.92	54,324
Porches/Balconies	$29.24	6,950	7.18	203,218
Plumbing	$615	0	0.00	0
Built-In Appliances	$1,950	133	9.17	259,350
Maintenance Bldg	$74.45	320	0.84	23,825
Floor Insulation			0.00	0
Heating/Cooling			1.47	41,592
Fire Sprinkler	$2.50	41,557	3.67	103,893
Common Area	$89.74	13,263	42.07	1,190,222
Other: Elevator	$44,250	1	1.56	44,250
SUBTOTAL			156.81	4,436,916
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(15.68)	(443,692)
TOTAL DIRECT CONSTRUCTION COSTS			$141.13	$3,993,224
Plans, specs, survy, bld prmts	3.90%		($5.50)	($155,736)
Interim Construction Interest	3.38%		(4.76)	(134,771)
Contractor's OH & Profit	11.50%		(16.23)	(459,221)
NET DIRECT CONSTRUCTION COSTS			$114.64	$3,243,496

PAYMENT COMPUTATION

Primary	$2,863,207	Term	
Int Rate	0.00%	DCR	#DIV/0!

Secondary	$1,000,000	Term	
Int Rate	0.00%	Subtotal DCR	#DIV/0!

Additional	$250,000	Term	
Int Rate		Aggregate DCR	#DIV/0!

-6,950

Primary Debt Service	$0
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$25,091

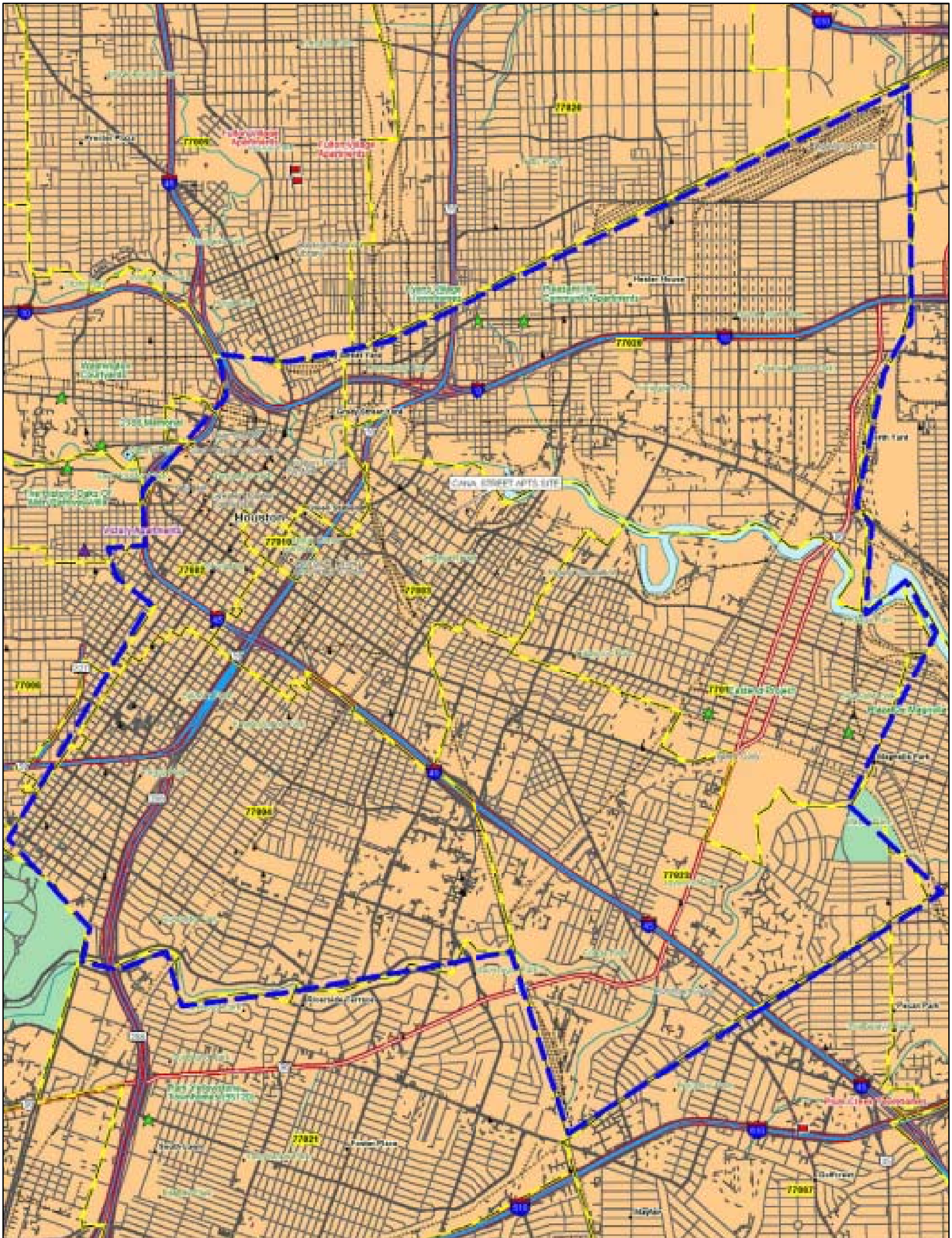
Primary	$2,863,207	Term	0
Int Rate	0.00%	DCR	#DIV/0!

Secondary	$1,000,000	Term	0
Int Rate	0.00%	Subtotal DCR	#DIV/0!

Additional	$250,000	Term	0
Int Rate	0.00%	Aggregate DCR	#DIV/0!

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	$494,760	$509,603	$524,891	$540,638	$556,857	$645,550	$748,369	$867,565	$1,165,934
Secondary Income	13,000	13,390	13,792	14,206	14,632	16,962	19,664	22,796	30,636
Other Support Income: Grant Awa	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	507,760	522,993	538,683	554,843	571,488	662,512	768,033	890,360	1,196,570
Vacancy & Collection Loss	(38,082)	(39,224)	(40,401)	(41,613)	(42,862)	(49,688)	(57,602)	(66,777)	(89,743)
Employee or Other Non-Rental Un	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$469,678	$483,768	$498,281	$513,230	$528,627	$612,823	$710,430	$823,583	$1,106,827
EXPENSES at 4.00%									
General & Administrative	$33,831	$35,184	$36,591	$38,055	$39,577	$48,151	$58,584	$71,276	$105,506
Management	23,484	24,188	24,914	25,661	26,431	30,641	35,522	41,179	55,341
Payroll & Payroll Tax	183,618	190,963	198,601	206,545	214,807	261,346	317,967	386,855	572,641
Repairs & Maintenance	49,721	51,710	53,779	55,930	58,167	70,769	86,101	104,755	155,063
Utilities	58,981	61,340	63,794	66,346	68,999	83,948	102,136	124,264	183,941
Water, Sewer & Trash	30,806	32,038	33,319	34,652	36,038	43,846	53,345	64,903	96,072
Insurance	27,546	28,648	29,794	30,986	32,225	39,207	47,701	58,036	85,907
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	26,600	27,664	28,771	29,921	31,118	37,860	46,063	56,042	82,956
Other	10,000	10,400	10,816	11,249	11,699	14,233	17,317	21,068	31,187
TOTAL EXPENSES	$444,587	$462,135	$480,379	$499,345	$519,062	$630,002	$764,735	$928,379	$1,368,614
NET OPERATING INCOME	$25,091	$21,633	$17,903	$13,885	$9,565	($17,178)	($54,305)	($104,796)	($261,787)
DEBT SERVICE									
First Lien Financing	$0	$0	$0	$0	$0	$0	$0	$0	$0
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	$25,091	$21,633	$17,903	$13,885	$9,565	($17,178)	($54,305)	($104,796)	($261,787)



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CENTER FOR HOUSING RESOURCE, PLANNING AND COMMUNICATION
BOARD ACTION REQUEST
SEPTEMBER 11, 2003

Action Item

Request approval of Draft Integrated Housing Rule.

Recommended Action

Approval of the Draft Integrated Housing Rule to be published in the *Texas Register* and made available for public comment.

Background

In 2002, an issue of particular concern for advocates for persons with disabilities involved the Texas Department of Housing and Community Affairs' (TDHCA or Department) policies related to integrated housing. Integrated housing, as defined by SB 367 as passed by the 77th Texas Legislature, is "housing in which a person with a disability resides or may reside that is found in the community but that is not exclusively occupied by persons with disabilities and their care providers." The Department, with the assistance of the TDHCA Disability Advisory Committee, developed an integrated housing policy to address this concern. On December 17, 2002 the TDHCA Board approved an Integrated Housing Policy that was to be utilized by all Department housing programs. At that time, the Board instructed staff to move forward with formal rulemaking procedures.

Current Activity

While the policy was submitted to a 32-day public comment period (October 28, 2002—November 28, 2002), as well as six public hearings, the Department recommends that the rule be published for formal public comment. (Please refer to Attachment A for a copy of the rule.)

In an effort to provide the public with an opportunity to more effectively give input on the Department's policies, rules, planning documents, and programs, TDHCA has consolidated its public hearings. The Department has scheduled hearings for Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus Christi, Waco, Lufkin, and Houston. At these hearings the Draft Integrated Housing Rule will be heard in conjunction with several other Department rules.

Recommendation

Staff requests approval of the draft Integrated Housing Rule.

ATTACHMENT A

TITLE 10	**Community Development**
PART 1	**Texas Department of Housing and Community Affairs**
CHAPTER 1	**Administration**
SUBCHAPTER A	**General Policies and Procedures**

1.15 Integrated Housing Rule

(a) Purpose. It is the purpose of this section to outline the guidelines related to the provision of integrated housing as it relates to the Department's programs.

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

(1) Board -- means the governing board of the department.

(2) Colonia -- A geographic area located in a county any part of which is within 150 miles of the international border of this state and that:

(A) has a majority population composed of individuals and families of low income and very low income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed area under §17.921, Water Code; or
(B) has the physical and economic characteristics of a colonia, as determined by the Texas Water Development Board.

(3) Department – the Texas Department of Housing and Community Affairs

(4) General population -- Not segregated by type of disability or special needs status.

(5) Housing development -- Property or work or a project, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the department and that is financed under the provisions of this chapter for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, use, or purchase by individuals and families of low and very low income and families of moderate income in need of housing. The term includes:

(A) buildings, structures, land, equipment, facilities, or other real or personal properties that are necessary, convenient, or desirable appurtenances, including streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community, and recreational facilities the department determines to be necessary, convenient, or desirable appurtenances; and

(B) single and multifamily dwellings in rural and urban areas.

(6) Integrated housing -- Normal, ordinary living arrangements typical of the general population. Integration is achieved when individuals with disabilities choose ordinary, typical housing *units* that are located among individuals who do not have disabilities or other special needs. Regular, integrated housing is distinctly different from assisted living arrangements.

(7) Large housing development –- Single or multifamily housing development that has 50 or more units.

(8) Mulitfamily housing development -- A project that contains five or more housing units.

(9) Persons with Disabilities -- A household composed of one or more persons, at least one of whom is an individual who is determined to:
(A) Have a physical, mental, or emotional impairment that:
(i) Is expected to be of long-continued and indefinite duration;
(ii) Substantially impedes his or her ability to live independently; and
(iii) Is of such a nature that the disability could be improved by more suitable housing conditions; or
(A) Have a developmental disability, as defined in section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001-6007); or
(B) Be the surviving member or members of any family that had been living in an assisted unit with the deceased member of the family who had a disability at the time of his or her death; or
(C) Be legally responsible for caring for an individual described by (A) or (B).

(10) Scattered Site -- One to four family dwellings located on sites that are on non-adjacent lots, with no more than four units on any one site.

(11) Small housing development – a single or multifamily housing development that has less than 50 units.

(12) Special Needs Populations -- Persons who:
(A) are considered to be disabled under state or federal law,
(B) are elderly, meaning 60 years of age or older or of an age specified by an applicable federal program,
(C) are designated by the Board as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise (these include: persons with alcohol and/or drug addictions, colonia residents, persons with disabilities, victims of domestic violence, persons with HIV/AIDS, homeless populations, and migrant farmworkers), or
(D) are legally responsible for caring for an individual described by subparagraphs (A), (B), or (C) of this paragraph and meet the income guidelines established by the Board.

(13) Tenant-Based Rental Assistance -- A form of rental assistance in which the assisted tenant may move from a dwelling unit with a right to continued assistance. The assistance is provided for the tenant, not for the project.

(14) Tenant Services -- Social services, including child care, transportation, and basic adult education, that are provided to individuals residing in low income housing under Title IV-A, Social Security Act (42 U.S.C. §601 et seq.), and other similar services. Tenant participation in services cannot be required.

(15) Transitional housing -- A project that has as its purpose facilitating the movement of homeless individuals and families to permanent housing within a reasonable amount of time (usually 24 months). Transitional housing includes but is not limited to housing primarily designed to serve deinstitutionalized homeless individuals and other homeless individuals with mental or physical disabilities, homeless families with children, and victims of domestic violence.

(16) Unit -- Any residential rental unit in a housing development consisting of an accommodation including a single room used as an accommodation on a non-transient basis, that contains complete physical facilities and fixtures for living, sleeping, eating, cooking and sanitation.

(c) Procedures.

(1) A housing development may not restrict occupancy solely to people with disabilities or people with disabilities in combination with other special needs populations.

(A) Large housing developments shall provide no more than 18 percent of the units of the development set-aside exclusively for people with disabilities. The units must be dispersed throughout the development.

(B) Small housing developments shall provide no more than 36 percent of the units of the development set-aside exclusively for people with disabilities. These units must be dispersed throughout the development.

2. Set aside percentages outlined in subparagraphs (A) and (B) of paragraph (1) of this subsection refer only to the units that are to be solely restricted for person with disabilities. This section does not prohibit a property from having a higher percentage of occupants that are disabled.

(3) Property owners may not market a housing development entirely, nor limit occupancy to, persons with disabilities.

(d) Exceptions.

(1) Scattered site development and tenant based rental assistance is exempt from the requirements of this section.

(2) Transitional housing is exempt from the requirements of this section, but must be time limited, with a clear and convincing plan for permanent integrated housing upon exit from the transitional situation.

(3) This section does not apply to housing developments designed exclusively for the elderly.

(4) This section does not apply to housing developments designed for other special needs populations.

(e) Board Waiver.

(1) The Board may waive the requirements of this rule to further the purposes or policies of Chapter 2306, Texas Government Code, or for other good cause.

