

BOARD MEETING OF JANUARY 7, 2005

Beth Anderson, Chair
C. Kent Conine, Vice-Chair



Patrick R. Gordon, 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

JANUARY 7, 2004

ROLL CALL

	Present	Absent
Anderson, Beth, Chair	_____	_____
Conine, C. Kent, Vice-Chair	_____	_____
Bogany, Shadrick, Member	_____	_____
Gonzalez, Vidal, Member	_____	_____
Gordon, Patrick, Member	_____	_____
Salinas, Norberto, Member	_____	_____
Number Present	_____	
Number Absent		_____

_____, Presiding Officer

- 04470 Mesa Homes, Houston, Texas
Victory Street Public Facility Corp. is the Issuer
(Requested Amount of \$1,273,325 and
Recommended Amount of \$1,273,325)

- 04493 Plaza at Willowchase Townhomes, Houston, Texas
Harris County Housing Finance Corp. is the Issuer
(Requested Amount of \$573,522 and
Recommended Amount of \$573,522)

- 04478 The Villas at Winkler Senior Homes, Houston, Texas
Victory Street Public Facility Corp, is the Issuer
(Requested Amount of \$689,833 and
Recommended Amount of \$689,215)

- 04498 Park at Woodline Townhomes, Conroe, Texas
Montgomery County Housing Corp. is the Issuer
(Requested Amount of \$677,743 and
Recommended Amount of \$675,950)

- 04469 Louetta Village Apartments, Spring, Texas
Harris County Housing Finance Corp. is the Issuer
(Requested Amount of \$314,202 and
Recommended Amount of \$314,202)

- b) Request for additional Four Percent (4%) Housing Tax Credits
for Transactions Associated with the Private Activity Bond Program
for Fairway Village #000011T, Austin, Texas for an Additional \$30,656
in Credits

Item 3 Presentation, Discussion and Possible Approval of Multifamily Bond Program:

Vidal Gonzalez

Proposed Issuance of Multi-Family Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits with TDHCA as the Issuer For:

- a) Providence at Prairie Oaks, Arlington, Texas in an Amount Not to Exceed \$11,050,000 and Issuance of Determination Notice (Requested Amount of \$776,542 and Recommended Amount of \$773,619) for Prairie Oaks, #04483, Resolution No. 05-007

- b) Homes of Pecan Grove, Dallas, Texas in an Amount Not to Exceed \$14,030,000 and Issuance of Determination Notice (Requested Amount of \$967,005 and Recommended Amount of \$967,004) for Homes of Pecan Grove, #04480, Resolution No. 05-008

- c) Port Royal, San Antonio, Texas in an Amount Not to Exceed \$12,200,000 and Issuance of Determination Notice (Requested Amount of \$859,828 and Recommended Amount of \$844,349) for Port Royal, #04489, Resolution No. 05-005

- d) Mission del Rio, San Antonio, Texas in an Amount Not to Exceed \$11,490,000 and Issuance of Determination Notice (Requested Amount of \$792,702 and Recommended Amount of \$787,746) for Mission del Rio, #04488, Resolution No. 05-006

- Item 4 Presentation, Discussion and Possible Approval of Programmatic Items: C. Kent Conine
Approval of Two (2) 2004 Disaster Relief Program Award
Recommendations for Owner Occupied (JCC) Utilizing Deobligated
HOME Funds, for Total Awards of \$1,040,000 for:
DR2004-0279, Zavala County, Reg. 11, \$500,000 Project Funds,
\$20,000 Admin. Funds
DR2004-0282, City of Crystal City, Reg. 11, \$500,000 Project Funds,
\$20,000 Admin. Funds

EXECUTIVE SESSION

Elizabeth Anderson

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

Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning the 2005 Housing Tax Credit Program Qualified Allocation Plan And Rules
Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning Pending or Contemplated Litigation

OPEN SESSION

Elizabeth Anderson

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS

Executive Directors Report

1. Department Outreach Activities – Meetings, Trainings, Conferences, Workshops for December, 2004
2. Quarterly Report of Housing Tax Credit Transfers
3. Texas House Committee on Urban Affairs Interim Report 2004

ADJOURN

Elizabeth Anderson

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 sign language interpreters 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.

Non-English speaking individuals who require interpreters for this meeting should contact Delores Groneck, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

EXECUTIVE OFFICE
BOARD ACTION REQUEST
JANUARY 7, 2005

Action Item

Board Minutes of November 12, 2004 and December 13, 2004.

Required Action

Review of the minutes of the Board Meetings and make any necessary corrections.

Background

The Board is required to keep minutes of each of their meetings. Staff recommends approval of the minutes.

Recommendation

Approve the minutes with any requested corrections.

**-BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Senate Finance Hearing Room, Texas Capitol Extension, 1100 Congress, Austin, Texas
78701
Friday, November 12, 2004 10:00 am**

Summary of Minutes

**CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM**

The Board Meeting of the Texas Department of Housing and Community Affairs of November 12, 2004 was called to order by the Chair of the Board Elizabeth Anderson at 10:15 a.m. It was held at the Senate Finance Hearing Room, Texas Capitol Extension, Austin, Texas 78701. Roll call certified a quorum was present.

Members present:

Elizabeth Anderson – Chair
C. Kent Conine – Vice Chair
Vidal Gonzalez – Member
Shad Bogany – Member
Patrick Gordon – Member
Norberto Salinas – Member

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

Ms. Carrington stated Sarah Dale Anderson was leaving the Texas Department of Housing and Community Affairs to go into the private sector business and Ms. Carrington presented a plaque to Sarah which stated: "The Texas Department of Housing and Community Affairs proudly presents Sarah Dale Anderson this certificate of recognition and appreciation for all your hard work and dedication during your tenure at TDHCA. Your eight years of service were invaluable in helping Texans achieve an improved quality of life through the development of better communities".

She stated it was sad to see her go; but everyone is very excited and hopeful for her as she goes out, on her great adventure". Everyone thanked Sarah for the years of service and for the work she has done for the Department.

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.

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

Tony Sisk, Churchill Residential, Irving, Texas

Mr. Sisk stated he submitted written comments on the QAP that were on an outdated version of the QAP and he respectfully rescinded every comment he made.

Jim Shearer, Capital Consultants, Austin, Texas

Mr. Shearer discussed forward commitments and earlier in the year he proposed an aggressive forward commitment plan to deal with the many problems of the allocation realm. After hearing

many public comments requesting forward commitments, the Board decided to do no forward commitments and he suggested that the Board reconsider this decision. He felt there are many qualified applicants that were on and then off the scoring list. He felt there are corrective actions that should be made by the Department before the Legislature convenes in January. His specific suggestions is that the Board direct the Department to develop a list of possible forward commitments that fall into these categories: 1) any application that was on a potential funding list during the cycle; 2) any application that had exceptional or unique community support; and 3) any application that has an unresolved alternative dispute resolution experience with the Department.

John Garvin, Exec. Director, TAAHP, Austin, Texas

Mr. Garvin stated they appreciated the work that Sarah Anderson had done for the Department. He asked the Board to review the issue of flexibility in the unit mix in the QAP. Also the rural cap went from 96 to 76 and there was an agreement in the working group to bring this number to 80 so one could build five 16-unit buildings. He supported the internet access as a threshold or moving it into the selection criteria but to watch the cost for smaller city projects and smaller number of units. He suggested the signs requiring TEFRA hearing information should have all pertinent information on them. He asked that the number of having the sign up go to 30 days and the sign should have contact information about the upcoming public hearing and a contact person with a phone number. TAAHP asked for a definition of local political subdivision and to have ranges in the rent levels of the units. He asked for points for community support from civic organizations.

Jean Langendorf, UCP of Texas, Austin, Texas

Ms. Langendorf stated they were in support of the Home of Your Own Coalition and were thankful to see this back in the Consolidated Plan that the Board will be considering at this meeting. The UCP was a recipient under the Department's Capacity Building Program with the Housing Trust Fund and because of the \$40,000 assistance they received, they have been approved by HUD for two Section 811 programs totaling \$1.4 million for one project in Austin and one in El Paso.

John Henneberger, Co-Director, State Low Income Housing Information Service, Austin, Texas

Mr. Henneberger asked the Board to consider the prioritization of farm-labor housing as a priority in the QAP. There has never been a single farm-labor housing development in Texas that was assisted under the tax-credit program. There are problems with the farm-labor population in needing affordable housing and there is a great need for rehab of dilapidated housing conditions across Texas. Other states have used the tax-credit program to help the poorest citizens of the state (farmworkers) to have decent housing. He stated he was referring to both migrant and home-based farmers under the USDA definition. In the migrant laborers, he was concerned about the existing stock of multifamily housing which they have access to, which either growers provide or the USDA provides, away from their permanent home.

Mark Feaster, Continental Realty, Topeka, Kansas

Mr. Feaster stated he was very disappointed in the ADR process as it is currently implemented at the Department and to the apparent lack of intent of TDHCA staff to work for a resolution of issues raised. They requested ADR on September 24 to resolve issues on three of their applications. They were contacted by staff and asked to attend a Board meeting in Austin and request that the Board consider a forward commitment for the applications with no recommendation from staff. They again requested ADR and the date of Nov. 1 was agreed upon with the Honorable Judge Joseph H. Hart as the mediator.

After much discussion on the Maybank application issues, it became obvious that no progress was going to be made and both sides agreed to disagree. There was a resolution agreed upon between staff, Judge Hart and Continental Realty on Burkburnett and Tye. The TDHCA staff would meet with the executive director and ask that she discuss with the Chairperson of the Board the fact that the applications for Burkburnett and Tye were impacted by the scoring changes implemented at the end of the application process and that the applications be put on the agenda for Board consideration of issuing forward commitments for 20-05 tax credits at the

November 12 Board Meeting and that staff would inform Continental Realty within 24 to 48 hours of the outcome of their meeting with the executive director. They have had no communication regarding the meeting with the executive director and since it was not on the agenda for this meeting, no forward commitments were going to be discussed.

The process has not worked and they requested that the Board consider the impacted applications for Gardens of Tye and Gardens of Burkburnett at the December meeting. The Department staff involved represents that they can not make a decision and are reluctant to make recommendations to the Board and that the Board is the only group that can make the decision. He stated the goal of their company is to bring affordable senior to rural Texas but the application process has not been quite as welcoming.

John Wright, Consultant, San Antonio, Texas

Mr. Wright stated on the networking of data, the threshold requirement in the QAP does not say one has to run the system it just says the wires have to be put in. If one works with a standard provider they do not use a central location. He also felt uncomfortable with the 504 issue and felt the compliance section on this should be moved to the underwriting section.

Jim Shaw, Executive Director, Capital Area Housing Finance Corporation, Austin, Texas

Mr. Shaw stated that scheduling the TEFRA hearing and that process is an integral part of their management of these transactions. He felt the information on the sign should be placed on the sign 14 days prior to hearing which would be in conformance with the federal-publication requirements under TEFRA.

Ann Denton, Promoting Independence Advisory Committee, Austin, Texas

Ms. Denton stated they are a committee looking at transitioning people with disabilities out of nursing homes and other facilities. The segregation of people in institutions is a violation of the ADA. As a member of the Disability Advisory Committee she commended Sarah Anderson for her work on behalf of people with disabilities and for her work with the Promoting Independence Advisory Committee. She asked the Department to take a look at the staff level and continue the Department's commitment to people with disabilities. She stated they made a suggestion many years ago for the Department and Health and Human Services Commission to share a staff position to cross agency boundaries and to better help clients.

Mike Sugrue, Developer, Mabank, Texas

Mr. Sugrue stated he is representing three groups – one is Guilford Capital who is a tax-credit investor; the Texas Affiliation of Affordable Housing Providers and Rural Rental Housing Association. Under Issue 3, Sec. 1.32 (e)(4) in the letter from TAAHP he wanted to make sure cost certifications are adjusted for inflation for developments located in the same county, etc. Under Issue 4, Sec. 1.32(e)(4)(a) he wanted to make sure this was good quality housing. Under Issue 5, Sec. 1.33 there is talk about the potential requirement for the market analyst to include an impact on schools but this is not done for any other type of housing and it will increase the cost of market studies. He felt this was not fair if it is only done for tax credit housing.

Under Issue 6, Sec. 1.33, he stated a 36 unit project may not need what a 76 unit project needs or it may not need what a 120 unit needs. Senior properties require a different market area and rural properties require a different market area than family properties. Urban, exurban and rural all require different market areas. It should be left up to the market analysts and to the investors and lenders for what needs to be in the market study. He also stated that comparable units in construction type rental rates is not the proper comparison. They should include age, amenities and services.

There will be more public comment given during the presentation of the agenda items.

Ms. Anderson welcomed Jason Smith from the Urban Affairs Committee to this meeting.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of Board Meeting of October 14, 2004

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the Minutes of the Board Meeting of October 14, 2004.

Passed with 4 ayes and Mr. Conine and Mr. Gonzalez abstaining as they were not in attendance at this meeting.

**(2) Presentation, Discussion and Possible Approval of Department Rules:
a) Final Adoption of Housing Tax Credit Program Rules: Proposed Repeal of Title 10, Part 1, Chapter 49, Tex. Admin. Code – 2003 Low Income Housing Tax Credit Program Qualified Allocation Plan and Rules; and Proposed New Title 10, Part 1, Chapter 49, Tex. Admin. Code – 2005 Housing Tax Credit Program Qualified Allocation Plan and Rules**

Ms. Carrington stated there are two actions related to the tax credit program and the first action is the repeal of the 2003 Tax Credit Qualified Allocation Plan (QAP). The second action is to adopt the new Title 10, Part 1, Chapter 49, the new 2005 Qualified Allocation Plan (QAP).