PORTFOLIO MANAGEMENT AND COMPLIANCE DIVISION
BOARD ACTION REQUEST
SEPTEMBER 11, 2003

Action Item

Request approval for the Draft Compliance Monitoring and Asset Management Rules to be released for public comment.

Recommended Action

Approval of the Draft Compliance Monitoring and Asset Management Rules.

Background

The Compliance Rules (Rules) were previously located in the Qualified Allocation Plan (QAP). The Rules have been revised and are being proposed as separate rules under Title 10 of the Texas Administrative Code, Part 1, Chapter 60, Subchapter A.The draft Compliance Monitoring and Asset Management Rules reflect staff's recommendations and input collected during the QAP workshops. The draft rules also include legislative changes from the 78th legislative session. The addition of the reserve deposit section of the rules as required of 2306.186 is the major substantive change. Other changes include the addition of scoring violations in section (u)-Material Non-compliance of the draft. These additions and changes are as follows:

- Developments completed without threshold amenities without Department approval carries 30 points uncorrected and 10 points corrected.
- Owners that fail to pay fees, including the inspection fees, during the construction period are given 30 points.
- Developments that are not completed by the due date of the cost certification are given 25 points.
- Defaults on payments of Department loans for a period exceeding 90 days are given 30 points.
- Developments where the owner has refused to allow an on-site monitoring review are given 30 points.

Recommendation

Approval of the Draft Compliance Monitoring and Asset Management Rules.

Texas Administrative Code

TITLE 10 **COMMUNITY DEVELOPMENT**

PART 1 **Texas Department of Housing and Community Affairs**

Chapter 60 **COMPLIANCE ADMINISTRATION**

SUBCHAPTER A **Compliance Monitoring and Asset Management**

RULE Section 60.1 **Compliance Monitoring Policies and Procedures**

~~§49.19. Compliance Monitoring and Material Non-Compliance.~~

(a) Purpose. The Department monitors rental developments receiving assistance from the Department, including Housing Tax Credits, during the construction period and continuing to the end of the long term Affordability Period. The Compliance Division monitors to ensure owners comply with Chapter 2306, Texas Government Code, program rules and regulations, LURA requirements, and any conditions and representations imposed by the application or award of funds. Compliance processes, eligibility procedures, forms, and further programmatic details are ~~The Code, §42(m)(1)(B)(iii), requires the Department as the housing credit agency to include in its QAP a procedure that the Department will follow in monitoring Developments for compliance with the provisions of the Code, §42 and in notifying the IRS of any noncompliance of which the Department becomes aware. Such procedure is~~ set out in ~~this QAP and in~~ the individual program rules and the Owner's Compliance Manuals prepared by the Department's Compliance Division, as amended from time to time. The rules under this section address processes, reports ~~Such procedure only addresses forms~~ and records that may be required by the Department to enable the Department to monitor a Development for violations of the ~~Code and the LURA and to notify the IRS of any such non-compliance~~ program's federal and state rules and regulations. These rules do ~~This procedure does~~ not address forms and other records that may be required of ~~Development Owner~~development owners by the IRS or other governmental entities more generally, whether for purposes of filing annual returns or supporting ~~Development Owner~~development owner tax positions during an IRS or other governmental audit.

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

(1) **Affordability Period** - The affordability period commences on the effective date of the Land Use Restriction Agreement or the first day of the compliance period as defined by Section 42 of the Internal Revenue Code and continues through the appropriate program's affordability requirements or termination of LURA, which ever is later. The term of the affordability period shall be imposed by deed restriction.

(2) **Board** - The governing board of the Department.

(3) **Department -** The Texas Department of Housing and Community Affairs, an agency of the State of Texas, established under Chapter 2306 of Texas Government Code.

~~(4)~~ **Development –** A property or work or a project, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the Department and that is financed under the provisions of Chapter 2306, Texas Government Code, for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, use, or purchase by individuals and families of low and very low income and families of moderate income in need of housing. The term includes:

(A) buildings, structures, land, equipment, facilities, or other real or personal properties that are necessary, convenient, or desirable appurtenances, including streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community, and recreational facilities the Department determines to be necessary, convenient, or desirable appurtenances;

(B) single and multifamily dwellings in rural and urban areas; and

(C) developments monitored by the Department under the Affordable Housing Disposition Program are also included in this definition.

(5) **Low Income Unit** - A unit that complies with the income restrictions and occupancy requirements of the housing programs administered by the Department.

(6) **Material Non-Compliance** – A Development located within the State of Texas will be classified by the Department as being in material non-compliance status if the non-compliance score for such Development is equal to or exceeds 30 points in accordance with the material non-compliance provisions, methodology and point system of this title. A Development located outside the State of Texas will be classified by the Department as being in material non-compliance status if the non-compliance score for such Development is equal to or exceeds 30 points in accordance with the material non-compliance provisions, methodology and point system of this title. When Developments are layered with more than one program, the Compliance History will reflect the highest score.

(c) Construction Inspections. The Department, through the division with responsibility for compliance matters, shall monitor for compliance with all applicable requirements through the entire construction or rehabilitation phase associated with any Development funded by the Department, including Housing Tax Credits~~under this title~~. The Department will monitor under this requirement by requiring a copy of reports from all construction inspections performed for the lender and/or S~~s~~yndicator for the Development. Those reports must indicate that the Department may rely on the reports. The Department may contract with third party inspector to conduct inspections when the Department acts as the first lien lender. The Department may provide inspectors for the lenders and/or Syndicator with required documentation to be completed that will confirm satisfaction of the requirements of this rule. The Applicant must provide the Department with copies of all inspections made throughout the construction of the Development within fifteen days of the date the inspection occurred. In addition, ~~If necessary,~~ the Department may inspect or obtain a Third-Party inspection ~~report~~ for purposes of monitoring during the construction phase. Plans or specifications for the Development shall be provided to the Department, or any Third-Party Inspector upon request. ~~The Applicant must provide the Department with copies of all inspections made throughout the construction of the Development within fifteen days of the date the inspection occurred. The Department, or any third-party inspector hired by the Department, shall be provided, upon request, any construction documents, plans or specifications for the Development to perform these inspections.~~ The monitoring level for each Development must be based on the amount of risk associated with the Development. The Department shall use its~~the~~ division responsible for credit underwriting matters and its~~the~~ division responsible for compliance matters to determine the amount of risk associated with each Development. After completion of a Development's construction phase, the Department shall periodically review the performance of the Development to confirm the accuracy of the Department's initial compliance evaluation during the construction phase~~.~~ (Section 2306.081, Texas Government Code). Developments having financing from TX-USDA-RHS will be exempt from these inspections, provided that the development owner ~~Applicant~~ provides the Department with copies of all inspections made by TX-USDA-RHS throughout the construction of the Development within fifteen days of the date the inspection occurred.

(d~~c~~) On Going Monitoring. During the Affordability Period, t~~T~~he Department will monitor compliance with all representations~~covenants~~ made by the ~~Development Owner~~development owner in the Application and in the LURA, whether required by the applicable program rules, regulations, including HOME Final Rule, Section 42 of the Internal Revenue Code, Treasury Regulations or other rulings of the IRS, Community Planning and Development (CPD) Notices, or undertaken by the ~~Development Owner~~development owner in response to Department requirements or criteria.

(e) Compliance History. Prior to Board approval of any project application, the Compliance Division shall assess the compliance history of the Applicant and any Affiliate of the Applicant with respect to all applicable requirements. Information from all Divisions of the Department is utilized to determine compliance with applicable requirements. (Section 2306.057, Texas Government Code) The Compliance Division will provide the Board:

(1) the compliance history of the Applicant and any Affiliate of the Applicant with respect to all applicable requirements;

(2) the compliance issues associated with the proposed project; and

(3) a written report regarding the results of the assessments.

The Board shall fully document and disclose any instances in which the Board approves a project Application despite any non-compliance associated with the Project, Applicant, or Affiliate.

(f) Reserve Deposits.

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

(A) **Bank Trustee** - a bank authorized to do business in this state, with the power to act as trustee.

(B) **Department Assistance** - any state or federal assistance administered by or through the Department, including housing tax credits.

(C) **First Lien Lender** - a lender whose lien has first priority.

(D) **Reserve Account** - an individual account:

(i) created to fund any necessary repairs for a multifamily rental housing Development; and

(ii) maintained by a first lien lender or bank trustee.

(2) If the Department is the first lien lender with respect to the Development, each owner who receives Department assistance for a multifamily rental housing Development that contains 25 or more rental units shall deposit annually into a reserve account:

(A) for the year 2004:

(i) not less than $150 per unit per year for units one to five years old; and

(ii) not less than $200 per unit per year for units six or more years old; and

(B) for each year following the year 2004, the amounts per unit per year as described by Subsection (f)(2)(A).

(3) A Land Use Restriction Agreement or Restrictive Covenant between the development owner and the Department must require the Owner to begin making annual deposits to the reserve account on the date that occupancy of the multifamily rental housing Development stabilizes (as defined by the first lien lender or in the absence of a first lien lender other than the Department, the date the Development is at least 90% occupied) or the date that permanent financing for the Development is completely in place (as defined by the first lien lender or in the absence of the first lien lender other than the Department, the date when the permanent loan is executed and funded), whichever occurs later, and shall continue making deposits until the earliest of the following dates:

(A) the date of any involuntary change in Ownership of the Development;

(B) the date on which the owner suffers a total casualty loss with respect to the Development or the date on which the Development becomes functionally obsolete, if the Development cannot be or is not restored;

(C) the date on which the Development is demolished;

(D) the date on which the Development ceases to be used as multifamily rental Development; or

(E) the end of the Affordability Period specified by the land use restriction agreement or restrictive covenant.

(4) With respect to multifamily rental Developments, if the establishment of a reserve fund for repairs has not been required by the first lien lender, the development owner shall set aside the repair reserve amount as a reserve for capital improvements as described in (2) of this section. The reserve must be established for each unit in the Development, regardless of the amount of rent charged for the unit.

(5) Beginning with the 11th year after the awarding of any financial assistance for the Development by the Department, the owner of a multifamily rental housing Development shall contract for a third-party physical needs assessment at appropriate intervals that are consistent with lender requirements with respect to the Development. If the first lien lender does not require a third-party physical needs assessment or if the Department is the first lien lender, the owner shall contract with a third party to conduct a physical needs assessment at least once during each five-year period beginning with the 11th year after the awarding of any financial assistance for the Development by the Department. The owner of the Development shall submit to the Department copies of the most recent third-party physical needs assessment conducted on the Development, any response by the owner to the assessment, any repairs made in response to the assessment, and information on any necessary changes to the required reserve based on the assessment. The first lien lender or owner shall submit the physical needs assessment, any response thereof, documentation of any repairs made as a result of the physical needs assessment, and/or any information on any adjustments to the amounts held in the replacement reserve account based upon the physical needs assessment to the Department within 30 days of receipt thereof. All physical needs assessments shall be consistent with the Department's Property Condition Assessment Rules and Guidelines in Section 1.36 of this Title.

(6) The Department may complete necessary repairs if the owner fails to complete the repairs as required by Subsection (5). Payment for those repairs must be made directly by the owner of the Development or through a reserve account established for the Development under this section.

(7) If notified of the development owner's failure to comply with a local health, safety, or building code, the Department may enter on the Development and complete any repairs necessary to correct a violation of that code, as identified in the applicable violation report, and may pay for those repairs through a reserve account established for the Development under this section.

(8) The duties of the owner of a multifamily rental housing Development under this section cease on the date of a voluntary change in ownership of the Development, but the subsequent owner of the Development is subject to the deposit, inspection, and notification requirements of Subsections (2), (3), (4), and (5).

(9) The first lien lender shall maintain the reserve account. In the event there is no longer a first lien lender, then Subsections (2) and (4) no longer will apply~~will~~ applies~~y~~.

(10) The owner shall engage and pay any additional fees for an escrow agent acceptable to the Department to hold reserve funds in accordance with an executed escrow agreement and the rules set forth herein and Section 2306.186~~5~~, Texas Government Code:

(A) where there is a first lien lender other than the Department or a bank trustee as a result of a bond indenture or housing tax credit syndication, the Department shall be a required signatory party in all escrow agreements for the maintenance of reserve funds and the accounts held for the purpose of maintaining the required reserve funds. The Department shall be given notice of any asset management findings or reports, transfer of money in reserve accounts to fund necessary repairs; and any financial data and other information pursuant to the oversight of the reserve accounts within 30 days of any receipt or determination thereof. The Department shall subordinate its other rights and responsibilities under the escrow agreement, including those described in subsection (B) below, to the first lien lender subject to its ability to due so under the law and normal and customary limitations for fraud and other conditions contained in the Department's standard subordination clauses agreements as modified from time to time. The escrow agreement shall further specify the time and circumstances under which the Department can exercise its rights under the escrow agreement in order to fulfill its obligations under Section 2306.186~~5~~ of the Texas Government Code and as described in subsection (B) below.

(B) where the Department is the first lien lender and there is no bank trustee as a result of a bond indenture or housing tax credit syndication or where there is no first lien lender but the allocation of funds by the Department and Section 2306.186~~5~~ requires that the Department oversee a reserve fund, the owner shall provide at their sole expense for appointment of an escrow agent acceptable to the Department to act as bank trustee as necessary under this section. The Department shall retain the right to replace the escrow agent with another bank trustee due to breach of the escrow agents' responsibilities or otherwise with 30 days prior notice of all parties to the escrow agreement. The owner shall provide within 30 days of receipt or identification thereof:

(i) any and all inspections of the multifamily rental housing Developments and identification of necessary repairs, including requirements and standards regarding construction, rehabilitation, and occupancy that may enable quicker identification of those repairs;

(ii) written request, schedule for repayment to the reserve account, and identification of circumstances which may require that money in the reserve accounts :

(a) be used for expenses other than necessary repairs, including property taxes or insurance; and

(b) fall below mandatory deposit.;

The Department shall evaluate the merit of the written request on a case by case basis and may require that the transaction be re-evaluated by the division responsible for underwriting multifamily Developments. The Executive Director is authorized but not obligated to grant such requests or enforce the provisions of this section.

(11) The Department shall assess an administrative penalty on development owners who fail to: establish a reserve account for repairs, make the Department a party to the escrow agreement for the reserve account, maintain the reserve account as required in this section, contract for the third-party physical needs assessment or make the identified repairs as required by this section. The administrative penalty shall be in addition to collecting the funds required to fulfill the Owner's obligations in this Section. This section does not apply to a Development for which an Owner is required to maintain a reserve account under any other provision of federal or state law.

(g) Section 8 Voucher Holders. The Department will monitor to ensure development owners comply with Section 1.14 of this title regarding residents receiving rental assistance under Section 8 of the United States Housing Act of 1937 (42 U.S.C Section 1437f). Sections 2306.269 and 2306.6728, Texas Government Code)

(h~~d~~) Monitoring of Compliance. The Department may contract with an independent external~~third~~ party to monitor a Development during its construction or rehabilitation and during its operation for compliance with any conditions imposed by the Department in connection with funding including ~~the allocation of~~ Housing ~~housing~~ T~~t~~ax C~~c~~redits to the Development and appropriate S~~s~~tate and F~~f~~ederal laws, as required by other S~~s~~tate law or by the Board. (Section 2306.6719, Texas Government Code) ~~The Department may assign Department staff other than housing tax credit division staff to perform the relevant monitoring functions required by this section in the construction or rehabilitation phase of a Development.~~

~~(e) The Department shall create an easily accessible database that contains all Development compliance information developed under this section.~~

(i~~f~~) Recordkeeping. ~~The Development Owner~~development owners must comply with program recordkeeping requirements. In addition, ~~keep~~ records, including items listed in paragraphs (1) through (12) of this subsection, must be continuously kept for each qualified low income rental unit~~building~~ in the Development, commencing with lease up activities and continuing on an annual basis until the end of the Affordability Period. (Section 2306.072, Texas Government Code) ~~showing on a monthly basis (with respect to the first year of a building's Credit Period and on an annual basis, thereafter):~~

(1) the total number of residential rental u~~U~~nits in the Development, ~~building (~~ including the number of bedrooms ~~and the size in square feet of each residential rental Unit)~~;

(2) the move in and move out date for each residential rental unit in the Development;

(3~~2~~) which ~~the percentage of~~ residential rental u~~U~~nits ~~in the building that~~ are low income u~~U~~nits and the income level of the residents broken into 30, 40, 50, 60 or 80 percent of the area median income (defined as income ≤30, 31-40, 41-50, 51-60 or 61-80 % of AMI);

(4~~3~~) the rent charged for each residential rental u~~U~~nit ~~in the building~~ including, with respect to low income u~~U~~nits, documentation to support the utility allowance applicable to such u~~U~~nit and any rental assistance received;

(5)~~(4)~~ the number of occupants living in each low income u~~U~~nit;

(6~~5~~) the low income rental u~~U~~nit vacancies ~~in the building~~ and information that shows the date ~~when~~, and to whom, all available u~~U~~nits were rented;

(7~~6~~) the annual income certification of each tenant of a low income u~~U~~nit, in the form designated by the Department in the Compliance Manual, as may be modified from time to time;

(8~~7~~) documentation to support each low income tenant's income certification, consistent with the determination of annual income and verification procedures under Section 8 of the United States Housing Act of 1937 ~~("Section 8"), notwithstanding any rules to the contrary for the determination of gross income for federal income tax purposes. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement is satisfied if the public housing authority provides a statement to the Development Owner declaring that the tenant's income does not exceed the applicable income limit under the Code, §42(g) as described in the Compliance Manual;~~

~~(8) the Eligible Basis and Qualified Basis of the building at the end of the first year of the Credit Period;~~;

(9) the total number of units reported by bedroom size, designed for individuals who are physically challenged or who have special needs and the number of these individuals served annually;~~the character and use of the nonresidential portion of the building included in the building's Eligible Basis under the Code, §42(d), (e.g. whether tenant facilities are available on a comparable basis to all tenants; whether any fee is charged for use of the facilities; whether facilities are reasonably required by the Development); and~~

(10) the race and ethnic makeup of each Development;

(11) the number of units occupied by individual receiving government supported housing assistance and the type of assistance received; and

(12)~~(10)~~ any additional information as required by the Department.

~~(g) The Development Owner will deliver to the Department no later than the last day in April each year, the current audited financial statements, in form and content satisfactory to the Department, itemizing the income and expenses of the Development for the prior year.~~

~~(h) Specifically, to evidence compliance with the requirements of the Code, §42(h)(6)(B)(iv) which requires that the LURA prohibit Development Owners of all tax credit Developments placed in service after August 10, 1993 from refusing to lease to persons holding Section 8 vouchers or certificates because of their status as holders of such Section 8 voucher or certificate. Development Owners must comply with Department rules under 10 TAC §1.14 of this title.~~

~~(1) A Development funded or administered by the Department is prohibited from:~~

~~(A) excluding an individual or family from admission to the Development because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937 (42 U.S. C. Section 143F);~~

~~(B) using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than 2.5 times the individual or family's share of the total monthly rent payable to the Development. A Development Owner must maintain a written management plan that is available for review upon request. Such management plan must clearly state the following objectives:~~

~~(i) prospective applicants who hold Section 8 vouchers or certificates are welcome to apply and will be provided the same consideration for occupancy as any other applicant;~~

~~(ii) any minimum income requirements for Section 8 voucher and certificate holders will only be applied to the portion of the rent the prospective tenant would pay, provided, however, that if Section 8 pays 100% of the rent for the Unit, the Development Owner may establish other reasonable minimum income requirements to ensure that the tenant has the financial resources to meet daily living expenses. Minimum income requirements for Section 8 voucher and certificate holders will not exceed 2.5 times the portion of rent the tenant pays; and~~

~~(iii) all other screening criteria, including employment policies or procedures and other leasing criteria (such as rental history, credit history, criminal history, etc.) must be applied to applicants uniformly and in a manner consistent with the Texas and federal Fair Housing Acts and with Department and Code requirements;~~

~~(2) In addition the following is required for Developments funded or administered by the Department:~~

~~(A) post Fair Housing logos and the Fair Housing poster in the leasing office;~~

~~(B) approve and distribute a written Affirmative Marketing Plan to the property management and on-site staff; and~~

~~(C) communicate annually during the first quarter of each year in writing with the administrator of each Section 8 program which has jurisdiction within the geographic area where the Development is located. Such communication will include information on the Unit characteristics and rents and will advise the administrating agency that the property accepts Section 8 vouchers and certificates and will treat referrals in a fair and equal manner. Copies of such correspondence must be available during on-site reviews conducted by the Department. A prospective tenant participating in the voucher program shall have the right to report to the administrator of the Section 8 program that provided the certificate or voucher an exclusion from admission to a Development based on a financial or minimum income standard requiring the tenant to have a monthly income of more than 2.5 times the tenant or tenant's family share of the total monthly rent payable to the Development Owner. The administrator shall promptly report such exclusion to the Department.~~

~~(3) A Housing Sponsor that fails to comply with the requirements and procedures of this §49.19(h) of this title is subject to the following sanctions:~~

~~(A) Failure to lease to a prospective tenant due to the applicant's status as a recipient of a federal rental assistance voucher or certificate will result in a material non-compliance score as more fully described in subsection (s) of this section.~~

~~(B) A complaint of exclusion from admittance as described in subsection (h)(5) of this section that has been verified by the Department shall result in a non-compliance score as more fully described in subsection (s) of this section for a period of one year from the date of the Department's verification of the complaint.~~

~~(i) Record retention provision. The Development Owner is required to retain the records described in subsection (f) of this section for at least six years after the due date (with extensions) for filing the federal income tax return for that year; however, the records for the first year of the Credit Period must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the Compliance Period of the building.~~

(j) Reporting. Each Development shall submit reports as required by the Department. Each Development that received financial assistance including Housing Tax Credits from the Department shall submit the information required under subsection (i) in the annual Fair Housing Sponsor Report pursuant to Sections 2306.072 and 2306.0724, Texas Government Code. Section 1.11 of this title contains procedures regarding filing, and penalties for failure to file reports.

(1) Part A: the "Owner's Certification of Program Compliance"; Part B: the "Unit Status Report"; and Part C: "Tenant Services Provided Report" of the Fair Housing Sponsor Report must be provided to the Department no later than March 1st of each year, reporting data current as of January 1st of each reporting year. Part D: the "Owner's Financial Certification" shall be delivered to the Department no later than the last day in April each year, which includes audited financial statements, and income and expenses of the Development for the prior year. Full description of the Fair Housing Sponsor Report is contained in subsection (m).

(2) The Department maintains a summary of the information reported by the Fair Housing Sponsor Report pursuant to Section 2306.072(c)(6), Texas Government Code, in electronic and hard-copy formats available at no charge to the public.

(3) Rental Developments funded by HOME, Housing Trust Fund or any other rental programs funded by the Department shall provide tenant information provided on Part B; "Unit Status Report" at least quarterly during lease up and until occupancy requirements are achieved. Once all occupancy requirements are satisfied the Development shall submit tenant information at least annually as required by subsection (j).

(4) Developments financed by tax exempt bonds issued by the Department shall report quarterly throughout the Qualified Project Period or until released by the Department.

(5) The Department retains the right to require the Owner to submit tenant data in the electronic format as developed by the Department. The Department will provide general instruction regarding the electronic transfer of data.

(k) Database. The Department shall create an easily accessible database that contains all Development compliance information developed under this section including Development compliance information provided to the Department by The Texas State Affordable Housing Corporation. (Section 2306.081, Texas Government Code)

(l) Information Regarding Housing for Persons with Disabilities. Development owners of State or Federally assisted housing Developments with 20 or more housing units are required to report information regarding housing units designed for persons with disabilities into the Departments database system pursuant to Section 2306.078, Texas Government Code. The system allows a development owner with at least one housing unit designed for a person with a disability to enter the following information on the Department's Internet site:

(1) the name, if any, of the Development;

(2) the street address of the Development;

(3) the number of housing units in the Development that are designed for persons with disabilities and are available for lease;

(4) the number of bedrooms in each housing unit designed for a person with a disability;

(5) the special features that characterize each housing unit's suitability for a person with a disability;

(6) the rent for each housing unit designed for a person with a disability;

(7) the telephone number and name of the Development manager or agent to whom inquiries by prospective tenants may be made;

(8) the Department solicits the Owner's voluntary provision of updated information.

(m) Fair Housing Sponsor Report~~(j)~~ Certification and Review.

(1) On or before February 1st of each year, the Department will send each rental ~~Development Owner~~development owner the Fair Housing Sponsor Report~~ of a completed Development an Owner's Certification of Program Compliance~~ F~~(f~~orms, as described in subsection (j)(1),~~ provided by the Department)~~ to be completed by the Owner and returned to the Department in accordance with the dates outlined under said subsection.~~on or before the first day of March of each year in the Compliance Period.~~

(2) Penalties and sanctions maybe assessed in accordance to Section (d) of 1.11 of this title for failure to provide a complete Fair Housing Sponsor Report, including administrative penalties and denial of future funding or assistance requests.

(3) Any Development for which the Fair Housing Sponsor Report Part A; the "Owner's Certification of Program Compliance" ~~certification~~ is not received~~ by the Department~~, is received past due, or is incomplete, improperly completed or not signed by the ~~Development Owner~~development owner, will be considered not received, and is considered not in compliance with these rules. Housing Tax Credit Developments will be considered not in compliance with the P~~p~~rovisions of §42 of the ~~the~~ Code and will be reported to the IRS on Form 8823, Low Income Housing Credit Agencies Report of Non Compliance. The Fair Housing Sponsor Report Part A~~Owner Certification of Program Compliance~~ shall ~~cover the preceding calendar year and shall~~ include at a minimum the following statements of the ~~Development Owner~~development owner:

(A) the Development met the minimum set-aside test which was applicable to the Development;

(B) there was no change in the Applicable Fraction or low income set aside of any building~~ in the Development~~, or if there was such a change, the actual

Applicable Fraction is~~ to be~~ reported to the Department; (LIHTC only);~~IRS for each building in the Development for the certification year;~~

(C) the ~~Development Owner~~development owner has received an annual income certification from each low income resident and documentation to support that certification, in the process and form designated by the Department's Compliance Manual, as may be modified from time to time;

(D) documentation is maintained to support each low income tenant's income certification, consistent with the determination of annual income and verification procedures under Section 8 of the United States Housing Act of 1937 ("Section 8"), notwithstanding any rules to the contrary for the determination of gross income for federal income tax purposes. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement is satisfied if the public housing authority provides a statement to the development owner declaring that the tenant's income does not exceed the applicable income limit under the Code, §42(g) as described in the Compliance Manual;

(E) each low income u~~U~~nit in the Development was rent-restricted under the Land Use Restriction Agreement and applicable program regulations including Code~~,~~ §42(g)(2), 24 CFR Part 92 and documentation is maintained to support the utility allowance applicable to such unit;

(F~~E~~) all low income u~~U~~nits in the Development are and have been available for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under the Code, §42(i)(3)(B)(iii)); (LIHTC and Bond only);~~ and (iv));~~

(G~~F~~) No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, has occurred for this Development. A finding of discrimination includes an adverse final decision by the Secretary of HUD, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court. In addition, a statement as to whether the Development has been notified of a violation of fair housing law that has been filed with the United States Department of Housing and Urban Development, the Texas Commission on Human Rights (or successor agency) or with the United States Department of Justice;

(H~~G~~) each unit or building in the Development is and has been suitable for occupancy, taking into account local health, safety, and building codes~~ (or other habitability standards)~~, and the state or local government unit responsible for making building code inspections has ~~did~~ not issued a report of a violation for any building or low income u~~U~~nit in the Development. If a violation report or notice was issued by a~~the~~ governmental unit, the ~~Development Owner~~development owner must provide the Department with~~attach~~ a copy of the violation report or notice. In addition, the ~~Development Owner~~development owner must state whether the violation has been corrected. Each unit meets conditions set by Housing Quality Standards and for Developments receiving HOME funding evidence of the required annual inspection has been maintained;

(I)~~(H) either~~ there ~~was~~ has been no change in the Eligible Basis (as defined in §42(d) of the Code~~the Code, §42(d)~~) for~~of~~ any building in the Development since the last certification, or if~~that there has been a~~ changed~~,~~~~ and~~ the nature of the change~~ (e.g., a common area has become commercial space, a fee is now charged for a tenant facility formerly provided without charge, or the Development Owner has received federal subsidies with respect to the~~

~~Development which had not been previously received or disclosed to the Department in writing)~~;

(J~~I~~) all tenant facilities included in the original application~~Eligible Basis under the Code, §42(d), of any building in the Development~~, such as swimming pools, other recreational facilities, washer/dryer hook ups, appliances and parking areas, were provided on a comparable basis without charge to any~~all~~ tenants in the Development.~~building~~ For Housing Tax Credit Developments, certification that the character and use of the nonresidential portion of the building included in the building's Eligible Basis under §42(d) of the Code has not changed, (e.g. whether tenant facilities are available on a comparable basis to all tenants; whether any fee is charged for use of the facilities; whether facilities are reasonably required by the Development);