She stated the department held working group meetings to come up with recommendations and improvements to the 2005 Qualified Allocation Plan and the meetings were day long meetings with good discussions. Developers, syndicators, lenders, advocates, trade-association people and others participated in these meetings for about six months. There were 13 public hearings held around the state and the Department also asked for written comments from anyone who wanted to submit them.

Staff presented a memo which outlined the comment received from the public along with staff's response to these comments.

Brooke Boston stated on page 27 of the action item staff will be adding language into the QAP relating to the radiant barriers for rehab. The reference to rural units going back to 76 will be referenced in two places in the QAP. The letter would be sent to local officials for the full application around February 25 which is about 3-4 days before the applications are turned in on March 1. The preapp will be due January 5th. The dates the applicant needs to hear back from the local elected officials regarding neighborhoods for preapp will be January 1 and for application is February 25. Under the section of amenities it will be changed to 200 units or more. Staff is recommending to revise the points as it needs to be cleared up under the portion that at least 70% of the units are two-bedroom or more. Staff will say at least 70% of the units must have an eligible bedroom mix of two- and three-bedroom units. Under leveraging for private, state or federal dollars, the language in 2306 indicates that this needs to be for extremely low income and that was not specified in the language so staff is recommending adding one sentence which would say to qualify for this point the rent schedule must show that at least 3% of all low-income units are designated to serve individuals or families with incomes at or below 30% of AMFI.

Staff is recommending that the number of units for rural go back to 76 based on public comments received. Under the nonprofit set-aside, staff is proposing that instead of taking the nonprofit deals off the top statewide to go through the list and identify based on score alone and meet the at-risk and USDA set-asides and would make sure that they received 10% of the funding. The three networks in the units would be only for new construction based on public comment. Under Section 504 they would be turning in cost schedules that show two different scenarios and staff would determine if it is feasible. Under income levels of the tenants and based on public comment, the set of options that people would have is being expanded. Under commitment of development funding by local political subdivisions they would not be penalized as long as they were willing to

sign a certificate of intent to apply and indicate the funding source, amount of loan funds, etc. They will be allowed to mix and match under the in-kind funds or having vouchers.

Under development location all items had been for four points but they are now split out into two categories. Under sponsor characteristics, the five year requirement is out and staff added clarification that the ownership interest is in the general partner and then added a graduation clause which is that once they have 500 units of tax credits, they would not be eligible for the points although they could apply. Third party funding was clarified and on carryovers, deals that involve acquisition rehab not be required to buy down their land before December 31.

Robert Voelker, NuRock Development, Coppell, Texas

Mr. Voelker stated he was concerned on rent levels of the units and the HUB rule. The rent level of units is a market-rate unit issue. He felt the rule was written as to the more market-rate units one is getting less and this is a reverse from what the QAP in past years.

R. J. Collins, Tejas Housing, Austin, Texas

Mr. Collins stated the staff has done an excellent job on the QAP. On the rural development limitation (size) he asked that the number be increased to 96 units from 76 units per project. He also felt that the increase of prices on development cost should be included in the QAP. He approved of the recommendation of staff to eliminate the 5 year rule.

Ronnie Hodges, Alsace Developers, Austin, Texas

Mr. Hodges stated his company is a HUB and felt that this is the only way that minorities can achieve any kind of funding in this very complex affordable housing business. He asked that the 51% of ownership be taken out as a characteristic to be a HUB. He also asked that the rural number of units go from 76 to 96 units per project.

Michael Hartman, Developer, Merritt Island, Florida

Mr. Hartman thanked the Board and staff for devoting many hours of time to advance the cause of providing quality affordable housing to the citizens of Texas. The working group for the QAP felt that the number of units for rural should be 96 units and the group voted to remove from the 2005 QAP all limitations on the unit mix in family developments. He asked the Board to make these changes in the QAP.

Rowan Smith, Developer, Houston, Texas

Mr. Smith stated he felt the QAP in general is better than it was in the past. He stated the compliance fees are not workable when one does housing in the Rio Grande Valley and asked for a percentage of rent concept to come up with an amount for compliance fees.

Debra Guerrero, NRP, San Antonio, Texas

Ms. Guerrero stated the 51% ownership in a project to be a HUB is too high. She also felt that one bedroom units are not as marketable in South Texas as they are in the Dallas and Houston areas.

Diana McIver, Developer, Austin, Texas

Ms. McIver supported the concept of encouraging some market rate units but there are two development types that cannot meet this requirement. One is the scattered-site projects and the other is transitional housing. She felt that by putting exurban in with the other point categories that the QAP is not really giving 7 points to exurban. She asked to use the HUB points as a tie breaker, if needed.

Demetrio Jimenez, Tropicana Properties, El Paso, Texas

Mr. Jimenez supported the way the HUB rule is written now.

Ms. Boston discussed the network information included in the QAP and the dates for hearings for the department being the issuer and local issuers.

Motion made by C. Kent Conine and seconded by Norberto Salinas to amend the QAP and delete the clause that says "networked from the unit back to a central location".
Passed Unanimously

Motion made by C. Kent Conine and seconded by Shad Bogany to amend the QAP to add on for the hearing dates for both state issuers and local issuers to 30 days for TEFRA hearings.
Passed Unanimously

Ms. Boston stated the Department received substantial comments indicating that the developers did not like the way the rent levels were proposed and there was comments from the public that this be taken out. There were not many comments on how to handle this.

Motion made by C. Kent Conine and seconded by Shad Bogany to amend the QAP for rent levels to start with less points for doing 5% market-rate units and tier it back the other direction so one receives more points for doing more 20% market rate units.
Passed Unanimously

Under HUBs, Ms. Boston stated in the previous QAP there were points for HUBs.

Mr. Bogany stated the Governor has stated he believes in HUBs and they are getting contracts for the State of Texas and he feels the dealing with HUBs should be a graduated program. He felt that minority businesses should be given an opportunity to participate in the program and once they have experience they graduate from the program. He was for the 51% and felt there should be an opportunity to get the minority businesses to receive some of the HUB points.

Terri Anderson, Dallas, Texas

Ms. Anderson stated as a lender what they look for is whether it is a Fannie Mae or an FHA transaction, from a guarantee perspective, anyone who owns greater than 20% in any transaction is considered a key principal in a deal. If a HUB owns 51% of the property one would look to them for guarantees but will also look at their 49% partner or anyone who owns greater than 20%.

Motion made by C. Kent Conine and seconded by Norberto Salinas to amend the QAP to strike the 500 units for experience for a HUB and go to the two-project graduation rule for projects that construction is finished and they are ready to go.
Passed Unanimously

Mr. Bogany felt that when a developer proposes a project the developer should determine their own destiny and based on market studies the developer should determine the unit mix. He also felt that the \$25.00 a unit compliance fee would make sense to him to do that on a percentage or base it on the population of a certain area.

Ms. Carrington stated that it costs the department no less as an agency to monitor a property in the Valley than it does a property in Dallas or in the Houston area where the rents are higher. The costs are going to be the same because the department treats all the units the same regardless of where they are located.

There were discussions on moving the fees to the compliance rules and the Boards ability to amend the QAP during the year and if it had to go back to the Governor for approval, etc.

Motion made by Beth Anderson and seconded by Shad Bogany to amend the QAP to remove the 300 feet by an interstate highway system and that would no longer be subject to negative site-location characteristics.
Passed Unanimously

Mr. Conine stated the Department would like to encourage the development community to put more credits into rehabilitation of projects instead of new construction.

Motion made by C. Kent Conine and seconded by Patrick Gordon to strike language of the QAP on page 25 that deals with the two scenarios to leave the compliance of the 504 application to the sponsor and the architect and engineer.
Passed Unanimously

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to amend the QAP to include the exurban points in addition to the other items.
Passed Unanimously

Motion made by Beth Anderson and seconded by Shad Bogany to break out the exurban points as its own scoring category with seven points and remove paragraph I from the development site location section with a separate category for exurban points worth seven points.
Passed Unanimously

Motion made by C. Kent Conine and seconded by Shad Bogany to amend the QAP to say “developments that are scattered-site or transitional will receive the full 12 points provided that they have received points under paragraph 3 of the subsection”.
Passed Unanimously

Motion made by C. Kent Conine and seconded by Shad Bogany to amend the QAP and delete the “for example” sentence under the one-mile three-year rule on page 11 of the QAP.
Passed Unanimously

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to amend the QAP to leave the town-home sentence for new construction town homes in the QAP for 504 and that the applicant and applicant’s architect, with an opinion from a third party accessibility specialist, must provide a certification that the property meets 504.
Passed Unanimously

Motion made by C. Kent Conine and seconded by Shad Bogany to repeal the 2003 QAP.
Passed Unanimously

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the adoption of the 2005 QAP as amended.
Passed Unanimously

b) Final Adoption of Home Investment Partnerships Program (HOME) Rules: Proposed Amendment to Title 10, Part 1, Chapter 53, Tex. Admin. Code – Home Investment Partnerships Program

Ms. Carrington that staff is recommending the final adoption for the HOME rules. She stated these rules followed the same process that the QAP did. The Board approved the draft in September; went out for public in the 13 service regions; and staff incorporated as many of the comments as possible on the rules that are being proposed. When language was changed in the HOME rules the same language was put in the trust fund also.

Ms. Boston stated that many of the comments received from the public were things that the Department did not have the ability to change. They were things that were legislated by state or federal rules. There is one administrative amendment as at the federal level there has been a change relating to religious or faith-based organizations and the Department wanted to be positive that the handling of CHDOs did not in any way have any type of a negative implication. Revisions were made to make sure it is consistent with the federal requirements.

Mr. Eric Pike, Director of Single Family, stated there were primarily cleanup on the single family portion of the rules.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the Home Investment Partnerships Program Proposed Amendment to Title 10, Part 1, Chapter 53, Texas Admin. Code.
Passed Unanimously

c) Final Adoption of Housing Trust Fund Rules: Proposed Amendment to Title 10, Part 1, Chapter 51, Tex. Admin. Code – Housing Trust Fund Rules

Ms. Carrington stated there were technical corrections and some cleanup that staff is recommending to the Housing Trust Fund Rules but there was nothing substantive added from last year to this year.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the Housing Trust Fund Proposed Amendment to Title 10, Part 1, Chapter 51, Tex. Admin. Code.
Passed Unanimously

d) Final Adoption of Real Estate Analysis Rules: Proposed Amendment to Title 10, Part 1, Chapter 1, Subchapter B, Tex. Admin. Code - Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, and Property Condition Assessment Rules and Guidelines and Proposed New § 1.37 Reserve for Replacement Rules and Guidelines

Ms. Carrington stated there will be two actions on the Real Estate Analysis Rules. One will be adoption of the amended existing sections of the Rules and also adding a new section which is the reserve for replacement rules and guidelines which was a result of the 2003 legislative session and replacement reserves.

Mr. Tom Gouris, Director of Real Estate Analysis, stated there was cleanup language to make several issues more clear. One thing added was the cap rate for property tax expense, to determine what the property-tax expense was and the estimated cap rate will be 10% to determine what the expense number for property taxes might be. One area of clarification was with the regard to the comparable units and what is a comparable unit in a market-study section. The clarification is leasing at the same rent that is acceptable or at the same price points as the affordable rents would be at or could get at would be affordable, regardless of what funding source they might have used, if they are comparable in other ways. On the average-verses-good Marshall and Swift costs, he stated that the REA division has always looked at the average cost with an allowance to look at "good" if that was what was relevant to that transaction when one looked at the quality of the transaction and see if it did rise to a higher level. They also look at historicals adjusted for inflation. When they look at costs today, they look at what the applicant tells the Department.

A clarification was made in the primary market area definition in that the Department had a maximum of 250,000 people in the primary market area as being a reasonable sized primary market area and a better guideline suggested was for 100,000 and allowing it to go up to 250,000.

George Schmidt, Edgewater Affordable Housing, Austin, Texas

Mr. Schmidt asked to add six words to the existing real estate rules in Section 1.32(d)(2)(I) which mean a lot in the long term preservation of properties by putting a cap on the reserves.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to amend the Real Estate Analysis Rules amendment to Title 10, Part 1, Chapter 1, Subchapter B, Tex. Admin. Code and Adoption of a New Section of 1.37, Reserve for Replacement Rules and Guidelines.

Passed Unanimously

e) Final Adoption of Compliance Monitoring and Asset Management Rules: Proposed Repeal of Title 10, Part 1, Chapter 60, Subchapter A, Tex. Admin. Code – Compliance Monitoring and Asset Management, Section 60.1 Compliance Monitoring Policies and Procedures and Proposed New Title 10, Part 1, Chapter 60, Subchapter A, Tex. Admin. Code, Compliance Monitoring, Section 60.1 Compliance Monitoring Policies And Procedures

Ms. Carrington stated the Compliance Monitoring and Asset Management Rules is the final set of rules for the Board's consideration and there are two actions for this item. One is a repeal of an existing rule and an Adoption of a new rule. There were no comments received on the proposed repeal on the rule but the Department did receive a few comments on the proposed new and most of the comments incorporated were changes that were made to the construction inspection process for tax credit transactions and the non tax credit transactions.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to repeal Title 10, Part 1, Chapter 60, Subchapter A Rule 60.1 and to adopt the new Title 10, Part 1, Chapter 60, Subchapter A, Rule 60.1.

Passed Unanimously

(3) Presentation, Discussion and Possible Approval of Application Submission Procedures Manual for Housing Tax Credits

Ms. Carrington stated this is the adoption of the tax credit application submissions procedures manual which is required by statute. As the Board adopts the QAP, they are required to adopt a manual that basically gives the development community direction, important dates on how to apply for credits, etc. There is a correction to be made on page 3 and on page 7, the date the application cycle opened and this should be Wednesday, December 8, 2004.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the 2005 Application Submission Procedures Manual for Housing Tax Credits.