(K~~J~~) if a low income u~~U~~nit in the Development became vacant during the year, reasonable attempts were, or are being, made to rent that u~~U~~nit or the next available u~~U~~nit of comparable or smaller size to ~~tenants having~~ a qualifying low income household,~~, and such Unit or the next available Unit of comparable or smaller size was actually rented to tenants having a qualifying income,~~ before any other u~~U~~nits in the Development were, or will be, rented to non low ~~tenants not having a qualifying~~ income households;

(L~~K~~) if the income of tenants, of a low income u~~U~~nit, in the Development increased above the appropriate limit allowed~~ in the Code, §42(g)(2)(D)(ii)~~, the next available u~~U~~nit of comparable or smaller size~~ in that building~~ was, or will be, rented to residents having a qualifying income;

(M~~L~~) a LURA including an Extended Low Income Housing Commitment as described in the Code, §42(h)(6), was in effect for buildings subject to section 7108(c)(1) of the Omnibus Budget Reconciliation Act of 1989, 103 Stat. 2106, 2308-2311, including the requirement under the Code, §42(h)(6)(B)(iv) that a ~~Development Owner~~development owner cannot refuse to lease a u~~U~~nit in the Development to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f (for buildings subject to section 1314c(b)(4) of the Omnibus Budget Reconciliation Act of 1993, 107 Stat. 312, 438-439); (LIHTC only);

(N) if the development owner received its Housing Credit Allocation from the portion of the state ceiling set aside for Developments involving Qualified Nonprofit Organizations under the Code, §42(h)(5), a Qualified Nonprofit Organization owned an interest in and materially participated in the operation of the Development within the meaning of the Code, §46(h)(5); (LIHTC only);

(O) no low income units in the Development were occupied by ineligible full time student households; (LIHTC and BOND only)

(P)~~(M)~~ no change in the ownership of a Development has occurred during the reporting period or changes and transfers were or are being reported;

(Q)~~(N)~~ the ~~Development Owner~~development owner has not been notified by the IRS that the Development is no longer "a qualified low income housing Development" within the meaning of the Code, §42;

(R)~~(O) the Development met all terms and conditions which were recorded in the LURA, or if no LURA was required to be recorded,~~ the Development met all representations of the ~~Development Owner~~development owner in the Application ~~for credits~~and complied with all terms and conditions in the LURA;

~~(P) if the Development Owner received its Housing Credit Allocation from the portion of the state ceiling set aside for Developments involving Qualified Nonprofit Organizations under the Code, §42(h)(5), a Qualified Nonprofit~~

~~Organization owned an interest in and materially participated in the operation of the Development within the meaning of the Code, §469(h); and~~

~~(Q) no low income Units in the Development were occupied by households in which all members were Students.~~ (S) the Development has made all required lender deposits including annual reserve deposits;

(T) the street address and municipality or county in which the Development is located;

(U) the telephone number of the property management or leasing agent;

(V) a statement as to whether the Development has any instances of material non-compliance with Bond indentures or deed restrictions including meeting occupancy requirements or rent restrictions imposed be deed restriction or financing agreements; and

(W) any additional information as required by the Department.

(4~~2~~) Review.

~~(A) The~~ Department staff will review Part A of the Fair Housing Sponsor Report ~~each Owner's Certification of Program Compliance~~ for compliance with the requirements of the appropriate program, including ~~Code,~~ §42 of the Code.

~~(B) The Department will perform on-site inspections of all buildings in each low income Development by the end of the second calendar year following the year the last building in the Development is placed in service and, for at least 20% of the low income Units in each Development, inspect the Units and review the low income certifications, the documentation the Development Owner has received to support the certifications, the rent records for each low income tenant in those Units, and any additional information that the Department deems necessary.~~

~~(C) At least once every three years, the Department will conduct on-site inspections of all buildings in the Development, and for at least 20% of the Development's low income Units, inspect the Units and review the low income certifications, the documentation supporting the certifications, and the rent records for the tenants in those Units.~~

~~(D) The Department may, at the time and in the form designated by the Department, require the Development Owners to submit for compliance review, information on tenant income and rent for each low income Unit, and may require a Development Owner to submit for compliance review copies of the tenant files, including copies of the income certification, the documentation the Development Owner has received to support that certification and the rent record for any low income tenant.~~

~~(E) The Department will randomly select which low income Units and tenant records are to be inspected and reviewed by the Department. The review of the tenant records may be undertaken wherever the Development Owner maintains or stores the records. Units and tenant records to be inspected and reviewed will be selected in a manner that will not give Development Owners advance notice that a particular Unit and tenant records for a particular year will or will not be inspected or reviewed. However, the Department will give reasonable notice to the Development Owner that an on-site inspection or a tenant record review will occur, so that the Development Owner may notify tenants of the inspection or assemble tenant records for review.~~

~~(3) Exception. The Department may, at its discretion, enter into a Memorandum of Understanding with the TX-USDA-RHS, whereby the TX-USDA-RHS agrees to provide to the Department information concerning the income and rent of the tenants in buildings financed by the TX-USDA-RHS under its §515 program. Owners of such buildings may be excepted from the review procedures of subparagraph (B) or (C) of paragraph (2) of this subsection or both; however, if the information provided by TX-USDA-RHS is not sufficient for the Department to make a determination that the income limitation and rent restrictions of the Code, §42(g)(1) and (2), are met, the Development Owner must provide the Department with additional information. TX-USDA-RHS Developments satisfy the definition of Qualified Elderly Development if they meet the definition for elderly used by TX-USDA-RHS, which includes~~

~~persons with disabiliti~~(n) Record Retention Requirements. Each Development that received assistance from the Department including Housing Tax Credits is required to retain records as required by the specific funding program rules. Retention schedule requirements include, but are not limited to, the provisions of paragraphs (1) through (4) of this subsection;

(1) Housing Tax Credit records as described in section (i) must be retained for at least six years after the due date (with extensions) for filing the federal income tax return for that year; however, the records for the first year of the Credit Period must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the Compliance Period of the building.

(2) Retention of records for HOME Assisted Rental Developments must comply with the provisions of 24 CFR 92.508(c), which generally requires retention of rental housing records for five years after the Affordability Period terminates.

(3) Records for Housing Trust Fund Rental Developments pertaining to tenant files must be retained for at least three years beyond the date the tenant moves from the Development. Records pertinent to the funding of the award, including but not limited to, the application, project costs and documentation must be retained for at least five years after the Affordability Period terminates.

(4) Other rental Developments funded in whole or in part by the Department must comply with record retention requirements as required by rule or deed restriction.

(o)~~(k)~~ Inspections~~ provision~~. The Department retains the right to perform an on site inspection of any low income Development, including all books and records pertaining thereto, through either the end of the Compliance Period or the end of the period covered by any Extended Low Income Housing Commitment, whichever is later. ~~An inspection under this subsection may be in addition to any review under subsection (j)(2) of this section.~~

(1) The Department will perform on-site inspections and file reviews of each Housing Tax Credit Development. The Department will conduct a review of Housing Tax Credit Developments by the end of the second calendar year following the year the last building in the Development is placed in service. The Department will schedule a review of all other Developments as leasing commences. The Department will monitor at least 15% of the low income units in each Development, inspect the units and review the low income certification, the documentation the development owner has received to support the certifications, the rent records for each low income tenant in those units, and any additional information that the Department deems necessary.

(2) During the Affordability Period, at least once every three years, the Department will conduct on-site inspections and file reviews of each Development administered by the Department, and for at least 15% or more of the Development's low income units, review the low income certifications, the documentation supporting the certifications, the rent records for the tenants in those units and any additional information that the Department deems necessary. The on-site inspection will also include an inspection of the units.

(3) The Department may, at the time and in the form designated by the Department, require the development owners to submit for compliance review information on tenant income and rent for each low income unit, and may require a development owner to submit for compliance review copies of the tenant files, including copies of the income certification, the documentation the development owner has received to support that certification and the rent record for any low income tenant.

(4) The Department will randomly select which low income units and tenant records are to be inspected and reviewed. The review of the tenant records may be undertaken wherever the development owner maintains or stores the records if

located within the State of Texas. Original records are required for review. Units and tenant records to be inspected and reviewed will be selected in a manner that will not give development owners advance notice that a particular unit and tenant records for a particular year will or will not be inspected or reviewed. However, the Department will give reasonable notice to the development owner that an on-site inspection or a tenant record review will occur, so that the development owner may notify tenants of the inspection or assemble original tenant records for review.

(5) The Department will conduct a limited inspection to determine compliance with accessibility requirements under the Fair Housing Act or Section 504, Rehabilitation Act of 1973. If determined necessary the Department may order third party inspections and make referrals to appropriate Federal and State agencies.

(6) Exception. The Department may, at its discretion, enter into a Memorandum of Understanding with the TX-USDA-RHS, whereby the TX-USDA-RHS agrees to provide to the Department information concerning the income and rent of the tenants in buildings financed by the TX-USDA-RHS under its §515 program. Owners of such buildings may be exempted from the inspection provisions, however, if the information provided by TX-USDA-RHS is not sufficient for the Department to make a determination that the income limitation and rent restrictions are met, the development owner must provide the Department with additional information or the Department will inspect according to the provisions contained herein. TX-USDA-RHS Developments satisfy the definition of Qualified Elderly Developments if they meet the definition for elderly used by TX-USDA-RHS, which includes persons with disabilities.

(p)~~(l)~~ Inspection Standards. For the on-site inspections of Developments ~~buildings~~ and low income u~~U~~nits, the Department shall review any local health, safety, or building code violations reported to, or notices of such violations retained by, the d~~Development Owner~~evelopment owner~~,~~ under subsection (m)(3)(H) ~~(j)(1)(G) of this section~~, and determine whether the u~~U~~nits satisfy local health, safety, and building codes or the uniform physical condition standards for public housing established by HUD (24 CFR 5.703) or Housing Quality Standards. The HUD physical condition standards do not supersede or preempt local health, safety and building codes. In the absence of local health, safety and building code violation reports or if deemed necessary by the Department, inspections by third party inspectors or local government entities will be requested. In addition to the review of any local health, safety or building code violation reports, the Department may conduct inspections of the units using the Housing Quality Standards. Developments must continue to satisfy these codes and maintain Development condition throughout the Affordability Period. Housing Tax Credit Developments that fail to comply with local codes or the uniform physical condition standards ~~if the Department becomes aware of any violation of these codes, the violations~~ must be reported to the IRS.

~~(m) The Department retains the right to require the Owner to submit tenant data in the electronic format as developed by the Department. The Department will provide general instruction regarding the electronic transfer of data.~~

(q)~~(n)~~ Notices to Owner. The Department will provide prompt written notice to the ~~Development Owner~~development owner if the Department does not receive the Fair Housing Sponsor Report ~~certification described in subsection (j)(1) of this section~~ or discovers through audit, inspection, review or any other manner, that the Development is not in compliance with the provisions of the deed restrictions, conditions imposed by the Department, or program rules and regulations, including §42 of the Code ~~Code, §42 or the LURA~~. The notice will specify a correction period, which will not exceed 90 days from the date of notice to the d~~Owner~~evelopment owner, during which the d~~Development Owner~~evelopment owner may respond to the Department's findings, bring the Development into compliance, or supply any missing documentation or certifications. The Department may extend the correction period for up to six months from the date of notice to the ~~Owner~~development owner if it determines there is good cause for granting an extension. If any communication to the d~~Development Owner~~evelopment owner under this section is returned to the Department as unclaimed or undeliverable, the Development may be considered not in compliance without further notice to the d~~Development Owner~~evelopment owner. The development owner is responsible for providing the Department with current contact information including address and phone number.

(r)~~(o)~~ Notice to the IRS. (Housing Tax Credit Developments only).

(1) Regardless of whether ~~the~~ noncompliance is corrected, the Department is required to file IRS Form 8823 with the IRS. IRS Form 8823 will be filed no~~t~~ later than 45 days after the end of the correction period specified in the Notice to the Owner (including any extensions permitted by the Department), but will not be filed before the end of the correction period. The Department will explain on IRS Form 8823 the nature of the noncompliance and will indicate whether the ~~Development Owner~~development owner has corrected the non-compliance ~~or failure to certify~~.

(2) If a particular instance of non-compliance is not corrected within three years after the end of the permitted correction period, the Department is not required to report any subsequent correction to the IRS.

(3) The Department will retain records of noncompliance ~~or failure to certify~~ for six years beyond the Department's filing of the respective IRS Form 8823. In all other cases, the Department will retain ~~the certification and~~ reports~~records described in §49.19 of this title~~ for three years from the end of the calendar year the Department receives the reports~~certifications and records~~.

(4) The Department will send the development owner of record copies of any 8823s submitted to the IRS. Copies of 8823s will be submitted to the Syndicator for Developments awarded housing tax credits after January 1, 2004.

(s)~~(p)~~ Notices to the Department. A d~~Development Owner~~evelopment owner must provide written notice to the Department for the~~notify the division responsible for compliance within the Department in writing of the~~ events listed in paragraphs (1) through (5)~~(3)~~ of this subsection.~~:~~

(1) prior to any sale, transfer, exchange, or renaming of the Development or any portion of the Development. For Rural Developments that are federally assisted or purchased from HUD, the Department shall not authorize the sale of any portion of the Development. Any transfers of ownership must follow procedures required by the Department (Section 2306.852, Texas Government Code);

(2) any change of address to which subsequent notices or communications shall be sent; ~~or~~

(3) within thirty days of the placement in service of each building, the Department must be provided the placed in service date of each building. (LIHTC only);

(4) the Development in whole or part, suffered a casualty loss and a date when the loss occured; or

(5) commencement of leasing activities within thirty days of commencement.

(t) Utility Allowances. The Department will monitor during the Affordability Period to determine whether rents comply with the published rent limits using the utility allowances established by the local housing authority or approved by the Department. If there is more than one entity (Section 8 administrator, public housing authority) responsible for setting the utility allowance(s) in the area of the Development location, then the utility allowance selected must be the one which most closely reflects the actual utility costs of that Development. In this case, documentation from the local utility provider supporting the selection must be provided.~~(q) Liability. Compliance with the requirements of the Code, §42 is the sole responsibility of the Development Owner of the building for which the credit is allowable. By monitoring for compliance, the Department in no way assumes any liability whatsoever for any action or failure to act by the Development Owner including the Development Owner's noncompliance with the Code, §42.~~

~~(r) These provisions apply to all buildings for which a low income housing credit is, or has been, allowable at any time. The Department is not required to monitor whether a building or Development was in compliance with the requirements of the Code, §42, prior to January 1, 1992. However, if the Department becomes aware of noncompliance that occurred prior to January 1, 1992, the Department is required to notify the IRS in a manner consistent with subsection (j) of this section.~~

(u)~~(s)~~ Material Non-Compliance. ~~In accordance with §49.5(b)(6) and (7) of this title, t~~The Department will disqualify an Application for funding or other assistance of any kind, including Housing Tax Credits, if the Applicant, the d~~Development Owner~~evelopment owner, ~~or~~ the General Contractor, or any Affiliate of the ~~Applicant, the Development Owner, or the~~ General Contractor ~~that~~ is active in the ownership or c~~C~~ontrol of one or more Affordable Housing Development~~other low income rental housing properties~~, located in or outside the State of Texas, is determined by the Department to be in Material Non-Compliance on the date the Application Round closes. The Department will classify an in-state Development~~property~~ as being in Material Non-Compliance when such Development~~property~~ has a Non-Compliance score that is equal to or exceeds 30 points in accordance with the methodology and point system set forth in this subsection. If a Development is located outside the State of Texas and non-compliance is reported to the Department that~~, or if in accordance with §49.5(b)(7) of this title, the Department makes a determination that the non-compliance reported~~ would equal to or exceed a non-compliance score of 30 points, if measured in accordance with the methodology and point system set forth in this subsection, to the extent the methodology and point system can reasonably be applied to the reported information, the Department will classify the Development as being in Material Non-Compliance.

(1) Each Development~~property~~ that has received funding or other assistance, including Housing Tax Credits,~~an allocation~~ from the Department will be scored according to the type and number of non-compliance events as it relates to the Housing ~~Low Income Housing~~ Tax Credit Program or other Department programs. All Developments funded or assisted by the Department, including Housing Tax Credit Developments, regardless of status, ~~that have received an allocation~~ are scored, even if the project no longer actively participates in a~~in~~ the program. Under the Housing Tax Credit program, non-compliance events issued on form 8823 are assigned point values. For other programs monitored by the Department, non-compliance events identified during on-site monitoring reviews are assigned point values. For all Developments funded by the Department, including Housing Tax Credit Developments, events of non-compliance identified in (4)(A) of this section are assigned point values.

(2) Uncorrected non-compliance will carry the maximum number of points until the non-compliance event has been reported corrected by the Department. Once reported corrected by the Department the score will reduce to the "corrected value" ~~in paragraph (4) of this subsection~~. Corrected non-compliance will no longer be included in the Development score three years after the date the non-compliance was reported as corrected ~~by the Department~~.

(A) Under the Housing Tax Credit Program, n~~N~~on-compliance events that occurred and were identified by the Department through the issuance of the IRS form 8823 prior to January 1, 1998 are assigned corrected point values to each non-compliance event. The score for these events will no longer be included in the Development's score three years after the date the form 8823 was executed.

(B) For Applications submitted for funding or other assistance, including Housing Tax Credits~~Applicants under this QAP~~, a ~~non-~~compliance report will be run by the Department's Compliance Division on the date the Application Round closes, for any rental Developments disclosed on the Previous Participation Forms and any Developments determined to be associated with the Applicant, the development owner, the General Contractor or any affiliate of the General Contractor~~on the date the Application Round closes~~.

(C) Any corrective action documentation affecting the~~is~~ compliance status score must be received by the Department two weeks prior to the date the Application round closes~~no later than February 1, 2003~~.

(3) Events of non-compliance are categorized as either "D~~d~~evelopment events" or "unit/building events". Development events of non-compliance affect some or all of the buildings in the Development~~property~~. However, the Development~~property~~ will receive only one score for the event rather than a score for each building. Other types of non-compliance are identified individually by unit. This type of non-compliance will receive the appropriate score for each unit~~building~~ cited with an event. The unit~~building~~ scores accumulate towards the total score of the Development. Violations on Housing Tax Credit Developments are identified by unit, however, the building is scored rather than the unit and the building will receive the non-compliance score if one or all the units are in non-compliance. Development and unit events affect applications of Development Team members participating in subsequent years' funding cycles.

(4) Each type of non-compliance is assigned a point value. The point value for non-compliance is reduced upon correction of the non-compliance. The scoring point system and values are ~~as~~ described in subparagraphs (A), ~~and~~ (B) and (C) of this paragraph. The point system weighs certain types of non-compliance more heavily than others.~~;~~ ~~therefore~~ C~~c~~ertain non-compliance events carry a sufficient number of points to automatically place the Development~~property~~ in Material Non-Compliance. O~~However o~~ther types of non-compliance by themselves do not warrant the classification of Material Non-Compliance. Multiple occurrences of these types of non-compliance events may produce enough points to cause the Development~~property~~ to be in Material Non-Compliance. For purposes of these scores, the terms "uncorrected" and "corrected" refers to appropriate actions taken by the development owner to cure the non-compliance~~subsequent to notification of non-compliance by the Department~~.

~~(A)~~(A) ~~Development~~ Non-Compliance items ~~are~~ identified in clauses (i) through (viii)~~(xx)~~ of this subparagraph are categorized as Development Events.

(i) Development is out of compliance and never expected to comply. Uncorrected is 30 points

(ii) Development is completed without a threshold amenity or an amenity for which points were received without seeking and receiving consent for an acceptable substitution from the Department. Uncorrected is 30 points. Acceptable substitution after violation is 10 points.

(iii) Development is not completed by the due date of the cost certification documentation. 25 points.

(iv) Development awarded housing tax credits after January 2004 that is foreclosed by a lender, or the General Partner is removed by a Syndicator due to reasons other than market conditions. 25 points.

(v) The LURA was not executed within the required time period. Uncorrected is 30 points. Corrected is 5 points.

(vi) Owner failed to pay fees. Uncorrected is 30 points. Corrected is 5 point.

(vii) Failure to submit part or all of the Fair Housing Sponsor Report or failure to submit any other annual, monthly, quarterly or other report required by the Department. Uncorrected is 10 points. Corrected is 3 points.

(viii) Default on payments of Department loans for a period exceeding 90 days. Uncorrected is 30 points. Corrected is 10 points.

(B) Non-compliance items identified in clauses (i) through (xvii) of this subparagraph may be identified during monitoring reviews or other means and are categorized as Development Events.

(i) Major property condition violations. As determined by the Department, the project displays major violations of health, safety, or ~~and~~ building code or the Development~~property~~ does not satisfy the uniform physical condition standards. Uncorrected is 30 points. Corrected is 20 points.

(ii) Owner refused to lease to a holder of rental assistance certificate/voucher because of the status of the prospective tenant as such a holder. Uncorrected is 30 points. Corrected is 10 points.

(iii) Owner failed to allow on-site monitoring review. Uncorrected is 30 points. Corrected is 5 points.

(iv~~ii~~) Development not available to general public. Determination of a violation under the Fair Housing Act has occurred. Uncorrected is 30 points. Corrected is 10 points.

~~(iv) Development is out of compliance and never expected to comply. Uncorrected is 30 points.~~

(v) Development failed~~Failure~~ to meet minimum low-income occupancy levels. Development failed to meet required minimum low-income occupancy levels of 20/50 (20% of the units occupied by tenants with household incomes of less than or equal to 50% of Area Median Gross Income) or 40/60. Uncorrected is 20 points. Corrected is 10 points. (LIHTC and BOND only).

(vi)~~(vi)~~ No evidence or failure to certify to non-profit material participation for Owner having received an allocation from the Nonprofit Set-Aside. Uncorrected is 10 points. Corrected is 3 points.

(vii)~~(vii)~~ Development failed~~Failure~~ to meet any~~additional~~ State required rent and occupancy restrictions. Development has failed to meet ~~s~~State restrictions, if any, that exist in addition to the ~~f~~Federal requirements. Uncorrected is 10 points. Corrected is 3 points.

(viii)~~(viii)~~ The Development failed ~~Failure~~ to provide required supportive services as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

(ix) The Development failed~~(ix) Failure~~ to provide housing to the elderly as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

(x)~~(x)~~ Failure to provide special needs housing. Development has failed to provide housing for or lease to tenants with special needs as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

(xi)~~(xi)~~ The d~~Owner~~evelopment owner failed to provide required annual notification to the local administering agency for the Section 8 program. Uncorrected is 5 points. Corrected is 2 points.

(xii)~~(xii)~~ Changes in Eligible Basis. Changes occur when common areas become commercial; fees are charged for facilities, etc. Uncorrected is 10 points. Corrected is 3 point. (LIHTC only).

(xiii)~~(xiii)~~ Owner failed to post Fair Housing Logo and/or poster in leasing offices. Uncorrected is 3 points. Corrected is 1 point.

~~(xiv) LURA not in effect. The LURA was not executed within the required time period. Uncorrected is 10 points. Corrected is 3 point.~~

~~(xv) Owner failed to pay fees or allow on-site monitoring review. Uncorrected is 3 points. Corrected is 1 point.~~

(xiv) ~~(xvi) Failure to submit annual Owner Certification of Program Compliance or other annual, monthly, or quarterly reports. Uncorrected is 10 points. Corrected is 3 point.~~

~~(xvii)~~ Owner failed to make available or maintain a complete M~~m~~anagement P~~p~~lan ~~with required language~~as required under Section 1.14 of this title. Uncorrected is 3 points. Corrected is 1 point.

(xv)~~(xviii)~~ Owner failed to approve and distribute Affirmative Marketing Plan as required under Section 1.14 of this title. Uncorrected is 3 points. Corrected is 1 point~~s~~.

(xvi)~~(xix) Pattern of minor property condition violations.~~ Development displays a pattern of minor property condition violations. T~~However t~~hose violations do not impair essential services and safeguards for tenants. Uncorrected is 5 points. Corrected is 2 points.

(xvii)~~(xx)~~ Development failed~~Failure~~ to comply with requirement~~s~~ limiting minimum income standards for Section 8 residents. Complaints, verified by the Department, regarding violations of the income standard which cause exclusion from admission of Section 8 resident(s) results in a violation. Uncorrected score 10 points. Corrected is 3 points.

~~(B)~~ (C)~~(B) Unit~~ Non-Compliance items ~~are~~ identified in clauses (i) through (x) of this subparagraph may be identified during monitoring reviews and are categorized as Unit/Building Events.

(i) ~~Unit not leased to Low Income Household.~~ Development has units that are leased to households whose income was above the income limit upon initial occupancy. Uncorrected is 3 points. Corrected is 1 point.

(ii) Low-income units occupied by nonqualified full-time students. Uncorrected is 3 points. Corrected is 1 point. (LIHTC and BOND only).

(iii) Low income units used on transient basis. Uncorrected is 3 points. Corrected is 1 point. (LIHTC and BOND only).

(iv) Household Income increased above the re-certification limit and an available u~~U~~nit was rented to a market tenant. Uncorrected is 3 points. Corrected is 1 point.

(v) Gross rent exceeds ~~tax credit~~ rent limits. Uncorrected is 3 points. Corrected is 1 point.

(vi) Utility allowance not calculated properly. Uncorrected is 3 points. Corrected is 1 point.

(vii) Failure to maintain or provide tenant income certification and documentation. Uncorrected is 3 points. Corrected is 1 point.

(viii) Casualty loss. Units not available for occupancy caused by a ~~due to~~ natural disaster or hazard due to no fault of the Owner. This carries no point value. Casualty losses are reported to the IRS on LIHTC Developments.

(ix) When a low income u~~U~~nit became vacant, the O~~o~~wner failed to lease or make reasonable efforts to lease to a low income household before any units were rented to tenants not having a qualifying income. Uncorrected 3 points. Corrected 1 point.

(x) Unit not available for rent. Unit is used for non-residential purposes excluding unavailable u~~U~~nits due to casualty and manager-occupied u~~U~~nits. Uncorrected is 3 points. Corrected is 1 point.

~~(t) Utility Allowances utilized during Affordability Period. The Department will monitor to determine whether rents comply with the published tax credit rent limits using the utility allowances established by the local housing authority. If there is more than one entity (Section 8 administrator, public housing authority) responsible for setting the utility allowance(s) in the area of the Development location, then the Utility Allowance selected must be the one which most closely reflects the actual utility costs in that Development area. In this case, documentation from the local utility provider supporting the selection must be provided.~~ (v) Liability. Compliance with program requirements, including compliance with the Code §42, is the sole responsibility of the development owner. By monitoring for compliance, the Department in no way assumes any liability whatsoever for any action or failure to act by the development owner, including the development owner's noncompliance with §42 of the Code.

(w) Board Waiver. The Board may waive the requirements of this rule to further the purposes or policy of Chapter 2306, Texas Government Code, or for other good cause.

(x) Applicability to All Programs. These provisions apply to all Developments for which the Department has provided funding or other assistance, including Housing Tax Credits.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 11, 2003

Action Items

Request approval of the amended Housing Trust Fund Rules to be released in draft form for public comment.

Required Action

Approve the amended Housing Trust Fund Rules for release as a draft.

Background and Recommendations

On August 14, 2003, the Board approved draft Housing Trust Fund rules for public comment. However, those rules erroneously did not reflect an accurate comparison to the original rule found in Texas Administrative Code. Staff has corrected this error and a revised draft is being brought before the Board again.

Attached are the Draft Housing Trust Fund Rules that reflect staff's recommendations for revisions. The document provided reflects the proposed amendments in "blackline" version showing the proposed changes from the Housing Trust Fund Rules currently in effect (as found in 10 TAC §51) which were last amended by the Board on April 19, 2000. The "blackline" version shows new language as underlined and deleted language with a line running through it. Upon approval by the Board, the amended Draft Rules will be published in the *Texas Register* and released to the public for comment. Public hearings will be held on the amended Draft Rules, as well as the other rules before the Board at this meeting, from September 29 to October 10, 2003.

The primary changes that are proposed were to ensure consistency with Texas Government Code and to add language that ensures consistency with other multifamily rules to the extent that Housing Trust Fund will be used for multifamily housing development.

Texas Department of Housing and Community Affairs
P.O. Box 13941, Austin, TX 78711-3941 Phone: 512.475.3340 Fax: 512.475.0764
Housing Trust Fund

Housing Trust Fund Rules

TITLE 10, PART 1, CHAPTER 51 TEXAS ADMINISTRATIVE CODE

§51.1. Purpose.