Passed Unanimously

(4) Presentation, Discussion and Possible Approval of:

a) 2005 Regional Allocation Formula

Ms. Carrington stated the 2005 Regional Allocation Formula went out on the same public-hearing schedule and public comment did not generate any changes to this formula.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the 2005 Regional Allocation Formula.

Passed Unanimously

b) 2005 Affordable Housing Needs Score

Ms. Carrington stated staff is recommending approval of the 2005 Affordable Housing Needs Score.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the 2005 Affordable Housing Needs Score.
Passed Unanimously

c) 2005 State of Texas Low Income Housing Plan and Annual Report

Ms. Carrington stated the State of Texas Low Income Housing Plan and Annual Report provides four vital functions for the Department. It is an overview of all housing and housing-related priorities and policies; it outlines statewide housing need; it provides TDHCA's program funding levels and performance measures; and it looks back on the Department's activities during the preceding fiscal year.

Motion made by Vidal Gonzalez and seconded by C. Kent Conine to approve the 2005 State of Texas Low Income Housing Plan and Annual Report.

Amendment to the motion by Beth Anderson and seconded by C. Kent Conine that single family funding may not serve participating jurisdictions and will only serve non-participating jurisdictions.
Passed Unanimously

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the 2005 State of Texas Low Income Housing Plan and Annual Report with the amendment.
Passed Unanimously

d) 2005-2009 State of Texas Consolidated Plan

Ms. Carrington stated this plan outlines the resources that are expected to be available to the Department, to the Office of Rural Community Affairs and to the Health and Human Services Commission. It outlines the method of distributing funds and is required by HUD and addresses the HOME Program, Emergency Shelter Grants Program and with ORCA, the Community Development Block Grant Program and the Housing Opportunities for Persons with Aids Program.

Staff is recommending that the same amendment be made to this document that was made in the State Low Income Housing Plan which stated "single family funding may not serve participating jurisdictions and will only serve non-participating jurisdictions" as approved by the Board under the State Low Income Housing Plan Item.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the 2005-2009 State of Texas Consolidated Plan.
Passed Unanimously

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

a) HOME Award to Community Action Council of South Texas in the Amount of \$500,000

Ms. Carrington stated staff is recommending approval of funding in the amount of \$500,000 for the Community Action Council of South Texas from HOME funds. There will be 4% admin funds equal to \$20,000 for this project. This was an application that did apply with the Department in the Home Program cycle and they were a competitive application. They were the next one on the list to be funded had there been enough funds available. There is a considerable amount of leveraging involved in this project and there are sufficient deobligated funds to fund this application.

Kenneth Christy, Community Action Council of South Texas, Rio Grande City, Texas

Mr. Christy was in attendance to answer any questions the Board might have and stated this group is very grateful for any amount of funds they might receive.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the \$500,000 for the HOME award to the Community Action Council of South Texas and to add the \$20,000 admin funds.

Passed Unanimously

b) Increase in the Contract Amount of Preservation Incentives Program Funds in the amount of \$250,000 for Cedar Ridge Apartments, No. 2002-0050, Dayton, Texas for a Total Contract Amount of \$1,250,000

Ms. Carrington stated this was an award made not in a competitive cycle to the Cedar Ridge Apartments out of the Preservation Incentives Program. The Board approved a loan in the amount of \$1,000,000 but due to additional required and unforeseen increases in the work, staff is recommending an additional \$250,000 for this project to be completed and the necessary improvements made to this property.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the additional \$250,000 for Cedar Ridge Apartments.

Passed Unanimously

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

a) Approval to Rescind General Policy Issuance #04-3.3 Regarding Documentation of Income for 90 days Prior to the Application and Allow Annualization of Income for 30 days Prior to Application with Regards to the Community Services Block Grant (CSBG), Comprehensive Energy Assistance Program (CEAP) and Weatherization Assistance Program (WAP)

Mr. Conine stated the Programs Committee approved a resolution to rescind the general policy issuance No. 04-3.3 regarding the documentation of income for 90 days prior to the application and go back to the 30 days prior, subject to the Board's approval. He asked for approval of this resolution.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the recommendation of the Programs Committee and rescind the general policy issuance No. 04-3.3 and to return to the 30 days prior to application with regards to the three programs.

Passed Unanimously

b) Approval of Resolution Concerning Section 8 Payment Standards

Mr. Conine stated Resolution No. 04-093 is a resolution adopting a payment standard for Section 8 housing choice vouchers all across the state and the Programs Committee recommended approval of the Resolution.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the Resolution concerning the Section 8 Payment Standards.

Passed Unanimously

c) Discussion on Section 8 Housing Assistance Program as Administered by the Texas Department of Housing and Community Affairs

Mr. Conine stated the Programs Committee had a discussion on the Section 8 Voucher Program but no action was taken.

(7) Presentation, Discussion and Possible Approval of Multifamily Bond Program Inducement Resolutions for:

a) Inducement Resolution Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board For Program Year 2004 (2004 Waiting List)

2004-063, Arlington Place Apartments, Houston, Texas

Ms. Carrington stated there is one inducement resolution for a 2004 Private Activity Bond Program development which will go to the bottom of the waiting list. It is for 230 units, is a rehab project in Houston, Texas

Motion made by Vidal Gonzalez and seconded by C. Kent Conine to approve Resolution No. 04-090 for Arlington Place Apartments, Houston, Texas to be added to the 2004 waiting list at the Bond Review Board.

Passed Unanimously

b) Inducement Resolution Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board For Program Year 2004 Traditional Carry Forward and Request for Approval from The Governor

- 2004-059 Sphink at Chenault, Dallas, Texas**
- 2004-060 Waxahachie Senior Apartments, Waxahachie, Texas**
- 2004-061 Pleasant Village Apartments, Dallas, Texas**
- 2004-062 Grove Village Apartments, Dallas, Texas**
- 2004-064 Lafayette Chase Apartments, Houston, Texas**
- 2004-065 Glenn Heights Villas, San Antonio, Texas**
- 2004-066 Alta Cullen Apartments, Harris County, Texas**

Ms. Carrington stated there are 7 applications for the 2004 Private Activity Bond Program for traditional carry forward. The 7 applications requested an amount totaling \$63,340,000. Staff is recommending approval of 6 of the applications which are: 2004-059, Sphink at Chenault, Dallas, Texas; 2004-060, Waxahachie Senior Apartments, Waxahachie, Texas; 2004-061 Pleasant Village Apartments, Dallas, Texas; 2004-062 Grove Village Apartments, Dallas, Texas; 2004-064 Lafayette Chase Apartments, Houston, Texas; 2004-066 Alta Cullen Apartments, Harris County, Texas.

Motion made by Vidal Gonzalez and seconded by Norberto Salinas to approve the 6 applications for inducement.

Passed Unanimously

c) Inducement Resolution Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board For Program Year 2005 (2005 Waiting List)

- 2005-014 Willow Creek Apartments, Tomball, Texas**
- 2005-024 Meadow Oaks Estates, Corinth, Texas**
- 2005-022 Woodland Park Estates, Garland, Texas**
- 2005-023 Rosemont at Frisco, Frisco, Texas**
- 2005-025 Mallow Meadows, Seagoville, Texas**

Ms. Carrington stated this is for the 2005 Private Activity Bond Program waiting list. Five applications were received by the Department and 4 are being recommended to be submitted to the Bond Review Board. Staff is not recommending Mallow Meadows as it did not meet threshold.

Motion made by Vidal Gonzalez and seconded by C. Kent Conine to approve Resolution No. 04-092 for 4 applications and to submit the applications to the Bond Review Board for the 2005 waiting list.

Passed Unanimously

(8) Presentation, Discussion and Possible Approval of Housing Tax Credit Items:

a) Waiver of Carryover Requirement to Close on Land for Acquisition/Rehab 2004 Awardees

Ms. Carrington stated this is a request for waiver of a specific 2004 QAP requirement that requires acquisition/rehab transactions involving HUD or USDA Rural housing Services. This is being corrected in the 2005 QAP.

Section 50.14(a)(1) of the 2004 QAP requires that the development owner purchase the property for the development by the deadline to submit the carryover allocation documents and the deadline in the QAP is December 1, 2004. Several developments are working with HUD or USDA and are not able to meet the December 1 deadline for closing on the property. Staff is requesting that these properties only, those that are working with HUD or USDA be granted a waiver of this requirement by the Board.

Motion made by Vidal Gonzalez and seconded by C. Kent Conine to grant the waiver for 13 developments (Las Palmas, San Antonio, Texas is to be removed from the list).
Passed Unanimously

b) Appeals to Board from Housing Tax Credit Applicants on Underwriting Matters: 04074 Las Pamos, San Antonio, Texas

Ms. Carrington stated this application was awarded tax credits in the 2004 tax-credit allocation round on October 6 of this year. Due to a violation in the department's environmental-site-assessment rules and guidelines which states that the environmental site assessment shall be conducted by a third-party environmental engineer, the application was termination. The ESA application was prepared by George Ozuna, Jr. who also signed the application for tax credits as a representative with the authority to execute documents on the applicant's behalf. Mr. Ozuna was also listed as the nonprofit managing general partner in control of the application. The Department does feel that this is a very worthy development that was awarded credits but in the continued review the ESA was not completed by a third party so the application was terminated.

David Marquez, Developer, San Antonio, Texas

Mr. Marquez stated that Mr. Ozuna did sign the environmental review as he is an engineer. Mr. Ozuna does sit on the board on a volunteer basis and has never received any kind of benefit, payment benefit, for serving on that board. They did get another environmental site assessment completed which said the same thing and it was forwarded to staff.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to grant a 30-day extension to this application to give time for staff to look at the third-party ESA and see if it meets the specifications and if not, then return to the Board in December.

Carlos Madrid, Jr., Bexar County Housing Authority, San Antonio, Texas

Mr. Madrid stated the Las Pamos multifamily complex which consists of 100 units was built approximately 40 years ago and there is a desperate need for this complex to survive; however, it must be sale, decent and in sanitary condition with central heating and air conditioning and needs rehab and to be upgraded. He asked for the Board's support for this project as it has provided shelter for many families who do not wish to relocate.

Amended motion by C. Kent Conine and seconded by Shad Bogany until the next board meeting in December to give staff time to review the new third-party report and see if meets specifications or not.

Ms. Anderson stated this is a clear violation of a very clear black-and-white department rule and the Department has these rules for reasons.

Mayor Salinas stated the rules do need to be followed but this is one of the projects that he hates to see not get credits.

Mr. Bogany stated he has been a big proponent of rehab and the Department needs to get as many units rehabbed as possible but he did agree with the Board Chair that the Board could be setting a precedent in approving these credits.

Amended motion was restated:

Amended motion by C. Kent Conine and seconded by Shad Bogany until the next board meeting in December to give staff time to review the new third-party report and see if it meets specifications or not.

Motion failed with 2 ayes (Mr. Conine and Mr. Gonzalez) and 4 nos (Mr. Salinas, Mr. Bogany, Mr. Gordon and Ms. Anderson)

c) Issuance of Determination Notices on Tax Exempt Bond Transactions with Other issuers:

04457 Evergreen at Lewisville Senior Apartments, Lewisville, Texas, Denton County Housing Finance Corporation is the Issuer (Requested Amount of \$496,596 and Recommended Amount of \$428,596)

04463 Lakeside Manor Senior Community, Little Elm, Texas, Denton County Housing Finance Corporation is the Issuer (Requested Amount of \$438,218 and Recommended Amount of \$428,143)

04452 Seville Place Apartments, La Porte, Texas, Southeast Texas Housing Finance Corporation is the Issuer (Requested Amount of \$568,648 and Recommended Amount of \$564,828)

04459 Bayview Apartments, Baytown, Texas, Harris County Housing Finance Corporation is the Issuer (Requested Amount of \$586,896 and Recommended Amount of \$574,895)

04492 Artisan on the Bluff, San Antonio, Texas, San Antonio Housing Finance Corporation is the Issuer (Requested Amount of \$911,857 and Recommended Amount of \$911,857)

Ms. Carrington stated this is the issuance of determination notices on tax exempt bond with other issuers. They are 04457 Evergreen at Lewis and staff is recommending a credit allocation of \$428,596; 04463 Lakeside Manor Senior Community and staff is recommending a credit allocation of \$428,143; 04452 Seville Place and staff is recommending a credit allocation of \$564,828; 04459 Bayview Apartments and staff is recommending a credit allocation of \$574,895; and 04492 Artisan on the Bluff and staff is recommending a credit allocation of \$911,857.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the determinations for the 5 projects and the recommended amounts listed.

Tony Sisk, Churchill Residential, Irving, Texas

Mr. Sisk stated they are the developers on 04457, Evergreen at Lewisville Senior Apartments and they requested \$506,556 in the credit allocation and when underwriting did the review, it was listed as \$496,596. They are asking for the full amount of \$506,556.

Amended motion made by C. Kent Conine and seconded by Vidal Gonzalez to amend the amount allocation for Evergreen at Lewisville Senior Apartments for an allocation amount of \$506,556 and to approve the amounts for the other projects listed.

Passed Unanimously

d) Request for Additional Credits for: Primrose at Shadow Creek (fka Arbors at Creekside) Austin, Texas (Requested Amount of \$92,244 and Recommended Amount of \$91,982) for a total Housing Tax Credit Award of \$617,344

Ms. Carrington stated this is a request for additional credits for Primrose at Shadow Creek. This is a 4% tax credit transaction that was awarded credits in 2001. The development is built and is placed in service with 176 units and is located in Austin, Texas. The original approved credit amount was \$525,000. Prior to commencing construction the development team changed substantially and the new team found that a number of design changes were necessary to complete the project. There was additional site work that was needed, direct and indirect construction costs. They moved forward with the understanding that if they had basis that supported an additional amount of credits that they would recommend the additional credits. Staff is recommending the additional credits in the amount of \$92,244.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the additional credits for Primrose at Shadow Creek in the amount of \$92,244.
Passed Unanimously

- e) **Requests for Housing Tax Credit Extensions for:**
03004, Arbor Woods Apartments, Dallas, Texas
03140, Park Meadows Village, Lubbock, Texas
03145, Sterling Springs Villas, Midland, Texas
03159, Summit Senior Village, Gainesville, Texas
03162, Pinnacle Pointe Apartments, Victoria, Texas
03182, The Manor at Jersey Village, Jersey Village, Texas
03186, Tigoni Villas, San Antonio, Texas
03053, Millpoint Townhomes Apts., Henderson, Texas

Ms. Carrington stated there are 8 extension requests to commence substantial construction for 2003 tax credit allocations. They have paid the \$2,500 extension fee and staff is recommending approval of new deadlines for these 8 projects.