This ~~ese rules~~Chapter –clarifies~~y~~ the use and administration of the Housing Trust Fund. The fund is created pursuant to Texas Government Code 2306.201.~~This part describes policies and procedures applicable to the distribution of funds pursuant to the Housing Trust Fund authorized under Texas Government Code, Chapter 2306, Subchapter I.~~

§51.2. Program Goals and Objectives.

Use of the Housing Trust Fund is limited to providing:

(1) assistance for individuals and families of low, very low income and extremely low income;

(2) technical assistance and capacity building to nonprofit organizations engaged in developing housing for individuals and families of low, very low income and extremely low income; and

(3) security for repayment of revenue bonds issued to finance housing for individuals and families of low, very low income and extremely low income.

~~(a) The Housing Trust Fund is used by the Department to provide loans, grants, or other comparable forms of assistance to local units of government, public housing authorities, community housing development organizations, nonprofit organizations, for profit entities, and income-eligible persons, families, and households to finance, acquire, rehabilitate, and develop affordable, decent, safe, and sanitary housing.~~

~~(b) The Housing Trust Fund is used by the Department to provide assistance for persons and families of low, very low, and extremely low income in financing, acquiring, rehabilitating, and developing affordable, decent, safe, and sanitary housing.~~

~~(c) The Housing Trust Fund is used by the Department to provide technical assistance and capacity building to nonprofit organizations, and community housing development organizations engaged in developing affordable housing for persons and families of low, very low, and extremely low income.~~

§51.3. Definitions.

The following words and terms, when used in this part, shall have the following meanings, unless the context clearly indicates otherwise.

~~(1) **Act**--Texas Government Code, Chapter 2306, Subchapter I.~~

(1) **Administrative Deficiencies**-- The absence of information or a document from the Application which is important to a review and scoring of the Application as required in this rule.

(2) **Affordable Housing--**Housing for which low, very low, and extremely low income families are not required to pay more than 30% of monthly adjusted income for the mortgage payment and utilities, or rent and utilities, computed in accordance with the federal regulations for the Section 8 Existing Housing Program set forth in the Code of Federal Regulations, Title 24, Part 5, Subpart F.

(3) **Applicant** - An eligible entity which is preparing to submit or has submitted an application for Housing Trust Fund assistance and is assuming contractual liability and legal responsibility by executing the written agreement with the Department.

(4~~3~~) **Board**--The governing board of the Department.

(5~~4~~) **Capacity Building**--Educational and organizational support assistance to promote the ability of community housing development organizations and nonprofit organizations to maintain, rehabilitate and construct housing for low, very low, and extremely low income persons and families. This activity may include but is not limited to:

(A) organizational support to cover expenses for training, technical and other assistance to the board of directors, staff, and members of the nonprofit organizations or community housing development organizations;

(B) ~~program support including~~ technical assistance and training related to housing development, housing management, or other subjects related to the provision of housing or housing services; or

(C) studies and analyses of housing needs.

(6~~5~~) **Community Housing Development Organizations**—A nonprofit organization that satisfies the requirements of 10 T.A. C. Section 53.63. ~~24 CFR 92.2, as certified by the Department~~.

(7~~6~~) **Department**--The Texas Department of Housing and Community Affairs.

(8~~7~~) **Eligible Applicants**--Local units of government, public housing authorities, community housing development organizations, nonprofit organizations, for profit entities, and persons and families of low, very low, and extremely low income.~~, and persons with special needs.~~

(9~~8~~) **Extremely Low Income ~~Persons and Families~~**-- Families whose annual incomes do not exceed 30% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size. In accordance with Rider 3, and published by the Department, those counties where the median family income is lower than the state average median family income, applicants targeting households at or below 30% of the median income of the area may use the average state median family income based on number of persons in a household. ~~Persons and families earning not more than 30% of the area median income as determined by the United States Department of Housing and Urban Development, with allowances for family size.~~

(10~~9~~) **Housing Development Costs**-- The total of all costs incurred, or to be incurred, by the Development Owner in acquiring, constructing, rehabilitating and financing a Development as determined by the the Department based on the information contained in the Applicant's application. Such costs include reserves and any expenses attributable to commercial areas. ~~The total of all costs incurred in financing, creating, or purchasing any housing development, including, but not limited to, a single-family dwelling, which are approved by the Department as reasonable and necessary. The costs may include, but are not limited to:~~

~~(A) the value of land and any buildings on the land owned by the sponsor, or the cost of land acquisition and any buildings on the land, including payments for options, deposits, or contracts to purchase properties on the proposed housing sites;~~

~~(B) cost of site preparation, demolition, and development;~~

~~(C) fees paid or payable in connection with the planning, execution, and financing of the housing development, such as those to the architects, engineers, attorneys, accountants;~~

~~(D) cost of necessary studies, surveys, plans, permits, insurance, interest, financing, tax and assessment costs, and other operating and carrying costs during construction;~~

~~(E) cost of construction, rehabilitation, reconstruction, fixtures, equipment, machinery, and apparatus related to the real property;~~

~~(F) cost of land improvements, including landscaping, whether or not the costs have been paid in cash or in a form other than cash;~~

~~(G) necessary expenses in connection with initial occupancy of the housing development;~~

~~(H) an allowance established by the Department for contingency reserves and reserves for any anticipated operating deficits during the first two years of occupancy; and~~

~~(I) the cost of the other items, including tenant relocation, if tenant relocation costs are not otherwise being provided for, as the Department shall determine to be reasonable and necessary for the development of the housing development, less any and all net rents and other net revenues received from the operation of the real and personal property on the development site during construction.~~

(11~~10~~) **Housing Development ~~or Housing Project~~**--Any real or personal property, project, building, structure, facilities, work, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, which meets or is designed to meet minimum property standards consistent with those prescribed in the Housing Trust Fund Property Standards, found in the Program Guidelines, for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, use, or purchase by persons and families of low, very low, and extremely low income, and persons with special needs. The term may include buildings, structures, land, equipment, facilities, or other real or personal properties which are necessary, convenient, or desirable appurtenances, such as but not limited to streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community and recreational facilities the Department determines to be necessary, convenient, or desirable appurtenances.

~~(11) **Housing Finance Division**--The division of the Department responsible for the administration of the Housing Trust Fund.~~

(12) **HUD**—The United States Department of Housing and Urban Development, or its successor.

~~(12) **Joint Venture**--An agreement between a lead applicant and a cooperating entity formed to administer or implement a Housing Trust Fund project.~~

~~(13) **Lead Applicant**--An Eligible Applicant designated in a Housing Trust Fund application to assume contractual liability and legal responsibility as the Recipient executing the written agreement with the State.~~

(13~~14~~) **Local Units of Government**--A county; an incorporated municipality; a special district; a council of governments; any other legally constituted political subdivision of the state; a public, nonprofit housing finance corporation created under the Local Government Code, Chapter 394; or a combination of any of the entities described here.

(14~~15~~) **Low Income Persons and Families**-- Families whose annual incomes do not exceed 80% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size. ~~Persons and families earning not more than 80% of the area median income as determined by the United States Department of Housing and Urban Development, with allowances for family size.~~

~~(16) **Metropolitan and Metro**--Areas designated by the Bureau of the Census as metropolitan statistical areas (MSA) or primary metropolitan statistical areas (PMSA) in the most recent decennial census.~~

~~(17) **Non-metropolitan and Non-Metro**--Refers to all areas outside those areas designated as MSAs by the Bureau of the Census in the most recent decennial census.~~

(15~~18~~) **Nonprofit Organization**--Any public or private, nonprofit organization that:

(A) is organized under state or local laws;

(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual; and

(C) has a tax exemption ruling from the Internal Revenue Service under the Internal Revenue Code of 1986, § 501(c), as amended.

(16) **NOFA**—Notice of Funding Availability, published in the *Texas Register*.

(17~~19~~) **Person with Special Needs**--

(A) persons with disabilities, persons with alcohol or other drug addictions, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in colonias, and migrant farm workers; and

(B) any persons legally responsible for caring for an individual described by subparagraph (A) and meets the income guidelines of a person of low, very low or extremely low income.

~~An individual who:~~

~~(A) is considered disabled under a state or federal law;~~

~~(B) is elderly (age 60+);~~

~~(C) is designated by the Board as experiencing a unique need for affordable, decent, safe housing that is not being met adequately by private enterprise; or~~

~~(D) is legally responsible for caring for an individual described by subparagraphs (A), (B) or (C) of this paragraph and meets the income guidelines of a person of low, very low or extremely low income.~~

~~(20) **Predevelopment Costs**--Reimbursable costs related to a specific eligible housing project including:~~

~~(A) Predevelopment housing project costs that the Department determines to be customary and reasonable, including but not limited to consulting fees, costs of preliminary financial applications, legal fees, architectural fees, engineering fees, engagement of a development team, site control, and title clearance;~~

~~(B) Pre-construction housing project costs that the Department determines to be customary and reasonable, including but not limited to, the costs of obtaining firm construction loan commitments, architectural plans and specifications, zoning approvals, engineering studies and legal fees.~~

~~(C) Predevelopment costs do not include general operational or administrative costs.~~

(18) **Public Agency**—A branch of National, State or Local Government.

(19~~21~~) **Public Housing Authority**--A housing authority established under the Texas Local Government Code, Chapter 392.

~~(22) **Real Property**--All land, including improvements and fixtures and property of any nature appurtenant, or used in connection therewith, and every estate, interest, and right, legal or equitable therein, including leasehold interests, terms for years, and liens by way of judgment, mortgage or otherwise.~~

(21~~23~~) **Recipient**--Community housing development organization, nonprofit organization, for profit entity, local unit of government, or public housing authority that is approved by the Department to receive and administer housing trust funds in accordance with these rules.

(22) **Rental Housing Development**--A project for the acquisition, new construction, reconstruction or rehabilitation of multi-family or single family rental housing, or conversion of commercial property to rental housing.

(23~~24~~) **Rural Project**--A project located within an area which:

(A) is situated outside the boundaries of a PMSA or MSA; or

(B) is situated within the boundaries of a PMSA or MSA if it has a population of not more than 20,000, and does not share boundaries with an urbanized area; or

(C) has received financing or has received a commitment for financing from the United States Department of Agriculture Rural Housing Services.~~Texas Rural Development.~~

(24~~5~~) **State**--The State of Texas.

(25) Statute—Texas Government Code 2306.~~, Subchapter I.~~

~~(26) **Total Bond Indebtedness**--All single-family mortgage revenue bonds (including collateralized mortgage obligations), multifamily mortgage revenue bonds and other debt obligations issued or assumed by the Department and outstanding as of August 31 of the year of calculation, excluding:~~

~~(A) all such bonds rated Aaa by Moody's Investors Service or AAA by Standard Poor's Corporation for which the Department has no direct or indirect financial liability from the Department's unencumbered fund balances; and~~

~~(B) all other such bonds, whether rated or unrated, for which the Department has no direct or indirect financial liability from the Department's unencumbered fund balances, unless Moody's or Standard Poor's has advised the Department in writing that all or a portion of the bonds excluded by this clause should be included in a determination of total bond indebtedness.~~

~~(27) **Unencumbered Fund Balances**--Uncommitted amounts on deposit in each independent or separate unrestricted fund established by the housing finance division or its administrative component units.~~

(26~~28~~) **Very low Income Persons and Families**-- Families whose annual incomes do not exceed 60% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size. ~~Persons and families earning not more than 60% of the area median income as determined by the United States Department of Housing and Urban Development, with allowances for family size.~~

§51.4~~5~~ Allocation of Housing Trust Funds.

(a) Funds shall be allocated to achieve broad geographic dispersion by awarding funds in accordance with §2306.111(d) through (g), Texas Government Code. ~~Funds shall be allocated to achieve a broad geographical distribution taking into account the number and percentage of low, very low, and extremely low income persons and families in different geographical areas of the State.~~

~~(b) In allocating funds under the Housing Trust Fund, special attention shall be paid to equitably serving the housing needs of low, very low, and extremely low income persons and families residing in rural and non-metropolitan areas.~~

~~(c) No more than 10% of the housing trust funds allocated each fiscal year shall be distributed to community housing development organizations and nonprofit organizations for capacity building.~~

~~(d) At least 35% of the housing trust funds allocated each funding cycle shall be distributed to community housing development organizations. This 35% will be based on the amount of funds remaining after funds identified in subsection (c) of this section are allocated. In the event that there is an insufficient number of qualifying applicants for this allocation, any remaining funds will then be made available to other qualifying applicants, as outlined in the eligibility section of the Program Guidelines as amended each program cycle.~~

~~(e) The Department shall utilize its best efforts to apply at least 50% of the housing trust funds allocated each funding cycle to non-metropolitan areas of the state.~~

~~(f) No more than 10% of the yearly balance of the housing trust fund may be used by the Department to acquire real property.~~

~~(g) The Department shall utilize its best efforts to apply at least 15% of the housing trust funds allocated each fiscal year to housing assistance for individuals and families earning less than 30% of median family income, and a minimum of 20% of the allocated funds for individuals and families earning between 31 and 60% of median family income.~~

(b) The Department shall utilize its best efforts to target housing trust funds allocated each fiscal year to housing assistance for individuals and families earning less than 60% of median family income.

(c~~h~~) Bond indenture requirements governing expenditure of bond proceeds deposited in the housing trust fund shall govern and prevail over all other allocation requirements established in this section. However, the Department shall distribute these funds in accordance with the requirements of this section to the extent possible.

~~(i) Not more than 10% of any biennium allocation of Housing Trust Fund program funds may be set aside to create a pre-development loan fund to be used as matching funds with outside funds.~~

§51.5~~6~~ Basic Eligible Activities.

The Department shall make grants and loans from the Housing Trust Fund to Eligible Applicants for purposes consistent with §51.2 of this title and §2306.202 of Texas Government Code.~~(related to Program Goals and Objectives). Eligible uses of trust funds include, but are not limited to the following:~~

~~(1) To fund housing development costs for a housing project or to provide down-payment assistance, rental assistance, credit enhancement, direct loans and interest rate reduction assistance to low, very low, and extremely low income persons and families, and persons with special needs.~~

~~(2) To provide predevelopment costs for eligible housing projects. Such assistance shall be provided in the form of a loan to be repaid to the housing trust fund from construction loan proceeds or other project income. The Board may waive repayment of the loan, in whole or in part, if there are impediments to project development that the Board determines are reasonably beyond the control of the applicant.~~

~~(3) To provide for capacity building for community housing development and nonprofit organizations that show sufficient evidence of having strong community support and a strong likelihood of producing housing for low, very low, and extremely low income persons and families within two years of the date that assistance is provided. Where possible, the Recipient of funds under this subsection will build in fees, or other ongoing sources of income, into the services that they provide, so that repeated support will not be needed.~~

§51.6~~7~~ Ineligible Activities and Restrictions.

(a) Displacement of Existing Affordable Housing. Housing Trust Funds shall not be utilized on a development that has the effect of permanently displacing low, very low, and extremely low income persons and families. Residents of a development to be rehabilitated by Housing Trust Funds must be provided the opportunity to lease and occupy a comparable affordable dwelling unit in the development upon completion of the development. The landlord must provide all persons and families affected by the rehabilitation with:

(A) Notice in writing within a reasonable time indicating the right to remain in the dwelling unit or the need to relocate; and

(B) and payment of the costs of temporary relocation, including moving costs and any increase in rent.

(b) If a Housing Trust Fund recipient violates the permanent dislocation provision of paragraph (3) of this subsection, that recipient risks loss of Housing Trust Funds and the landlord/developer must pay the affected tenant's costs and all moving expenses.

~~Any activity is ineligible for housing trust funds unless the activity will result in the financing, acquisition, rehabilitation, or development of affordable, decent, safe, and sanitary housing for low, very low, and extremely low income persons or families, or will provide capacity building to community housing development organizations and nonprofit organizations engaged in developing housing for low, very low, and extremely low income persons and families. Ineligible activities and restrictions include the following:~~

~~(1) General Government Expenses. Housing trust funds may not be used to carry out the regular responsibilities of the local unit of government.~~

~~(2) Political Activities. Housing trust funds may not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration.~~

~~(3) Relocation and Prohibition against Involuntary Displacement. Housing trust funds shall not be utilized on a project that has the effect of permanently and involuntarily displacing low, very low, and extremely low income persons and families. All such persons and families who are resident tenants of a project development or building prior to the submission of a Housing Trust Fund application must be provided the opportunity to lease and occupy a suitable, decent, safe, sanitary and affordable dwelling unit in the building or development upon completion of the project. The property owners must provide all persons and families affected by project development with the following:~~

~~(A) Written notices of the right to remain or the need to relocate;~~
~~(B) Payment of the costs of temporary relocation; and~~
~~(C) Payments for those persons and families which are required to move permanently.~~

~~(4) Restriction on Affordability of Multifamily Housing. Any multifamily housing developed or rehabilitated with housing trust funds, in whole or in part, shall remain affordable to income-qualified households for at least 20 years.~~

(c) Restrictions on Communication.

(1) The Applicant or other person that is active in the ownership or control of the proposed activity, or individual employed as a lobbyist or in another capacity on behalf of the application, may not communicate with any Board member with respect to the application during the period of time starting with the time an application is submitted until the time the Board makes a final decision with respect to any approval of that Application, unless the communication takes place at any board meeting or public hearing held with respect to that Application.

(2) Applicants are restricted from communication with Department staff as described in this subsection. The Applicant or other person that is active in the ownership or control of the application, or individual employed as a lobbyist or in another capacity on behalf of the application, may communicate with an employee of the Department with respect to the Development so long as that communication satisfies the conditions established under paragraphs (A) through (E) of this subsection. Communication with Department employees is unrestricted during any board meeting or public hearing held with respect to that Application.

(A) The communication must be restricted to technical or administrative matters directly affecting the Application;

(B) The communication must occur or be received on the premises of the Department during established business hours;

(C) Communication with the Executive Director, the Deputy Executive Director, the Director of Multifamily Finance Production, the Director of Single Family Finance Production, the Director of Portfolio Management and Compliance, and the Director of Real Estate Analysis of the Department must only be in written form which includes electronic communication through the Internet;

(D) Communication with other Department staff may be oral or in written form which includes electronic communication through the Internet; and

(E) A record of the communication must be maintained by the Department and included with the Application for purposes of board review and must contain the date, time, and means of communication; the names and position titles of the persons involved in the communication and, if applicable, the person's relationship to the Applicant; the subject matter of the communication; and a summary of any action taken as a result of the communication.

(d) Ineligible Applicants: The following violations will cause an Applicant, and any applications they have submitted, to be ineligible:

(1) Previously funded recipient(s) whose Housing Trust Funds have been partially or fully deobligated due to failure to meet contractual obligations during the 12 months prior to the current funding cycle;

(2) Applicants who have not satisfied all threshold requirements described in this title, and the NOFA to which they are responding, and for which Administrative Deficiencies were unresolved;

(3) Applicants who have submitted incomplete applications;

(4) Applicants that have been otherwise barred by the Department;

(5) Applicant or developer, or their staff, that violate the state revolving door policy.

(e) The Department will not recommend an application for funding if it includes a principal who is or has been:

(1) Barred, suspended, or terminated from procurement in a state or federal program and listed in the List of Parties Excluded from Federal Procurement of Non-procurement Programs;

(2) The subject of enforcement action under state or federal securities law, or is the subject of an enforcement proceeding with a state or federal agency or another governmental entity; or

(3) If the applicant has unresolved compliance or audit findings related to previous or current funding agreements with the Department.

(4) Has breached a contract with a public agency.

(f) Material Noncompliance. Each Application will be reviewed for its compliance history by the Department, consistent with 10 TAC §60. Applications found to be in Material Noncompliance, or otherwise violating the compliance rules of the Department, will be terminated.

(g) Rental Housing Development Site and Development Restrictions. The following restrictions apply to Rental Housing Developments only.

(1) Floodplain. Any Development proposing new construction located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No Developments proposing rehabilitation will be permitted in the 100 year floodplain unless they already are constructed in accordance with the policy stated above for new construction or are able to provide evidence of flood insurance on the buildings and the contents of the units.

(2) Ineligible Building Types. Applications involving Ineligible Building Types will not be eligible for an award. Those buildings or facilities which are ineligible are as follows:

(A) Hospitals, nursing homes, trailer parks and dormitories (or other buildings that will be predominantly occupied by students) or other facilities which are usually classified as transient housing (other than certain specific types of transitional housing for the homeless and single room occupancy units) are ineligible. However, structures formerly used as hospitals, nursing homes or dormitories are eligible if the Development involves the conversion of the building to a non-transient multifamily residential development.

(B) Any elderly development of two stories or more that does not include elevator service for any Units or living space above the first floor.

(C) Any elderly development with any units having more than two bedrooms.

(D) Any Development with building(s) with four or more stories that does not include an elevator.

(E) Any Development proposing new construction, other than a Development (new construction or rehabilitation) composed entirely of single-family dwellings, having any Units with four or more bedrooms.

(G) Any Development, other than an elderly Development, in which more than 40% of the total Units have the same number of bedrooms. For purposes of this limitation, a den, study or other similar space that otherwise has the potential to meet the definition of a bedroom will be considered a bedroom.

(3) Limitations on the Size of Developments.

(A) The minimum Development size will be 16 Units.

(B) Developments involving new construction will be limited to 250 Units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions.

(4) Unacceptable Sites. Developments will be ineligible if the Development is located on a site that is determined to be unacceptable by the Department.

~~§51.8 Maintenance of Effort.~~

~~(a) Housing Trust Fund monies shall not be used to supplant or replace existing housing funds for housing for low, very low, and extremely low income persons and families.~~

~~(b) If other federal funds are available to a local unit of government applicant for any proposed housing project, the local unit of government applicant shall affirmatively show that it has undertaken reasonable efforts to secure such funding for the proposed housing project.~~

§51.7~~9~~ Application Procedure and Requirements.

(a) In distributing funds, the Department will release a NOFA and/or request for proposals that identifies the uses of the available funds and the specific criteria that will be utilized in evaluating applicants.

(b) Applications containing false information and Applications not received by the deadline will be disqualified. Disqualified applicants are notified in writing. All Applications must be received by the Department by 5:00 p.m. on the date identified in the NOFA, regardless of method of delivery.

(c) Administrative Deficiencies. If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies including both threshold and scoring documentation. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. If Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department within three business days of the deficiency notice date, then five points shall be deducted from the application score for each additional day the deficiency remains unresolved. If deficiencies are not clarified or corrected within five business days from the deficiency notice date, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period. An Applicant may not change or supplement an Application in any manner after the filing deadline, except in response to a direct request from the Department.

(d) Rental Housing Developments will undergo a review as follows:

(1) Threshold Evaluation. Applications submitted for Rental Housing Developments will be required to comply with the threshold criteria required under 10 TAC §50.9(f), which are those required for the Housing Tax Credit Program.

(2) Scoring Evaluation. For an Application to be scored, the Application must demonstrate that the Development meets all of the Threshold Criteria requirements. Applications that satisfy the Threshold Criteria will then be scored and ranked according to the scoring criteria identified in the NOFA

(3) Financial Feasibility Evaluation. After the Application is scored, the Department will assign, as herein described, Developments for review for financial feasibility by the Department's Real Estate Analysis Division. The Department shall underwrite an Application to determine the financial feasibility of the Development and an appropriate funding amount and terms. In making this determination, the Department will use the Underwriting Rules and Guidelines, 10 TAC §1.32 of this title.

(4) A site visit will be conducted. Applicants must receive recommendation for approval from the Department to be considered for funding by the Board.

(5) Each Rental Housing Development Application will be notified of their score in writing no later than seven days after all applications received have been scored. Subsequently, the recommendation regarding their Application will be made on the Department's web site at least 7 days prior to the Board meeting where the awards will be approved.

(6) Board approval for the award of Development activity funds is conditional upon a completed loan closing and any other conditions deemed necessary by the Department.

(e) Applications other that Rental Housing Developments will be reviewed and evaluated in accordance with the NOFA for that activity.

(f) Applicants may appeal staff's decisions regarding their applications consistent with 10 TAC §1.7.

~~(a) The Department shall, from time to time, solicit applications for loans and grants from Eligible Applicants.~~

~~(b) Housing development applicants shall submit, in an application form and process prescribed by the Department, project information including, but not limited to:~~

~~(1) A written description of the housing project including but not limited to, the number of units, unit mix, roposed rents or mortgage payments, site location, the proposed program of services to occupants and the availability of these services in the future, project amenities, names and addresses of all individuals with any financial interest in the proposed housing project, personal and organizational financial statements and audit reports, and any other information the Board may require;~~

~~(2) A statement of housing project purpose indicating the housing type and tenants or homeowners to be housed, and the length of time the units will be committed available for low, very low, and extremely low income households;~~

~~(3) A statement describing the need for the proposed housing development given existing housing and economic conditions in the service area;~~

~~(4) A projection of housing project expenses and income;~~

~~(5) Grant or loan amount requested and total housing project development costs, including a description of all committed or anticipated project funding and funding sources, and a statement describing efforts to secure other sources of funding, including federal funds and funds from private sources;~~

~~(6) A narrative describing the housing project sponsor/developer/owner/manager experience in developing and operating housing projects;~~

~~(7) A description of any temporary displacement resulting from the proposed housing project, including a statement whether the housing project has the effect of permanently and involuntarily displacing persons and families of low income;~~

~~(8) The geographical area of the state in which the project will occur;~~

~~(9) A narrative describing how the proposed project addresses each of the evaluation factors listed in §51.10 of this title (relating to Criteria for Funding);~~

~~(10) The affirmative marketing plan of the housing project sponsor on marketing to racial and ethnic minorities and person with special needs;~~

~~(11) Project completion schedule;~~

~~(12) Non-discrimination statements.~~

~~(c) An individual or family who is an Eligible Applicant shall submit a request for funding in an application form and process prescribed by the Department to include the items listed in subsection (b) of this section that are relevant to individuals and persons applying for loans and grants.~~

~~(d) Capacity building and technical assistance applicants will be required to submit a specific application as outlined in the Program Guidelines as amended each program cycle.~~

~~(e) Rental assistance applicants will be required to submit a specific application as outlined in the Program Guidelines as amended each program cycle.~~

§51.8.~~10~~ Criteria for Funding.

(a) In considering applications for funding, the Department considers the following requirements under §2306.203(c), Texas Government Code, and such others as may be enumerated during the funding cycle:

(1) Minimum Eligibility Criteria. To be considered for funding, an Applicant must first demonstrate that it meets each of the following threshold criteria:

(A)The application is consistent with the requirements established in this rule.

(B) The applicant provides evidence of its ability to carry out the proposal in the areas of financing, acquiring, rehabilitating, developing or managing affordable housing development.

(C) The proposal addresses and identifies a housing need. This assessment will be based on statistical data, surveys and other indicators of need as appropriate.

(2) Evaluation Factors. The criteria used to rank applications, as more fully reflected in the NOFA, will include at a minimum the:

(A) leveraging of federal funds including the extent to which the project will leverage State funds with other resources, including federal resources, and private sector funds;

(B) cost-effectiveness of a proposed development; and

(C) extent to which individuals and families of very low income and extremely low income are served by the development.

(c) Eligible Applicants that have been approved for funding and that require a material change in the project description must provide a written request for the material change to the Department prior to implementing the change.

(1) A material change may include, but is not limited to, the following:

(A) Change in project site;

(B) Change in the number of units or set asides; and

(C) Increase in funding.

(2) Failure to comply with this subsection may result in the termination of funding to the applicant.