Motion made by Vidal Gonzalez and seconded by Norberto Salinas to approve the extension requests for the 8 projects of: 03004, Arbor Woods Apartments, Dallas, Texas; 03140, Park Meadows Village, Lubbock, Texas; 03145, Sterling Springs Villas, Midland, Texas; 03159, Summit Senior Village, Gainesville, Texas; 03162, Pinnacle Pointe Apartments, Victoria, Texas; 03182, The Manor at Jersey Village, Jersey Village, Texas; 03186, Tigoni Villas, San Antonio, Texas; and, 03053, Millpoint Townhomes Apts., Henderson, Texas.
Passed Unanimously

- f) **Proposed Housing Tax Credit Amendments for: 04120, Sedona Springs Village Apartments, Odessa, Texas**

Ms. Carrington stated this is a request for an amendment to a housing tax credit application that involves a material change of a 2004 tax credit application that received an award. The developer is asking to change from Gas to electric heating and water heating; to upgrade from vinyl flooring to ceramic tile in the kitchens and bathrooms and to upgrade all two-bedroom one-bath units to have two bedrooms and two baths. Staff is recommending approval of the request.

Tim Smith, The Woodlands, Texas

Mr. Smith stated the developer had submitted an alternative utility allowance that differs greatly from the utility allowance that the local housing authority requires them to use.

Cynthia Bast, Attorney, Locke Liddell & Sapp, Austin, Texas

Ms. Bast stated the underwriting guidelines permit an applicant to use either the PHA allowance or an alternative allowance if appropriate documentation is submitted. This documentation was submitted to the department. There was a letter from the Housing Authority of the City of

Odeassa in which the executive director indicates that the alternative utility allowance may be used and that they have the authority to do that.

Bert Magill, Houston, Texas

Mr. Magill stated he was a developer in Odessa and they had 250 units in two different developments in Odessa and they have had to rely on the housing authority's utility allowance for underwriting purposes, for application purposes and through the lease-up period.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the amendments for 04120, Sedona Springs Village Apartments in Odessa, Texas.
Passed Unanimously

EXECUTIVE SESSION

If permitted by law, the Board may discuss any item listed on
This agenda in Executive Session
Consultation with Attorney Pursuant to §551.071, Texas
Government Code, Concerning the Proposed 2005 Housing
Tax Credit Program Qualified Allocation Plan And Rules
Consultation with Attorney Pursuant to §551.071, Texas
Government Code, Concerning Pending or Contemplated
Litigation

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

There was no Executive Session held.

REPORT ITEMS

Executive Directors Report

1. NCSHB – Election of Board Member
Ms. Carrington stated that Mr. Conine was elected First Vice-President of NCSHA.
2. Houser Award
Ms. Carrington did not give a report on this item.
3. NCSHA – Conference and Election of Board Member
Ms. Carrington stated she was elected to the Board of NCSHA and this is the first time an Executive Director from Texas has been elected to the Board of NCSHA.
4. Affordable Housing Partnership with the Texas Association of Realtors
Ms. Carrington stated the Department is doing a partnership with the Texas Association of Realtors and a press conference will be held on December 7th announcing this program.
5. Department Outreach Activities – Meetings, Trainings, Conferences, Workshops for September and October, 2004
Ms. Carrington stated the activities of September and October, 2004 have been forwarded to the Board Members.
6. Award Recognition of Community Affairs Staff Member by the US Department of Energy (Central Region)
Ms. Carrington stated there was an award recognition for the Community Affairs staff for sponsoring the Regional 10 State US Department of Energy Conference held in Austin, Texas in October.

Ms. Carrington also stated that Mr. Conine's children were in the November 1st edition of Time Magazine.

The December Board Meeting will be held on December 9, 2004.

ADJOURN

The meeting adjourned at 4:00 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

badminnov

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Room 437 – Boardroom, Austin, Texas 78701
Monday, December 13, 2004 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 December 13, 2004 was called to order by the Chair of the Board Elizabeth Anderson at 8:45 a.m. It was held at 507 Sabine, Room 437, Austin, Texas 78701. Roll call certified a quorum was present.

Members present:

Elizabeth Anderson – Chair
C. Kent Conine – Vice Chair
Vidal Gonzalez – Member
Shad Bogany – Member
Patrick Gordon – Member
Norberto Salinas – Member

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

Ms. Anderson welcomed Michael Gerber from the Governors Office, Jason Smith, Committee Clerk, from the Urban Affairs Committee, Scott Sims from the Speakers Office and Perla Cavazos from Senator Lucio's Office to this meeting.

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.

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

Claire Palmer, Attorney, Dallas Housing Authority, Dallas, Texas

Ms. Palmer stated staff did a wonderful job in drafting the QAP and staff was very open and responsive to comments during the process. She stated those that are affected by the changes which were made in the emergency amendment are at a severe disadvantage. They relied on having the at risk set-aside to make decisions about their housing programs for the year and it was pulled out from under them with less than a month from pre-applications and this is difficult. She asked to put HOPE VI developments in the at risk set-aside only and she asked that the at risk set-aside not be removed from the QAP.

Ann Lott, President & CEO, Dallas Housing Authority, Dallas, Texas

Ms. Lott stated they were created in 1938 and they are a political subdivision of the State of Texas. 90% of their funding comes from HUD. They receive about \$247.00 per month for each unit of public housing they operate. They need to modernize their aged and deteriorated inventory. She felt there was those people who do not want PHAs in the tax credit business and the PHAs are at a disadvantage. She stated 89% of the people they serve earn less than \$20,000 annually. If the Board adopts Chairman Talton's amendments it will be impossible for them to modernize their aged inventory. She asked that the Board maintain PHAs as part of the at risk set-aside and this will send a message that public housing is important to the State of Texas.

Neal Rackleff, General Counsel, Houston Housing Authority, Houston, Texas

Mr. Rackleff stated TDHCA has helped transform their public housing stock. 80% of their residents are extremely low income and there is a tremendous amount of need for affordable housing for those at the extremely low income level. He stated the only way housing authorities are able to improve their housing stock is through dramatic leveraging of their dwindling federal resources. For many housing authorities the housing tax credit program enables them to raise additional funds that are necessary.

Brant Johnson, Houston, Texas

Mr. Brant Johnson did not speak.

Henry Alvarez, Executive Director, San Antonio Housing Authority, San Antonio, Texas

Mr. Alvarez stated about 2500 people in San Antonio live in obsolete and dilapidated housing. The tax credit program has provided \$7 million of tax credits that were leveraged to \$84 million to replace 602 units of obsolete housing in downtown San Antonio. Without housing tax credits they are out of business. He asked the Board continue funding PHAs.

Henry Flores, Chairman, Austin Housing Authority, Austin, Texas

Mr. Flores stated there are 424 housing authorities in Texas that have struggled to provide services to the poorest of the poor. The average consumer makes less than 30% of average median income in Texas. They receive most of their funding from HUD; however, the HUD budget for PHAs has been reduced and he asked the Board to continue the at risk set-aside for public housing authorities.

Jim Hargrove, Austin, Texas

Mr. Hargrove gave his time to Mr. Flores.

Robert Reyna, Austin, Texas

Mr. Reyna gave his time to Mr. Flores.

John Henneberger, Co-Director, Texas Low Income Housing Information Service, Austin, Texas

Mr. Henneberger stated he is a longtime supporter of public housing authorities and agrees with what he has heard and what has been said from the housing authorities. Public housing authorities do the heavy lifting as far as housing for low income people. He asked the Board to prioritize the citizens of Texas who live in public housing and not exclude them from participation in the only program that helps improve their developments. The Texas Low Income Housing Information Service respectfully disagreed with Chairman Talton's interpretation of the TDHCA statute.

Mayor Salinas stated there needs to be something in the record saying that in the colonia areas are built simply because they are people who do not want to live in an apartment and they want to have their own piece of property.

Celonio Quesada, Director, Pt. Arthur Housing Authority, Pt. Arthur, Texas

Mr. Quesada stated they were successful last year in being awarded tax credits for the rehab of a five story Section 8 based development. They are moving aggressively that they might again be successful in getting an award in 2005 for the very low income families with children and he asked the Board to include the PHAs in the QAP.

Betsy Julian, Attorney, Inclusive Communities Project, Dallas, Texas

Ms. Julian stated the tax credit program is very important for the public housing authorities in Texas. She asked the Board not to alter or delete the 2 selection criteria that award 7 points to applications proposing to develop affordable housing in low poverty areas or areas with high performing schools. She stated Chairman Talton's letter asserting that by including the 2 provisions out of nine that no priority is given in the scoring criteria to developments in economically distressed areas is incorrect. They reflect good housing policy and there should be recognition that the tax credit program is governed by federal and state laws.

Jonas Schwartz, Advocacy, Inc., Austin, Texas

Mr. Schwartz stated the staff is not recommending removing “accessible” from the QAP and he supports keeping the word in the QAP. He also supports all comments made by the public housing authorities.

Barry Kahn, Developer, Houston, Texas

Mr. Kahn stated he supported Mr. Voelker's letter to maintain market rate units and he recommended preserving the points.

Susan Maxwell, Texas Council for Development Disabilities, Austin, Texas

Ms. Maxwell stated she supported people with disabilities and they support the concept of accessibility and to leave it in the QAP.

R. David Kelly, Denton Housing Authority, Dallas, Texas

Mr. Kelly stated their firm acts as a private sector developer and consultant. The housing authorities need the tax credit program to help them with housing for the very low income citizens and he asked that the Board assist them in serving the most needs of citizens.

Barry Palmer, Attorney, Coast & Rose, Houston, Texas

Mr. Palmer stated they supported keeping the at risk set-aside for public housing authorities to participate in the tax credit program and he asked the Board to continue this.

Bob Kafka, Co-Director, Institute for Disability Access, Austin, Texas

Mr. Kafka asked the Board to keep accessibility in the QAP.

Stephanie Thomas, ADAPT of Texas, Austin, Texas

Ms. Thomas asked the Board to continue helping people with disabilities and to leave “accessible” in the QAP.

James Walker, Dirk Van Syke and Raul Garza, TKO Advertising, Austin, Texas

The team presented an update on the First Time Homebuyer Program that they are working on with the Department. They presented several concepts they are working on.

Diana McIver, Diana McIver & Associates, Austin, Texas

Ms. McIver stated the staff has done an excellent job on the QAP this year. She stated there are built in provisions in the QAP for controls in the amount of funds a consultant can get from a project.

Ike Akbari, Developer, Ft. Arthur, Texas

Mr. Akbari stated he supported the QAP the way it is written now.

Barbara Holston, Ft. Worth Housing Authority, Ft. Worth, Texas

Ms. Holston stated that this at risk set-aside is critical to the replacement of affordable housing and specifically public housing units that have been demolished. She was against the proposed change to the definition of at risk set-aside which would remove the public housing authorities from eligibility in the tax credit program.

Update from TKO Advertising, Inc., on the First Time Home Buyer Program

This was presented during the public comment period.

ACTION ITEMS

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

ACTION ITEMS

- (1) **Presentation, Discussion and Possible Approval of Department Rules:**
 - a) **Adoption of Emergency Amendment to the 2005 Housing Tax Credit Qualified Allocation Plan and Rules ("QAP"), Title 10, Part 1, Chapter 49, Texas Administrative Code, Considering the Rejection of the 2005 QAP Pursuant to §2306.6724(c), Texas Government Code**
 - b) **Proposed Amendment for Public Comment to the 2005 Housing Tax Credit Qualified Allocation Plan and Rules ("QAP"), Title 10, Part 1, Chapter 49, Texas Administrative Code (Identical to the Emergency Amendment Considering the Rejection of the 2005 QAP Pursuant to §2306.6724(c), Texas Government Code**

Ms. Carrington stated this is the adoption of an emergency amendment to the 2005 QAP and a proposed amendment that will be identical to the emergency amendment to the QAP that will go out for public comment. The rationale from the proposed changes comes from the fact that the Governor rejected the 2005 QAP that was submitted to him for signature. Staff is recommending revisions in 6 areas of the QAP. All the changes were listed in the memo presented to the Board and posted on the website.

Ms. Anderson stated: "I know that I speak both for this staff and the Board, and in fact, I am aware that the Governor's Office has committed to some of you all that they are committed to have discussion as I am sure our Board and the staff are, with you to fully explore these concerns and in fact, to resolve the concerns going forward. The last thing this program needs, this very important program needs is uncertainty. The Department doesn't need uncertainty. The Board doesn't need uncertainty, and certainly, the participants and particularly applicants for the 2005 round don't need this uncertainty. The Governor and this Department and Board recognize that the Housing Tax Credit program is a critical component to putting badly needed affordable housing -- safe, decent, accessible affordable housing -- on the ground for Texas citizens. So I appreciate all of you all being here to make public comment on these important matters this morning."

EXECUTIVE SESSION

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

Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning the 2005 Housing Tax Credit Program Qualified Allocation Plan And Rules

Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning Pending or Contemplated Litigation

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Ms. Anderson stated: "At this time, the Board of TDHCA is going to proceed into an executive session. On this date, December 13, 2004, at a regular meeting of the Governing Board of the Texas Department of Housing and Community Affairs held in Austin, Texas, the Board adjourned into a closed executive session as evidenced by the following: the Board will begin its executive session today, December 13, 2004, at 10:10 a.m.