~~(a) In considering applications for funding, the Department considers the following:~~

~~(1) Threshold Criteria. To be considered for funding, a housing project must first demonstrate that it meets each of the following threshold criteria:~~

~~(A) The project is consistent with the requirements established in this rule.~~

~~(B) The applicant provides evidence of its ability to carry out the project in the areas of financing, acquiring, rehabilitating, developing or managing affordable housing development.~~

~~(C) The project addresses and identifies housing need. This assessment will be based on statistical data, surveys and other indicators of need as appropriate.~~

~~(2) Evaluation Factors. The Board and Department considers applications for housing trust funds using the following system:~~

~~(A) Applications are evaluated against the threshold criteria during each funding cycle. Applications not meeting the threshold criteria are returned to the applicant without further review.~~

~~(B) Applications are ranked according to the criteria hereinafter set forth:~~

~~(i) leveraging of funds: the extent to which the project will leverage State funds with other resources, including federal resources, and private sector funds;~~

~~(ii) community involvement: the extent to which the project involves a broad range of community representatives, including low, very low, and extremely low income individuals who may expect to reside in the proposed housing project, in the design and development of the proposed housing project;~~

~~(iii) very low income targeting: the extent to which the project will provide safe, decent and affordable housing to very low income persons and families;~~

~~(iv) long term affordability: the extent to which the project will ensure the longest possible use of assisted units as affordable housing for low, very low, and extremely low income persons and families;~~

~~(v) housing need: the geographical area of the State to be served and the extent to which there is a need for safe, decent, and affordable housing in this area;~~

~~(vi) special housing needs: the extent to which the project provides affordable housing and services for persons with special needs;~~

~~(vii) financial feasibility: the extent to which the project is financially feasible, taking into consideration the contribution of housing trust funds, as determined in accordance with generally accepted underwriting standards as promulgated by federal insurers or other similar guarantors of such projects;~~

~~(viii) need for funds: the extent to which other resources are not available in the locality to carry out the housing project;~~

~~(ix) minority participation: the extent to which the project has minorities and/or women participating in the ownership, development or management of the project;~~

~~(x) energy conservation: the extent to which the project design promotes energy and/or water conservation with the result of reducing residents' utility costs;~~

~~(xi) innovation: the extent to which the project involves a new or particularly innovative approach for meeting housing needs in the area being served;~~

~~(xii) services: the extent to which the project includes a program of services for occupants of the proposed housing including, but not limited to, programs that address home health care, mental health service, alcohol and drug treatment, job training, child care and case management and provides for tenant involvement in the development and administration of the services;~~

~~(xiii) cost-effectiveness: the extent to which the project is cost-effective and provides the greatest number of affordable, decent, safe and sanitary low, very low, and extremely low income housing units for the least amount of housing trust funds expended or committed;~~

~~(xiv) barriers to affordable housing: the extent to which local governments propose to eliminate or reduce barriers to affordable housing created by existing public policies, such as zoning regulations, building permit requirements, etc.;~~

~~(xv) geographic balance: the extent to which the project will contribute to achieving a fair and equitable geographic distribution of housing trust funds.~~

~~(C) An application that does not meet the threshold criteria may be revised and resubmitted for consideration in subsequent funding cycles.~~

~~(3) The Department will not recommend an application for funding if it includes a principal who is or has been:~~

~~(A) Barred, suspended, or terminated from procurement in a state or federal program and listed in the List of Parties Excluded from Federal Procurement of Non-procurement Programs;~~

~~(B) The subject of enforcement action under state or federal securities law, or is the subject of an enforcement proceeding with a state or federal agency or another governmental entity; or~~

~~(C) If the applicant has unresolved compliance or audit findings related to previous or current funding agreements with the Department.~~

~~(b) The Department assigns a weight to the evaluation factors in subsection (a)(2)(B) of this section and gives priority to funding applications according to the weight assigned.~~

(b~~c~~) The Board has final approval on all recommendations for funding.

(c~~d~~) Eligible Applicants that have been approved for funding and that require a material change in the project description must provide a written request for the material change to the Department prior to implementing the change.

(1) A material change may include, but is not limited to, the following:

(A) Change in project site;

(B) Change in the number of units or set asides; and

(C) Increase in funding.

(2) Failure to comply with this subsection may result in the termination of funding to the applicant.

(d~~e~~) The Executive Director of the Department may approve nonmaterial changes in the project description and in the scope of work to be performed for clarification and necessary administrative adjustments, provided that any such change does not increase the dollar amount of the original award of funds.

~~§51.11 Prohibition against Discrimination.~~

~~(a) No person shall on the ground of race, color, family composition (reasonable occupancy standards are cceptable), national origin or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with housing trust funds made available under the Act.~~

~~(b) Whenever the Department determines that a Recipient of housing trust funds has failed to comply with subsection (a) of this section, the Department shall attempt to secure compliance. If within a reasonable period of time the Recipient fails to comply, the Department may:~~

~~(1) refer the matter to the State Attorney General or the Texas Commission on Human Rights, whichever is applicable and in accordance with the laws of the State of Texas, with a recommendation that an appropriate civil action be instituted; or~~

~~(2) take such other action as may be provided by law.~~

§51.9~~12~~ Other Program Requirements.

(a) Employment opportunities.

~~(1) No person shall be discriminated against on the basis of race, color, disability, religion, sex, or national origin in all phases of employment during the performance of contracts as assisted with housing trust funds made available under the Act.~~

~~(2) Contractors and subcontractors on Housing Trust Fund assisted contracts shall take affirmative action to ensure fair treatment in employment, upgrading, demotion, or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation and selection for training or apprenticeship.~~

~~(3)~~ In connection with the planning and carrying out of any project assisted under the Act, to the greatest extent feasible, opportunities for training and employment shall be given to low, very low, and extremely low income persons residing within the area in which the project is located.

(b) Conflict of Interest.

(1) Conflict Prohibited. No person described in paragraph (2) of this subsection who exercises or has exercised any functions or responsibilities with respect to Housing Trust Fund activities under the Statute~~Act~~ or who is in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from a Housing Trust Fund assisted activity, or have an interest in any Housing Trust Fund contract, subcontract or agreement or the proceeds ~~t~~hereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

(2) Persons Covered. The conflict of interest provisions of paragraph (1) of this subsection apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of the Recipient.

(c) Right to Inspect and Monitor.

(1) The Department may, at any time, inspect and monitor the records and the work of the project so as to ascertain the level of project completion, quality of work performed, inventory levels of stored material, compliance with the approval plans and specifications, property standards, and program rules and requirements.

(2) Any unsatisfactory findings in the inspection may result in a reduction in the amount of funds requested or termination of funding.

(3) Within 45 days of completion of any construction, and before the release of any retainage funds, Recipients are required to notify the Department of the completion by submitting a certificate of completion and any other documents required by program guidelines, including, but not limited to, the following:

(A) Architect's Certification of Substantial Compliance;

(B) Recipient's Certificate of Substantial Completion; and

(C) Recipient's and supplier's Release of Lien and warrantee.

(4) The Department performs a final close-out visit and assists owners in preparing for long-term compliance requirements upon completion of project development.

(d) Compliance.

(1) Recipient must maintain compliance with each of its written agreements with the Department.

(2) Restrictions are stated and enforced through a regulatory agreement.

(3) These restrictions include, but are not limited to the following:

(A) Rent restrictions;
(B) Record keeping and reporting; and
(C) Income targeting of tenants.

(4) The Department monitors compliance with project restrictions and any other covenants by Recipient in any Housing Trust Fund agreement. An annual per unit compliance fee is charge for this review.

(5) Prior to the leasing of any units, project owners are provided guidance and training by the Department to assist project owners in adhering to restriction and reporting requirements.

(e) For funds being used for multifamily rental properties, the recipient must establish a reserve account consistent with §2306.186, Texas Government Code, and as further described in 10 TAC §60.

§51.10~~13~~ Citizen Participation.

(a) The Department holds at least one public hearing annually, and additional public hearings prior to consideration of any proposed significant changes to these rules, to solicit comments from the public, eligible applicants, and Recipients on the Department's rule, guidelines, and procedures for the Housing Trust Fund.

(b) The Department considers the comments it receives at public hearings. The Board annually reviews the performance, administration, and implementation of the Housing Trust Fund in light of the comments it receives. ~~At this time t~~The Board also reviews funding goals and set-asides ~~established in §51.5 of this title (~~relating to Allocation of Housing Trust Funds~~)~~.

(c) Applications for Housing Trust Funds~~housing trust funds~~ are public information and the Department shall afford the public an opportunity to comment on proposed housing applications~~projects~~ prior to making awards.

~~(d) Applicants will be notified as to whether or not they are being recommended for funding seven days prior to the date recommendations are made to the Board. Applicants may appeal the funding recommendation to the Board at the meeting of the Board at which the recommendations are presented.~~

(d~~e~~) Complaints will be handled in accordance with the Department's complaint procedures of 10 TAC §1.2.

§51.11.~~14~~ Records to be Maintained.

(a) Recipients are required, at least on an annual basis, to submit to the Department information including, but not limited to:

(1) such information as may be necessary to determine whether a project ~~funded with housing trust~~ is benefiting low, very low, and extremely low income persons and families;

(2) the monthly rent or mortgage payment for each dwelling unit in each structure assisted;~~ with housing trust funds;~~

(3) such information as may be necessary to determine whether Recipients have carried out their housing activities in accordance with the requirements and primary objectives of the Housing Trust Fund~~housing trust fund~~ and implementing regulations;

(4) The size and income of the household for each unit occupied by a low, very low, or extremely low income person or family;

(5) Data on the extent to which each racial and ethnic group and ~~single-headed~~ households ~~(by gender of household head)~~ have applied for and benefited from any project or activity funded in whole or in part with ~~housing trust~~ funds made available under the Statute~~Act~~. This data shall be updated annually; and

(6) A final statement of accounting upon completion of the project.

(b) Recipients shall maintain records pertinent to the tenant's files for a period of at least three years.

(c) Recipients shall maintain records pertinent to ~~Housing Trust Fund~~ funding awards including but not limited to project costs and certification work papers for a period of at least five years.

(d) Recipient shall maintain records in an accessible location.

§51.12.~~17~~ Funding Cap.

No more than 10%~~25%~~ of the housing trust funds may be allocated to any single project for each fiscal year.~~/any calendar year.~~

§51.13.~~18~~ Waiver.

The Board may, in its discretion, waive any one or more of the rules set forth in this chapter to accomplish its legislative mandates or for other compelling circumstances.

LEGAL SERVICES DIVISION
BOARD ACTION REQUEST
SEPTEMBER 11, 2003

Action Item

Engagement of Bond and Bond/Securities Disclosure Counsel

Recommended Action

Approval to engage Vinson & Elkins as Bond Counsel for the Department and McCall, Parkhurst & Horton as Bond/Securities Disclosure Counsel for the Department.

Background and Recommendation

The Attorney General's Office requires a Request for Proposal (RFP) for all outside counsel contracts when it is anticipated that legal fees under a contract will exceed $20,000. A Request for Proposals was issued for both Bond Counsel and Bond/Securities Disclosure Counsel. Both were published in the June 27, 2003 issue of the *Texas Register* (28 TexReg 4979-4980) and in the Texas Marketplace-Electronic State Business Daily on June 18, 2003. The deadline for proposals was July 20, 2003. The RFPs requested proposals for two year contracts. The Attorney General of Texas provides all state agencies with a standardized form of outside counsel contract, which may not be renegotiated.

Three requests were made for a copy of the RFP for Bond Counsel. Vinson & Elkins L.L.P. and Delgado, Acosta, Braden, Jones & Hayes, P.C. provided timely written proposals for Bond Counsel. Simmons Mahomes, P.C., Counselors and Attorneys at Law, provided a timely written proposal for Co-Bond Counsel.

Four requests were made for a copy of the RFP for Bond/Securities Disclosure Counsel. McCall, Parkhurst & Horton L.L.P. and Delgado, Acosta, Braden, Jones & Hayes, P.C. provided timely written proposals for Bond/Securities Disclosure Counsel.

SUMMARY OF PROPOSALS:

Bond Counsel:

Vinson & Elkins L.L.P. ("V&E"), proposed that it be engaged by the Department to continue its representation as Bond Counsel. Vinson & Elkins proposed fees for its attorneys ranging from $200 to $375 per hour with fees for legal assistants ranging from $125 to $160 per hour. These hourly rates are approximately $30 per hour higher than our negotiated rates from our last contract awarded two years ago and are the same rates that the firm charges the Texas Comptroller, Veteran's Land Board, and The University of Texas System. The proposed rates are a discount from the firm's usual rates. The Department will be billed on a transactional basis with detailed billings for actual time and expenses for both single family and multifamily bond issues. The fees and expenses are valid for the duration of the two-year proposal to contract. This firm's extended history with the Department's successful bond issues and vast experience with housing, bond finance, tax, and bankruptcy, supports this law firm's representation of the Department as Bond Counsel. They provided the superior response. The firm states that it has not represented other clients before the Department. Vinson & Elkins has an office in Austin, and others around the world.

Delgado, Acosta, Braden & Jones, P.C. ("Delgado"), established in 1994, is registered with the State of Texas as a Historically Underutilized Business and is certified as a Minority Business Enterprise. This firm presented timely proposals for both Bond Counsel and Bond/Securities Disclosure Counsel. Delgado is willing to serve either as bond counsel or co-bond counsel. Delgado proposed fees for its attorneys ranging from $175 to $325. Delgado has offices in Austin, Dallas and El Paso.

Simmons Mahomes, P.C. ("Simmons"), Counselors and Attorneys at Law, established in 2001, is a minority and woman-owned law firm specializing in commercial transactions located in Dallas, Texas. Simmons, a three-attorney firm (2 partners, 1 associate, 2 support personnel), presented a timely proposal for Co-Bond Counsel only. Ms. Simmons (partner) has 16 years of experience in real estate and commercial transactions and Mr. Mahomes (partner) has 30 years experience in real estate and commercial, and more recently, public finance transactions. Mr. Eric Chodun, associate attorney, has 7 years experience in real estate and general business matters. For ongoing legal services, Simmons proposed fees for its attorneys ranging from $175 to $250 per hour.

<u>Bond/Securities Disclosure Counsel:</u>
McCall, Parkhurst & Horton ("McCall"): The firm proposed that it be engaged by the Department to continue its representation as Bond/Securities Disclosure Counsel. McCall proposed fees for its attorneys at $275 per hour with fees for legal assistants ranging from $80 to $120 per hour. It was proposed that the Department be billed on a transaction basis with detailed billings for actual time and expenses for both single family and multifamily bond issues. The fees and expenses are valid for the duration of the contract. This firm's extensive housing finance experience and extended history and experience with the Department's successful bond issues as disclosure counsel supports the firm's representation of the Department as Bond/Securities Disclosure Counsel. They provided the superior response. The firm states that it has not represented other clients before the Department. McCall has offices in Austin, Dallas and San Antonio.

Delgado, Acosta, Braden & Jones, P.C. ("Delgado"), established in 1994, is registered with the State of Texas as a Historically Underutilized Business and is certified as a Minority Business Enterprise. This firm presented timely proposals for both Bond Counsel and Bond/Securities Disclosure Counsel. Delgado proposed fees for its attorney ranging from $175 to $325. Simmons has offices in Austin, Dallas and El Paso.

<u>Recommendation</u>

Approval of the Bond Counsel and Bond/Securities Disclosure Counsel.

REPORT ITEMS	
Executive Directors Report	Edwina Carrington
Colonia Field Offices & Self Help Centers MOU with ORCA	
Bond Review Board's New Rules	
EXECUTIVE SESSION	Michael Jones
Consultation with Attorney Pursuant to Sec. 551.071, Texas Government Code – Matters Concerning Section 572.054, Texas Government Code;	
If permitted by law, the Board may discuss any item listed on this agenda in Executive Session	
OPEN SESSION	Michael Jones
Action in Open Session on Items Discussed in Executive Session	
ADJOURN	Michael Jones Chair of Board

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

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