The subject matter of this executive session deliberation is as follows, consultation with attorney pursuant to Section 551.071 of the Texas Government Code concerning the 2005 Housing Tax Credit program, Qualified Allocation Plan, and rules. Consultation with attorneys pursuant to Section 551.071 Texas Government Code concerning pending or contemplated litigation. With that, the Board adjourns into executive session."

The Board adjourned into executive session at 10:10 a.m. and reconvened at 11:05 a.m.

Ms. Anderson stated: "The Board has completed its executive session of the board of the Texas Department of Housing and Community Affairs on December 13, 2004, at 11:05 a.m. I hereby certify that this agenda of the executive session of the Governing Board of the Texas Department of Housing and Community Affairs was properly authorized pursuant to Section 551.103 of the Texas Government Code.

The agenda was posted on the Secretary of State's office website seven days prior to the meeting, pursuant to Section 551.044 of the Texas Government Code, that all members of the Board were present, and that this was a true and correct record of the proceedings, pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code."

Motion made by C. Kent Conine and seconded by Shad Bogany to adopt the emergency amendment for the 2005 Housing Tax Credit Qualified Allocation Plan.
Passed Unanimously

Motion made by C. Kent Conine and seconded by Shad Bogany to propose the amendment for public comment to the 2005 Qualified Allocation Plan.
Passed Unanimously

**(2) Presentation, Discussion and Possible Approval of Programmatic Items:
Olmstead Award Recommendations under the HOME Program Tenant Based Rental Assistance for:**

Organization	Location	Recommended Amount
Texas Community Solutions	Austin (Statewide)	\$1,000,000
Accessible Communities, Inc.	Corpus Christi	\$ 250,000
Dallas Metrocare Services	Dallas	\$ 317,033

Ms. Carrington stated there was an open NOFA for tenant based rental assistance under the Olmstead set-aside. There are funds that are used for people with disabilities. There were 3 applications received and staff is recommending awards to these 3 entities for a total amount of \$1,567,033. Staff is recommending an award to exceed the \$500,000 cap but this group serves people with disabilities on a statewide basis and not just one area.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the recommendation of staff for Texas Community Solutions for \$1,000,000; Accessible Communities, Inc. for \$250,000; and Dallas Metrocare Services for \$317,033.
Passed Unanimously

Judy Telge, Director, Independent Living in the Coastal Bend, Corpus Christi, Texas

Ms. Telge thanked the Board for this award and stated this will help many people who really need assistance.

**(3) Presentation, Discussion and Possible Approval of Multifamily Bond Program:
a) Inducement Resolutions Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board For Program Year 2005 (2005 Waiting List)**

2005-15 Evergreen at Pecan Hollow Senior Apts., Murphy, Texas

2005-16 Evergreen at Rowlett Senior Apts., Rowlett, Texas:

2005-17 Evergreen at Murphy Senior Apts., Murphy, Texas

Ms. Carrington stated there are three priority three tax exempt bond applications for the 2005 waiting list. All three are elderly transactions.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve Evergreen at Pecan Hollow Senior Apartments, Evergreen at Rowlett Senior Apartments and Evergreen at Murphy Senior Apartments for the issuance of Multifamily Housing Mortgage Revenue Bonds for filing with the Bond Review for the 2005 Waiting List.
Passed Unanimously

b) Consideration of an Extension to the Completion Date for Ironwood Crossing – Multifamily Housing Mortgage Revenue Bonds Series 2002A and 2002B

Ms. Carrington stated this is a tax exempt bond transaction that was approved by the Board in November of 2002. There has been a change in ownership and the new owner is requesting an extension of the completion date from December 31, 2004 to May 31, 2005. The project is almost completed.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the extension of the completion date for Ironwood Crossing to May 31, 2005 and to change the date on the resolution from December 10 to December 13, 2004.
Passed Unanimously

c) Proposed Issuance of Multi-Family Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits with TDHCA as the Issuer for Providence At Village Fair, Dallas, Texas, in an Amount Not to Exceed \$14,100,000 and Issuance of Determination Notice (Requested Amount of \$997,781 and Recommended Amount of \$995,291) for Providence at Village Fair, #04479

Ms. Carrington stated this is a request to issue multifamily bonds with the Department as the issuer for Providence at Village Fair. The bonds will be issued in an amount not to exceed \$14,100,000 and the tax credit allocation amount will be \$995,291. The completion date is amended to June 30, 2006 in the Resolution.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the amended Resolution 04-101 for Providence at Village Fair for the issuance of bonds in an amount not to exceed \$14,100,000 and the tax credit allocation of \$995,291.
Passed Unanimously

(4) Presentation, Discussion and Possible Approval of Single Family Bond Program: Texas First Time Homebuyer Program Lender List

a)

Ms. Carrington stated this is the participating lender list for the single family mortgage revenue bond programs 62 and 62-A. There are 26 lenders signed up and they have 170 branches across the state. Staff is recommending approval of the list.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the single family bond program Texas first-time homebuyer program lender list.
Passed Unanimously

b) New Mortgage Credit Certificate (MCC) Program

Ms. Carrington stated staff is requesting an additional mortgage certificate program for first-time homebuyers. Lenders have indicated that they would like to continue to have a mortgage certificate program available as one of the products from the Department.

Mr. Pike advised the Board that the MCC program has been very successful. He also stated the Department is out of non-targeted funds for the MCC program and staff would like to continue with the program.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the new mortgage credit certificate program recommended by staff with approval of Resolution No. 04-102 with a new date for the resolution of December 13, 2004 and remove December 10, 2004.

Passed Unanimously

**(5) Presentation, Discussion and Possible Approval of Housing Tax Credit Items:
a) Issuance of Determination Notices on Tax Exempt Bond Transactions with Other Issuers:**

04469 Louetta Village Apartments, Spring, Texas, Harris County Housing Finance Corp. is the Issuer

(Requested Amount of \$314,202 and Recommended Amount of \$0)

This project has been withdrawn from consideration for this meeting.

04453 The Pinnacle on Wilcrest, Houston, Texas, Victory Street Public Facility Corp. is the Issuer

(Requested Amount of \$644,602 and Recommended Amount of \$637,260)

04464 Pepper Tree Apartments, Houston, Texas, Harris County Housing Finance Corp. is the Issuer

(Requested Amount of \$642,993 and Recommended Amount of \$642,993)

04475 Fairlake Cove (fka Lake Pointe Apts.) Houston, Texas, Houston Housing Finance Corp. is the Issuer

(Requested Amount of \$529,937 and Recommended Amount of \$529,664)

04494 Baypointe Apartments, Webster, Texas, Harris County Housing Finance Corp. is the Issuer

(Requested Amount of \$699,364 and Recommended Amount of \$694,059)

04456 Providence at Marshall Meadows Apartments, San Antonio, Texas Texas State Affordable Housing Corp. is the Issuer

(Requested Amount of \$528,291 and Recommended Amount Not to Exceed \$472,469)

Mr. Gouris advised that the staff informed him of an error in the applicable fraction calculation and the amount staff is recommending for this project is \$503,778.

04461 The Villas at Costa Cadiz, San Antonio, Texas, San Antonio Housing Finance Corp. is the Issuer

(Requested Amount of \$592,150 and Recommended Amount of \$588,003)

04466 Rosemont at Pleasanton, San Antonio, Texas, San Antonio Housing Finance Corp. is the Issuer

(Requested Amount of \$840,926 and Recommended Amount of \$840,926)

04468 GP Ranch West, Grand Prairie, Texas, Tarrant County Housing Finance Corp. is the Issuer

(Requested Amount of \$495,337 and Recommended Amount of \$495,337)

04486 Worthington Point Apartments, Fort Worth, Texas, Tarrant County Housing Finance Corp. is the Issuer

(Requested Amount of \$593,008 and Recommended Amount of \$593,008)

04491 Evergreen at Keller Senior Apt. Community, Keller, Texas, Tarrant County Housing Finance Corp. is the Issuer

(Requested Amount of \$559,597 and Recommended Amount of \$559,597)

Ms. Carrington stated all of these issues will have underwriting conditions on them. Staff is recommending 04-453, The Pinnacle on Wilcrest for \$637,260 in credits; 04-464, Peppertree Apartments for \$642,993 in credits; 04-475 Fairlake Cover Apartments for \$529,664 in credits; 04-494 Baypointe Apartments for \$694,059 in credits; 04-456 Providence at Marshall Meadows for \$503,778 in credits; 04-461 Villas at Costa Cadiz for

\$588,003 in credits; 04-466 Rosemont at Pleasanton for \$840,926 in credits; 04-468 GP Ranch West (Prairie Ranch) for \$495,337 in credits; 04-486 Worthington Point Apartments for \$593,008 in credits; and 04-491 Evergreen at Calla Seniors for \$559,597 in credits.

Cynthia Bast, Attorney, Locke Liddell and Sapp, Austin, Texas

Ms. Bast stated that the applicant for Peppertree Apartments is aware of some opposition from the neighborhoods and he is working with all of the surrounding neighborhoods to address any and all concerns that they might have.

Motion made by C. Kent Conine and seconded by Patrick Gordon to approve the recommendation of staff for: 04-453, The Pinnacle on Wilcrest for \$637,260 in credits; 04-464, Peppertree Apartments for \$642,993 in credits; 04-475 Fairlake Cover Apartments for \$529,664 in credits; 04-494 Baypointe Apartments for \$694,059 in credits; 04-456 Providence at Marshall Meadows for \$503,778 in credits; 04-461 Villas at Costa Cadiz for \$588,003 in credits; 04-466 Rosemont at Pleasanton for \$840,926 in credits; 04-468 GP Ranch West (Prairie Ranch) for \$495,337 in credits; 04-486 Worthington Point Apartments for \$593,008 in credits; and 04-491 Evergreen at Calla Seniors for \$559,597 in credits.

Passed Unanimously

b) Consideration of Action for #03000 Kingfisher Creek Apartments, Austin, Texas

Ms. Carrington stated this item relates to correcting an administrative error on staffs part for Kingfisher Creek Apartments. Staff is requesting to correct this error by making a binding commitment of 2004 credits and then to approve a waiver of the 2004 Qualified Allocation Plan.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the recommendations of staff to make a binding commitment of 2004 credits and to approve a waiver of the 2004 QAP for Kingfisher Creek Apartments, Austin, Texas.

Passed Unanimously

c) Requests for Housing Tax Credit Extensions for Commencement of Construction for:

#03184 The Pegasus, Dallas (Dallas County) Texas

#03248 La Casita Apartments, LaCasita (Starr County) Texas

#03212 Village of Kaufman, Kaufman, Texas

Ms. Carrington stated there are two requests for extensions to commence substantial construction and one to close the construction loan. On Pegasus Apartments, the deadline for commencement of substantial construction was November 12, 2004 and they are requesting a new deadline of February 12, 2005. Staff is recommending approval.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the request for extension for the Pegasus Apartments, Dallas, Texas to February 12, 2005.

Passed Unanimously

Ms. Carrington stated La Casita Apartments had a deadline of November 12, 2004 and they are requesting a deadline to July 1, 2005 and staff is recommending approval. Their construction was delayed by difficulties in obtaining clear title to the land.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the extension to July 1, 2005 for La Casita Apartments in Starr County, Texas.

Passed Unanimously

Ms. Carrington stated the Village of Kaufman Apartments is an at-risk development and staff is recommending the new deadline of January 11, 2005 but there is language to be added and it is "Staff recommends the extension be approved contingent upon receipt in writing from the contractor for the development within seven days of the date of this meeting that indicates the development can be completed and placed in service by December 31, 2005".

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the extension to January 11, 2005 with the language added of "Staff recommends the extension be approved contingent upon receipt in writing from the contractor for the development within seven days of the date of this meeting that indicates the development can be completed and placed in service by December 31, 2005".
Passed Unanimously

d) Proposed Housing Tax Credit Amendments for:

#	Name	Location
99197	Sun Meadow	Alamo, Texas
02103	Valley View	Pharr, Texas
03134	Lilac Gardens	El Paso, Texas
03196	Arcadia Village	Center, Texas
04005	Palacio del Sol	San Antonio, Texas

Ms. Carrington stated staff is recommending approval of five requests for amendments to the Housing Tax Credit applications that involve material changes. Sun Meadow Apartments is asking to substitute ten SEER air conditioning units for 12 SEER air conditioning units. The original general partner was removed and there is a substitute general partner in this transaction.

Simon Fraser, Alamo, Texas

Mr. Fraser stated this a one-story project and they are upgrading the actual condensing units of the air condition units.

Motion made by Norberto Salinas and seconded by C. Kent Conine to approve the amendment for Sun Meadow Apartments.

Motion made by C. Kent Conine and seconded by Shad Bogany to table this item until the next meeting to give the applicant time to explore items on to provide residents with energy saving devices.
Passed Unanimously

Ms. Carrington stated the Valley View Apartments are located in Pharr and the applicant is requesting approval to change the applicable fraction to allow the development to contain 100% tax credit units as opposed to the 95% which was originally elected in their tax credit applications.

Juan Patlan, Consultant, San Antonio, Texas

Mr. Patlan stated he is the development consultant for Valley View and they are requesting to convert seven market units so they can have a 100% low income property.

Motion made by C. Kent Conine and seconded by Beth Anderson to deny the request for Valley View in Pharr, Texas.

Motion to deny passed with 5 ayes (Ms. Anderson, Mr. Conine, Mr. Gordon, Mr. Gonzalez and Mr. Bogany) and 1 no (Mr. Salinas)

Ms. Carrington stated Lilac Gardens is asking that the applicant not be obligated to prove a specific number of accessible units but only with the understanding that they be in compliance with 504.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the request for Lilac Gardens.

Passed Unanimously

Ms. Carrington stated on Arcadia Village apartments they are requesting to change the development from 26 single family residences to 16 single family residences and five duplexes. This is due to zoning requirements.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the request for Arcadia Village.

Passed Unanimously

Ms. Carrington stated on Palacio del Sol they are asking to change the bedroom mix for an at-risk elderly development. They are asking to change 50 one bedroom units to 112 one bedroom units and 150 two bedroom units to 88 two bedroom units as HUD has a maximum amount of subsidy that is allowable.

Toni Jackson, Houston, Texas

Ms. Jackson stated this is a rehab project and many of the contracts for Section 8 already exist and the change is necessary to keep those contracts.

Deepak Sulakhe, Consultant, Dallas, Texas

Mr. Sulakhe stated they have a market study that shows that there is a need for these units and this is a HUD project.

Motion made by Shad Bogany and seconded by Norberto Salinas to request to change the bedroom mix for Palacio del Sol.

Passed Unanimously

e) Allocation of 2005 Housing Tax Credits to Rural Rescue Applications:

#	Name	Location	Requested Amount	Recommended Amount
05001	Mountainview Apts.	Alpine, Texas	\$67,500	\$66,861
05002	Villa Apartments	Marfa, Texas	\$32,582	\$32,432
05003	Oasis Apartments	Fort Stockton	\$55,889	\$55,422

Ms. Carrington stated this is the rural rescue item and they are requesting 2005 housing tax credits in accordance with the Rural Rescue Policy. These applications have been scored and reviewed for financial feasibility and their compliance record. Staff is recommending approval.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the allocation of 2005 Housing Tax Credits to Rural Rescue applications of Mountainview Apartments for \$66,861; Villa Apartments for \$32,432; and Oasis Apartments for \$55,422.

Passed Unanimously

f) Consideration of Waiver of §50.6(f) of the 2004 Qualified Allocation Plan for the 4% Housing Tax Credits Associated with the 2004 Bond CarryForward Applications for:

#	Name	Location
2004062	Grove Village Apartments	Dallas
2004061	Pleasant Village Apartments	Dallas

Ms. Carrington stated staff is requesting a waiver of a section of the 2004 QAP and it is Section 50.6F regarding the one mile, one calendar year rule as it applies to two developments, Grove Village Apartments and Pleasant Village Apartments. Each of these transactions are tax exempt bond and 4% tax credit allocations with both being in

Dallas. They are acquisition rehab and are financed by one issue and are owned by the same entity. The Bond Review Board asked that they be submitted as two applications rather than one.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the waiver of Section 50.6(f) of the QAP for Grove Village Apartments and Pleasant Village Apartments.

Passed Unanimously

g) Consideration of Waiver of §50.9(f)(7)(B)(ii)(II) of the 2004 Qualified Allocation Plan for the 4% Housing Tax Credits Associated with the 2004 Bond Application for 2004041, Prairie Oaks Apartments, Arlington, Texas

Ms. Carrington stated this is a request for a waiver of Section 50.9 of the 2004 QAP which states that the zoning must be submitted to the Department at least 14 days prior to the date of this meeting. There is discussion about the work that this applicant has had with the Arlington City Council but it was initially not approved. They are now in discussions with the Arlington City Council on planning and zoning. The Board is not being asked to approve the transaction only being asked to approve the limited waiver as the City Council in Arlington is scheduled to meet on January 4, 2004 and will review this project.

Motion made by Shad Bogany and seconded by C. Kent Conine to grant the limited waiver of Sec. 50.9(f)(7)(B)(ii)(11) of the QAP for Prairie Oaks Apartments in Arlington, Texas.

Passed Unanimously

h) Possible Consideration of the Award of 2004 and/or 2005 Housing Tax Credits to Developments Impacted by the November 2, 2004 HUD Notice Regarding Difficult Development Areas for:

#	Name	Location	Original Amount	Revised Requested Amount	Revised Recommended Amount
04196	Americas Palms,	El Paso	\$635,064	\$866,403	\$667,234
04197	Horizon Palms,	El Paso	\$431,206	\$584,095	\$478,693
04070	Cedar Oak Tnh.,	El Paso	\$ 0	\$985,523	\$973,684
04410	The Vistas,	Marble Falls	\$287,187	\$373,889	\$373,889

Before any presentations and discussions began on this item, Patrick Gordon recused himself from hearing or voting on this item and left the room.

Ms. Carrington stated this is consideration of the award of 2005 and/or 2005 housing tax credits to developments that were impacted by the Nov. 2, 2004 HUD notice regarding difficult to develop areas. Staff is making the recommendation for allocations for four developments that were impacted by this notice on DDAs.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the recommendations of staff and approve the revised recommended amounts for awards for Americas Palms, Horizon Palms, Cedar Oak Townhomes and The Vistas.

Passed with 5 ayes and 1 recusal (Mr. Gordon)

i) Possible Consideration, Only if Needed to Allocate Any Available 2004 Credits, of the Award of 2004 Housing Tax Credits for Tyler Senior Apartments (#04121) in Region 4 for Requested Credits in the Amount of \$638,196 and Recommendation Subject to Underwriting

This item was not presented and no action was taken.

REPORT ITEMS

Executive Directors Report

1. Department Outreach Activities – Meetings, Trainings, Conferences, Workshops for November, 2004
Ms. Carrington stated the outreach activities have been sent to all Board members and are posted on the website.
2. PMC Employee Performance
Ms. Carrington stated one of the PMC employees, Kimberly Caldron, went through tax credit training and make 100 on the exam. She is one of only four who have made a perfect score on this test.
3. Press Conference for TAR/TDHCA Initiative on December 7, 2004
Ms. Carrington stated that the Press Conference was held and there was coverage from nine television and several newspapers. It made the front page of the Austin American Statesman.
4. Combining the Center for Housing Resource Planning and Communications With the Governmental Affairs Division
Ms. Carrington stated that the two Divisions have been combined and the new name for the division is Division of Policy and Public Affairs.
5. Fannie Mae Proposal to Purchase Bootstrap First Lien Mortgage Portfolio
This item was not presented.

Ms. Anderson stated that Mr. Shad Bogany, Board Member, has again been named Realtor of the Year by the Houston Association of Realtors and he received a round of applause.

ADJOURN

Motion made by C. Kent Conine and seconded by Norberto Salinas to adjourn..
Passed Unanimously

The meeting adjourned at 1:45 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

bdmindec

**Housing Tax Credit Program
Board Action Request
January 7, 2005**

Action Item

Request review and board determination of eleven (11) 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 eleven (11) four percent (4%) Tax Credit Determination Notices with **other issuers** for the tax exempt bond transactions known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
04460	Primrose at Crist	Garland	Garland HFC	204	204	\$18,980,693	\$12,950,000	\$596,042	\$596,042
04476	Rosemont at Laureland	Dallas	City of Dallas HFC	250	250	\$24,950,985	\$17,100,000	\$786,546	\$786,546
04482	Rosemont at Scyene	Dallas	City of Dallas HFC	250	250	\$24,792,754	\$17,000,000	\$776,433	\$776,433
04490	Cherrycrest Villas	Dallas	City of Dallas HFC	232	232	\$20,605,994	\$12,330,000	\$857,883	\$857,883
04465	Rosemont at Garth	Baytown	Southeast TX HFC	250	250	\$21,262,441	\$13,680,000	\$685,028	\$685,028
04467	Primrose at Bammel	Houston	Harris County HFC	210	210	\$20,004,583	\$11,736,000	\$612,346	\$612,346

04470	Mesa Homes	Houston	Victory Street Public Facility Corp.	240	240	\$29,956,427	\$15,000,000	\$1,273,325	\$1,273,325
04493	Plaza at Willowchase Apartments	Houston	Harris County HFC	220	220	\$19,761,117	\$12,450,000	\$573,522	\$573,522
04478	Villas at Winkler Senior Homes	Houston	Victory Street Public Facility Corp.	234	234	\$17,610,190	\$11,450,000	\$689,833	\$689,215
04498	Park at Woodline Townhomes	Conroe	Montgomery County HFC	250	250	\$22,510,538	\$15,000,000	\$677,743	\$675,950
04469	Louetta Village	Spring	Harris County HFC	116	116	\$10,355,137	\$7,100,000	\$314,202	\$314,202

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Primrose at Crist.

Summary of the Transaction

The application was received on August 19, 2004. The Issuer for this transaction is Garland HFC. The development is to be located at West side of Belt Line Road at Crist Road in Garland. The development will consist of 204 total units targeting the elderly population, with all affordable. The site is currently properly zoned for such a development. The Department received no letters in support and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI **and** Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI **and** Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Primrose at Crist.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Primrose at Crist**

TDHCA#: 04460

DEVELOPMENT AND OWNER INFORMATION

Development Location: Garland QCT: N DDA: N TTC: N
 Development Owner: TX Crist Housing, LP
 General Partner(s): GHFC Crist GP, LLC, 100%, Contact: Garland HFC
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Garland HFC
 Development Type: Elderly

Annual Tax Credit Allocation Calculation

Applicant Request: \$596,042 Eligible Basis Amt: \$601,871 Equity/Gap Amt.: \$765,452
Annual Tax Credit Allocation Recommendation: \$596,042
 Total Tax Credit Allocation Over Ten Years: \$ 5,960,420

PROPERTY INFORMATION

Unit and Building Information

Total Units: 204 HTC Units: 204 % of HTC Units: 100
 Gross Square Footage: 190,776 Net Rentable Square Footage: 184,284
 Average Square Footage/Unit: 903
 Number of Buildings: 5
 Currently Occupied: N

Development Cost

Total Cost: \$18,980,693 Total Cost/Net Rentable Sq. Ft.: \$103.

Income and Expenses

Effective Gross Income:¹ \$1,665,555 Ttl. Expenses: \$701,481 Net Operating Inc.: \$964,074
 Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Southwest Housing Management Corp.
Attorney:	Shackelford, Melton & McKinley	Architect:	Beeler Guest Owens Architects, LP
Accountant:	Reznick, Fedder & Silverman	Engineer:	To Be Determined
Market Analyst:	Apartment Market Data	Lender:	Newman Capital
Contractor:	Affordable Housing Construction	Syndicator:	Wachovia Securities

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. John Carona, District 16 - NC Rep. Fred Hill, District 112 - NC Mayor Bob Day - NC William E. Dollar, City Manager The proposed development is consistent with the Consolidated Plan of the City of Garland

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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. Board waiver of its QAP rule under Section 50.12 (a)(2) regarding the submission of all documentation (including the market study) at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made.
3. Receipt, review, and acceptance of documentation verifying the appropriate re-zoning of the site for the use as planned.
4. 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.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.

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:
Chairman of the Board

Date

Elizabeth Anderson,

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: December 27, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04460

DEVELOPMENT NAME

Primrose at Crist Apartments

APPLICANT

Name:	<u>TX Crist Housing, L.P.</u>	Type:	<u>For-profit</u>
Address:	<u>5910 North Central Expressway, Suite 1145</u>	City:	<u>Dallas</u> State: <u>TX</u>
Zip:	<u>75206</u>	Contact:	<u>Len Vilicic</u> Phone: <u>(214) 891-1402</u> Fax: <u>(214) 987-4032</u>
PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS			
Name:	<u>GHFC Crist GP, L.L.C.</u>	(%):	<u>0.01</u> Title: <u>Managing General Partner</u>
Name:	<u>Garland Housing Finance Corporation</u>	(%):	<u>N/A</u> Title: <u>100% owner of MGP</u>
Name:	<u>Southwest Housing Development Company, Inc.</u>	(%):	<u>N/A</u> Title: <u>Developer</u>
Name:	<u>Brian Potashnik</u>	(%):	<u>N/A</u> Title: <u>Owner of Developer</u>

PROPERTY LOCATION

Location: West side of Belt Line Road at intersection with Crist Road **QCT** **DDA**
City: Garland **County:** Dallas **Zip:** 75040

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$596,042	N/A	N/A	N/A
Other Requested Terms:	<u>Annual ten-year allocation of housing tax credits</u>		
Proposed Use of Funds:	<u>New construction</u>	Property Type:	<u>Multifamily</u>
Special Purpose (s):	<u>Elderly</u>		

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$596,042 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

- Board waiver of its QAP rule under Section 50.12(a)(2) regarding the submission of all documentation (including the market study) at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made;
- Receipt, review, and acceptance of documentation verifying the appropriate re-zoning of the site for the use as planned;
- Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 204 **# Rental Buildings:** 5 **# Non-Res. Buildings:** 2 **# of Floors:** 3 **Age:** 0 yrs **Vacant:** N/A at / /
Net Rentable SF: 184,284 **Av Un SF:** 903 **Common Area SF:** 6,492 **Gross Bldg SF:** 190,776

STRUCTURAL MATERIALS

The structures will be wood frame on post-tensioned concrete slabs on grade. According to the plans provided in the application the exterior will be comprised as follows: 90% stucco/5% masonry veneer/5% cement fiber siding. The interior wall surfaces will be drywall and the pitched roofs will be finished with laminated shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, central boiler water heating system, individual heating and air conditioning, & 9-foot ceilings.

ON-SITE AMENITIES

A 5,508-square foot community building will include activity rooms, management offices, fitness & maintenance facilities, a kitchen, restrooms, & a computer/business center. The community building & swimming pool are to be located at the entrance to the property. A mail/laundry building & the central hot water system boiler building are to be located at the rear of the site. In addition, three cookout areas & perimeter fencing with limited access gates are also planned for the site.

Uncovered Parking: 49 spaces **Carports:** 178 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Primrose at Crist Apartments is a 20-unit per acre, new construction development of 204 units of affordable housing located in north central Garland. The development is comprised of five evenly distributed, large, garden style, elevator-served residential buildings as follows:

- Three building Type B with 12 one-bedroom/one-bath units and 24 two-bedroom/two-bath units; and
- Two building Type C with 18 one-bedroom/one-bath units and 30 two-bedroom/two-bath units;

Architectural Review: The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with simple fenestration.

SITE ISSUES

SITE DESCRIPTION

Size: 10.171 acres 443,049 square feet **Zoning/ Permitted Uses:** Planned Development – Single Family (nonconforming), rezoning request submitted
Flood Zone Designation: Zone X **Status of Off-Sites:** Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Garland is located in north Texas, approximately 20 miles northeast of downtown Dallas in Dallas County. The site is an irregularly-shaped parcel located in the northern area of the city, approximately two miles from the central business district. The site is situated on the southwest side of Belt

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Line Road.

Adjacent Land Uses:

- **North:** Belt Line Road and vacant land immediately adjacent and single-family residential beyond;
- **South:** an assisted living facility, single-family residential, and a park immediately adjacent and single-family residential beyond;
- **East:** Belt Line Road immediately adjacent and single-family residential and industrial beyond; and
- **West:** single-family residential

Site Access: Access to the property is from the northwest along or south from Belt Line Road, from which the development is to have a single entry. Access to State Highway 78 is one-half mile east, which provides connections to all other major roads serving the Metroplex area.

Public Transportation: Public transportation to the area is provided by the Dallas Area Rapid Transit (DART) system, with the nearest bus stop located 0.2 miles away.

Shopping & Services: The site is within 0.2 miles of a neighborhood grocery store and 2.3 miles of a Wal-Mart Supercenter, 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.

Special Adverse Site Characteristics: The following issue has been identified as potentially bearing on the viability of the site for the proposed development:

- **Zoning:** The current zoning of the site does not permit the proposed use. The Applicant has applied for rezoning to Planned Development District for an Independent Senior Living Facility and provided a letter dated November 25, 2004 from the City of Garland Planning Department stating the following: “The Plan Commission, at this time, recommended approval of the change in zoning, concept plan, and the variance regarding building setbacks adjacent to a residential area and recommended denial of the other requested variances. The City Council is scheduled to hold a public hearing on this request on Tuesday, December 21, 2004...” Receipt, review, and acceptance of documentation verifying the appropriate re-zoning of the site for the use as planned is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection on September 1, 2004 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 October 18, 2004 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations: “This assessment has revealed no evidence of recognized environmental conditions in connection with the site.” (p. 19)

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 development the Applicant has elected the 50% at 50% / 50% at 60% option.

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 November 17, 2004 was prepared by Apartment MarketData Research Services, LLC (“Market Analyst”). The date of the report indicates that the market study was not provided more than 60 days prior to the January 13, 2005 originally scheduled TDHCA Board meeting, and therefore Board waiver of its QAP rule under Section 50.12(a)(2) is required. Highlights of the market study are as follows:

Definition of Primary Market Area (PMA): “The boundaries of the primary market area are as follows:

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

north – Dallas/Collin county line; east – Dallas/Rockwall county line; south – IH-30 (US 67)/IH-635 (LBJ Freeway); west – Jupiter Road” (p. 30). This area encompasses approximately 87 square miles and is equivalent to a circle with a radius of 5.3 miles.

Population: The estimated 2003 total population of the PMA was 248,066 and is expected to increase by 6% to approximately 263,042 by 2008. The estimated 2003 elderly (age 55+) population of the PMA was 38,144 and is expected to increase by 23% to approximately 46,925 by 2008. Within the primary market area there were estimated to be 82,748 total households in 2003, and 20,076 elderly households.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 1,286 qualified households in the PMA, based on the current estimate of 38,144 elderly households, the projected annual growth rate of 4.6%, renter households estimated at 51.6% of the population, income-qualified households estimated at 20.08%, and an annual renter turnover rate of 60.1 % (p. 47). The Market Analyst used an income band of \$18,690 to \$35,940. (NOTE: The Analyst presented demographic data which indicated a population-wide renter percentage of 29.2% in the PMA, but used income-adjusted American Housing Survey data to conclude a renter percentage of 52% for the relevant income band and used this rate to estimate demand. The Underwriter regards this as an unrealistically high renter percentage for low-income elderly households and used the lower percentage in estimating demand. The Analyst’s growth estimate was also understated due to a calculation error.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	24	2%	54	7%
Resident Turnover	1,262	98%	739	93%
Other Sources:	0	0%	0	0%
TOTAL ANNUAL DEMAND	1,286	100%	793	100%

Ref: p. 49

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 31.42% based upon 1,286 units of demand and 404 unstabilized affordable housing in the PMA (including the subject) (p. 50). The Underwriter calculated an inclusive capture rate of 50.9% based upon a lower demand estimate of 793 households. Both capture rates are less than the TDHCA 100% maximum guideline.

Local Housing Authority Waiting List Information: No information provided.

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 1,253 units in the market area (p. 104). All were market rate family properties as the Analyst stated that the only elderly development in the PMA was an affordable property.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (50%)	\$573	\$573	\$0	\$725	-\$152
1-Bedroom (60%)	\$698	\$698	\$0	\$725	-\$27
2-Bedroom (50%)	\$697	\$697	\$0	\$930	-\$233
2-Bedroom (60%)	\$846	\$847	-\$1	\$930	-\$84

(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 for Garland apartments is 92.0% while Garland apartments constructed since 1990 average 95.2%. Income-restricted projects report 93.2% average occupancy.” (p. 103)

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Absorption Projections: “Our best guess would be that Primrose at Crist would lease at a rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-month absorption period].” (p. 96)

Known Planned Development: The Analyst identified one 200-unit elderly property in lease-up (Evergreen at Mesquite Apartments, 4% HTC #03412) and two conventional projects in planning (115 total units). (p. 87)

Effect on Existing Housing Stock: “The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market since this market is stabilized and since newer units are more highly occupied. Also, based on an analysis of the affordable housing market, there is a shortage of affordable housing in this market.” (p. 96)

Market Study Analysis/Conclusions: 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 HTC program guidelines, and are achievable according to the Market Analyst. The Applicant stated that the property will furnish and pay for hot water in this development, and rents and expenses were calculated accordingly. The Applicant also provided proposed utility allowances from TXU Energy of \$50 and \$51 for the one- and two-bedroom units, respectively, instead of using the Garland Housing Authority Section 8 allowances of \$61 and \$78; the net effect of this change is an increase of \$51,480 in potential gross rent. 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 comparable to the Underwriter’s estimate.

Expenses: The Applicant’s total expense estimate of \$3,163 per unit is 8% lower than the Underwriter’s database-derived estimate of \$3,439 per unit for comparably-sized developments in this area. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$14.1K lower), and utilities (\$48.3K higher/lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them further. The Applicant is anticipating a 100% property tax exemption based on the General Partner being a wholly-owned, single-purpose subsidiary of the Garland HFC, and as an affirmative attorney’s opinion was provided the Underwriter has likewise assumed a total property tax exemption as a result of a long-term lease from the Garland HFC to the partnership.

Conclusion: The Applicant’s estimated total estimated operating expense is inconsistent with the Underwriter’s expectations and the Applicant’s net operating income (NOI) estimate 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 projections, the Underwriter’s estimated debt coverage ratio (DCR) of 1.06 is significantly less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development should be limited to \$876,429 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. The Underwriter has completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of \$12,475,000.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 10.171 acres	\$183,080	Assessment for the Year of:	2004
Building:	N/A	Valuation by:	Dallas Central Appraisal District
Total Assessed Value:	\$183,080	Tax Rate:	2.74076

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Commercial contract – unimproved property		
Contract Expiration Date:	1/	17/	2005
Acquisition Cost:	\$1,000,000		
Seller:	Unison Investment		Related to Development Team Member: No
Anticipated Closing Date:	1/	17/	2005
Other Terms/Conditions:	\$10K earnest money + \$10K extension fee		

CONSTRUCTION COST ESTIMATE EVALUATION
<p>Acquisition Value: The site cost of \$1,000,000 (\$2.26/SF, \$98,319/acre, or \$4,902/unit), although over five times the tax assessed value, is assumed to be reasonable since the acquisition is an arm’s-length transaction.</p> <p>Sitework Cost: The Applicant’s claimed sitework costs of \$7,495 per unit are within the Department’s allowable guidelines for multifamily developments without requiring additional justifying documentation.</p> <p>Direct Construction Cost: The Applicant’s direct construction cost estimate is \$15K or less than 1% higher than the Underwriter’s Marshall & Swift <i>Residential Cost Handbook</i>-derived estimate, and is therefore regarded as reasonable as submitted.</p> <p>Fees: The Applicant’s developer fees exceed 15% of the Applicant’s adjusted eligible basis by \$16,080 and therefore the eligible portion of the Applicant’s developer fee must be reduced by the same amount.</p> <p>Other: The Applicant’s contingency allowance exceeds the TDHCA maximum guideline of 5% by \$107,196 and therefore the Applicant’s eligible basis will be reduced by an equivalent amount.</p> <p>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 by the Underwriter, is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$16,906,482 is used to determine a credit allocation of \$601,871 from this method. The resulting syndication proceeds will be used to compare to the Applicant’s request and to the gap of need using the Applicant’s costs to determine the recommended credit amount.</p>

FINANCING STRUCTURE			
INTERIM TO PERMANENT BOND FINANCING			
Source:	Newman Capital		Contact: Jerry Wright
Construction Loan Amount:	\$12,950,000	Interest Rate:	Floating, set by weekly remarketing, tracks BMA index, Applicant’s construction interest estimate reflects 4.2% rate
Permanent Loan Amount:	\$12,950,000	Interest Rate:	Fixed, estimated & underwritten at 6.5%
Additional Information:			
Amortization:	40 yrs	Term:	32.5 yrs
Annual Payment:	\$909,800	Lien Priority:	1st
		Commitment:	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional
		Commitment Date	11/ 22/ 2004
TAX CREDIT SYNDICATION			
Source:	Wachovia Securities		Contact: Tim McCann
Net Proceeds:	\$5,066,353	Net Syndication Rate (per \$1.00 of 10-yr HTC)	85¢
Commitment	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	Date:	11/ 24/ 2004
Additional Information:	Commitment in amount of \$5,065,846 based on allocation of \$595,667		

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

APPLICANT EQUITY

Amount: \$851,182 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by the Garland Housing Finance Corporation and purchased by Newman Capital. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application, except that the net proceeds amount in the sources and uses of funds statement exceeds the commitment amount by \$507.

GIC Income: The Applicant included \$113,158 in income from bond proceeds invested in a guaranteed investment contract during construction. The Underwriter has included this amount in deferred developer fee in the recommended financing structure.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$851,182 amount to 38% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation would not exceed \$601,871 annually for ten years, however, as the Applicant's credit request of \$596,042 is lower, this will be the recommended allocation, resulting in syndication proceeds of approximately \$5,065,852. Based on the forecasted reduced permanent debt amount of \$12,475,000, the Applicant's deferred developer fee will be increased to \$1,439,841, which represents approximately 65% of the eligible fee and which should be repayable from cash flow within ten years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

- The Developer, General Contractor, Property Manager and Supportive Services firm are all related entities. These are common relationships for HTC-funded developments.
- The Garland Housing Finance Corporation is the issuer of the bonds as well as the sole member of the General Partner.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The 100% owner of the General Partner, the Garland Housing Finance Corporation, submitted an unaudited financial statement as of September 30, 2004 reporting total assets of \$1.26M and consisting of \$880K in cash, \$90K in receivables, \$297K in real property, and \$1K in machinery, equipment, and fixtures. Liabilities totaled \$6.5K, resulting in a net worth of \$1.26M.
- Southwest Housing Development Company, Inc., one of the designated guarantors, submitted an unaudited financial statement as of June 30, 2004 reporting total assets of \$27.3M and consisting of \$2.4M in cash, \$23.3M in receivables, and 1.6M in property and equipment. Liabilities totaled \$15.7M, resulting in a net worth of \$11.6M.
- Brian Potashnik, the sole owner of the Developer and general contractor, submitted an unaudited financial statement as of December 31, 2003 and is anticipated to be guarantor of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

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 anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- 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:

December 27, 2004

Director of Real Estate Analysis:

Tom Gouris

Date:

December 27, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Primrose at Crist Apartments, Garland, 4% HTC #04460

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%	36	1	1	750	\$623	\$573	\$20,628	\$0.76	\$50.00	\$31.00
TC 60%	36	1	1	750	748	698	25,128	0.93	50.00	31.00
TC 50%	66	2	2	987	748	697	46,002	0.71	51.00	36.00
TC 60%	66	2	2	987	898	\$847	55,902	0.86	51.00	36.00
TOTAL:	204		AVERAGE:	903	\$774	\$724	\$147,660	\$0.80	\$50.65	\$34.24

INCOME				TDHCA		APPLICANT		Comptroller's Region	
Total Net Rentable Sq Ft: 184,284									3
POTENTIAL GROSS RENT				\$1,771,920	\$1,771,128				IREM Region Dallas
Secondary Income		Per Unit Per Month:	\$11.72	28,680	28,680	\$11.72			Per Unit Per Month
Other Support Income:				0	0				
POTENTIAL GROSS INCOME				\$1,800,600	\$1,799,808				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(135,045)	(134,988)	-7.50%			of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions				0	0				
EFFECTIVE GROSS INCOME				\$1,665,555	\$1,664,820				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.21%	\$425	0.47	\$86,711	\$72,599	\$0.39	\$356	4.36%
Management		5.00%	408	0.45	83,278	83,241	0.45	408	5.00%
Payroll & Payroll Tax		10.93%	893	0.99	182,116	185,967	1.01	912	11.17%
Repairs & Maintenance		4.65%	380	0.42	77,469	85,780	0.47	420	5.15%
Utilities		4.74%	387	0.43	78,948	30,600	0.17	150	1.84%
Water, Sewer, & Trash		4.36%	356	0.39	72,669	70,000	0.38	343	4.20%
Property Insurance		2.77%	226	0.25	46,071	42,840	0.23	210	2.57%
Property Tax	2.74076	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		2.45%	200	0.22	40,800	40,800	0.22	200	2.45%
Other: spt svcs, compl fees, sec		2.01%	164	0.18	33,420	33,420	0.18	164	2.01%
TOTAL EXPENSES		42.12%	\$3,439	\$3.81	\$701,481	\$645,247	\$3.50	\$3,163	38.76%
NET OPERATING INC		57.88%	\$4,726	\$5.23	\$964,074	\$1,019,573	\$5.53	\$4,998	61.24%
DEBT SERVICE									
First Lien Mortgage		54.62%	\$4,460	\$4.94	\$909,800	\$909,800	\$4.94	\$4,460	54.65%
Lender Fees		0.00%	\$0	\$0.00	0	5,500	\$0.03	\$27	0.33%
Additional Financing		0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW		3.26%	\$266	\$0.29	\$54,274	\$104,273	\$0.57	\$511	6.26%
AGGREGATE DEBT COVERAGE RATIO					1.06	1.11			
RECOMMENDED DEBT COVERAGE RATIO					1.10				

CONSTRUCTION COST				TDHCA		APPLICANT		PER SQ FT	PER UNIT	% OF TOTAL
Acquisition Cost (site or bldg)		5.29%	\$4,975	\$5.51	\$1,015,000	\$1,015,000	\$5.51	\$4,975	5.35%	
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework		7.96%	7,495	8.30	1,528,980	1,528,980	8.30	7,495	8.06%	
Direct Construction		47.79%	44,979	49.79	9,175,800	9,190,548	49.87	45,052	48.42%	
Contingency	5.00%	2.79%	2,624	2.90	535,239	643,172	3.49	3,153	3.39%	
General Req'ts	6.00%	3.35%	3,148	3.49	642,287	643,172	3.49	3,153	3.39%	
Contractor's G & A	2.00%	1.12%	1,049	1.16	214,096	214,391	1.16	1,051	1.13%	
Contractor's Profit	6.00%	3.35%	3,148	3.49	642,287	643,172	3.49	3,153	3.39%	
Indirect Construction		5.67%	5,338	5.91	1,088,900	1,088,900	5.91	5,338	5.74%	
Ineligible Costs		4.87%	4,588	5.08	935,935	935,935	5.08	4,588	4.93%	
Developer's G & A	2.00%	1.53%	1,440	1.59	293,675	0	0.00	0	0.00%	
Developer's Profit	13.00%	9.94%	9,357	10.36	1,908,886	2,221,273	12.05	10,889	11.70%	
Interim Financing		4.46%	4,197	4.65	856,150	856,150	4.65	4,197	4.51%	
Reserves		1.89%	1,782	1.97	363,446	0	0.00	0	0.00%	
TOTAL COST		100.00%	\$94,121	\$104.19	\$19,200,679	\$18,980,693	\$103.00	\$93,043	100.00%	
Recap-Hard Construction Costs		66.34%	\$62,445	\$69.73	\$12,738,688	\$12,863,435	\$69.80	\$63,056	67.77%	

SOURCES OF FUNDS				TDHCA		APPLICANT		RECOMMENDED	Developer Fee Available
First Lien Mortgage		67.45%	\$63,480	\$70.27	\$12,950,000	\$12,950,000	\$12,475,000	\$2,205,193	
GIC Income		0.59%	\$555	\$0.61	113,158	113,158	0		
HTC Syndication Proceeds		26.39%	\$24,835	\$27.49	5,066,353	5,066,353	5,065,852	% of Dev. Fee Deferred	
Deferred Developer Fees		4.43%	\$4,172	\$4.62	851,182	851,182	1,439,841	65%	
Additional (excess) Funds Required		1.15%	\$1,078	\$1.19	219,986	0	(0)	15-Yr Cumulative Cash Flow	
TOTAL SOURCES					\$19,200,679	\$18,980,693	\$18,980,693	\$3,779,943	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Primrose at Crist Apartments, Garland, 4% HTC #04460

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.28	\$7,791,502
Adjustments				
Exterior Wall Finish	1.76%		\$0.74	\$137,130
Elderly & 9-Ft. Ceilings	6.22%		2.63	484,631
Roofing			0.00	0
Subfloor			(0.68)	(124,699)
Floor Cover			2.00	368,568
Porches/Balconies	\$16.91	16,218	1.49	274,246
Plumbing	\$605	192	0.63	116,160
Built-In Appliances	\$1,650	204	1.83	336,600
Stairs	\$1,475	10	0.08	14,750
Corridors	\$33.04	39,171	7.02	1,294,204
Heating/Cooling			1.53	281,955
Carports	\$8.18	35,600	1.58	291,208
Comm &/or Aux Bldgs	\$59.29	5,508	1.77	326,553
Laundry & boiler bldgs	\$54.20	984	0.29	53,343
SUBTOTAL			63.20	11,646,152
Current Cost Multiplier	1.08		5.06	931,692
Local Multiplier	0.89		(6.95)	(1,281,077)
TOTAL DIRECT CONSTRUCTION COSTS			\$61.30	\$11,296,768
Plans, specs, survy, bid prm	3.90%		(\$2.39)	(\$440,574)
Interim Construction Interest	3.38%		(2.07)	(381,266)
Contractor's OH & Profit	11.50%		(7.05)	(1,299,128)
NET DIRECT CONSTRUCTION COSTS			\$49.79	\$9,175,800

PAYMENT COMPUTATION

Primary	\$12,950,000	Term	480
Int Rate	6.50%	DCR	1.06
Secondary	\$113,158	Term	
Int Rate	0.00%	Subtotal DCR	1.06
Additional	\$5,066,353	Term	
Int Rate		Aggregate DCR	1.06

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$876,429
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$87,645

Primary	\$12,475,000	Term	480
Int Rate	6.50%	DCR	1.10
Secondary	\$113,158	Term	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	\$5,066,353	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	\$1,771,920	\$1,825,078	\$1,879,830	\$1,936,225	\$1,994,312	\$2,311,954	\$2,680,188	\$3,107,072	\$4,175,646
Secondary Income	28,680	29,540	30,427	31,339	32,280	37,421	43,381	50,291	67,586
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,800,600	1,854,618	1,910,257	1,967,564	2,026,591	2,349,375	2,723,569	3,157,363	4,243,232
Vacancy & Collection Loss	(135,045)	(139,096)	(143,269)	(147,567)	(151,994)	(176,203)	(204,268)	(236,802)	(318,242)
Employee or Other Non-Rental L	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,665,555	\$1,715,522	\$1,766,987	\$1,819,997	\$1,874,597	\$2,173,172	\$2,519,301	\$2,920,561	\$3,924,989
EXPENSES at 4.00%									
General & Administrative	\$86,711	\$90,179	\$93,786	\$97,538	\$101,439	\$123,417	\$150,155	\$182,687	\$270,421
Management	83,278	85,776	88,349	91,000	93,730	108,659	125,965	146,028	196,249
Payroll & Payroll Tax	182,116	189,401	196,977	204,856	213,050	259,208	315,366	383,691	567,957
Repairs & Maintenance	77,469	80,567	83,790	87,142	90,627	110,262	134,150	163,215	241,597
Utilities	78,948	82,106	85,390	88,806	92,358	112,368	136,712	166,332	246,211
Water, Sewer & Trash	72,669	75,576	78,599	81,743	85,013	103,431	125,839	153,103	226,629
Insurance	46,071	47,914	49,830	51,824	53,897	65,573	79,780	97,065	143,679
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	40,800	42,432	44,129	45,894	47,730	58,071	70,652	85,959	127,241
Other	33,420	34,757	36,147	37,593	39,097	47,567	57,873	70,411	104,225
TOTAL EXPENSES	\$701,481	\$728,708	\$756,998	\$786,395	\$816,941	\$988,555	\$1,196,494	\$1,448,490	\$2,124,211
NET OPERATING INCOME	\$964,074	\$986,814	\$1,009,989	\$1,033,602	\$1,057,656	\$1,184,616	\$1,322,808	\$1,472,071	\$1,800,778
DEBT SERVICE									
First Lien Financing	\$876,429	\$876,429	\$876,429	\$876,429	\$876,429	\$876,429	\$876,429	\$876,429	\$876,429
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	\$87,645	\$110,385	\$133,560	\$157,173	\$181,227	\$308,188	\$446,379	\$595,642	\$924,349
DEBT COVERAGE RATIO	1.10	1.13	1.15	1.18	1.21	1.35	1.51	1.68	2.05

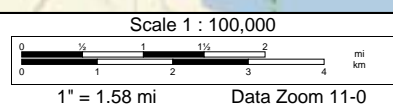
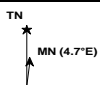
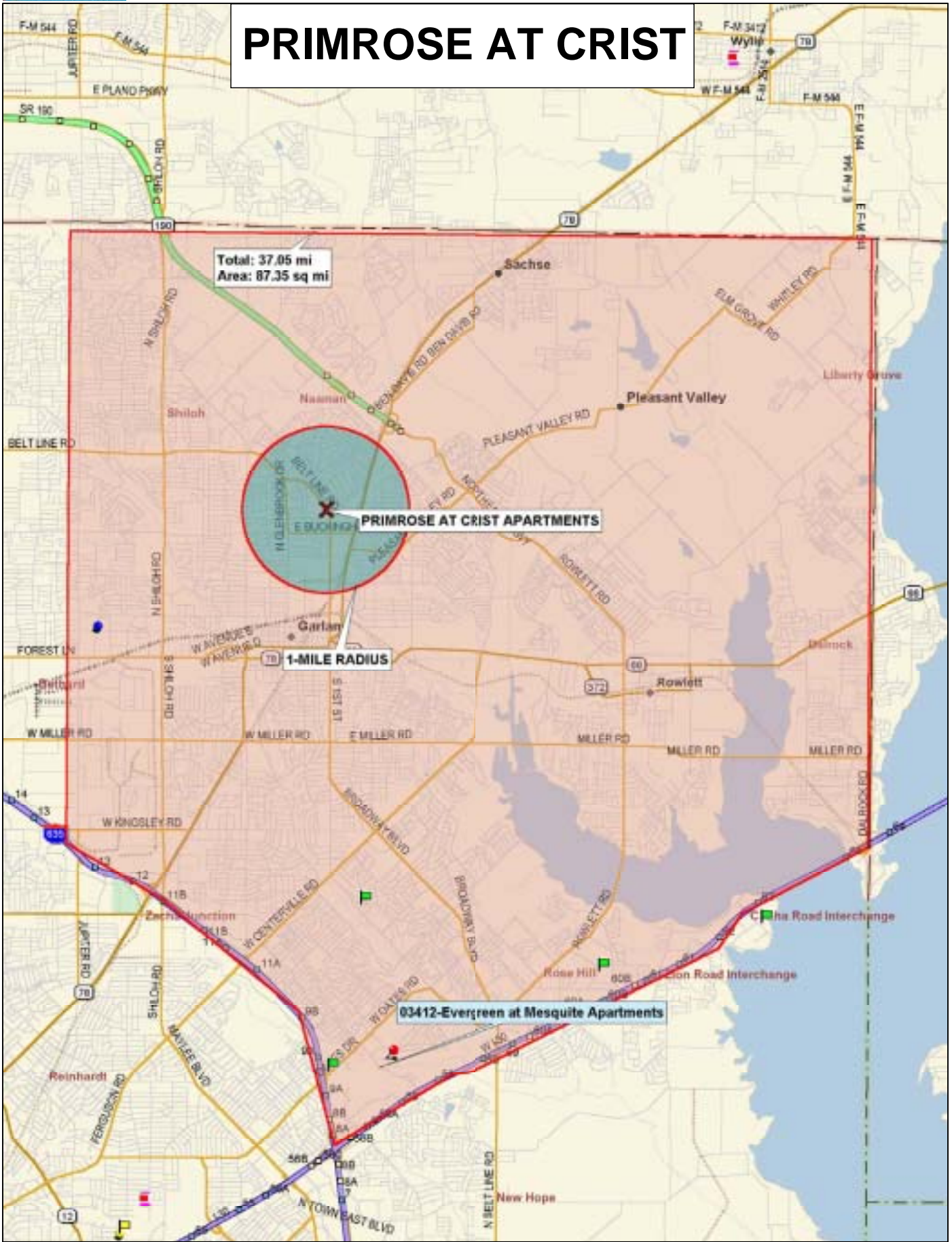
LIHTC Allocation Calculation - Primrose at Crist Apartments, Garland, 4% HTC #04460

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	\$1,015,000	\$1,015,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,528,980	\$1,528,980	\$1,528,980	\$1,528,980
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$9,190,548	\$9,175,800	\$9,190,548	\$9,175,800
(4) Contractor Fees & General Requirements				
Contractor overhead	\$214,391	\$214,096	\$214,391	\$214,096
Contractor profit	\$643,172	\$642,287	\$643,172	\$642,287
General requirements	\$643,172	\$642,287	\$643,172	\$642,287
(5) Contingencies	\$643,172	\$535,239	\$535,976	\$535,239
(6) Eligible Indirect Fees	\$1,088,900	\$1,088,900	\$1,088,900	\$1,088,900
(7) Eligible Financing Fees	\$856,150	\$856,150	\$856,150	\$856,150
(8) All Ineligible Costs	\$935,935	\$935,935		
(9) Developer Fees			\$2,205,193	
Developer overhead		\$293,675		\$293,675
Developer fee	\$2,221,273	\$1,908,886		\$1,908,886
(10) Development Reserves		\$363,446		
TOTAL DEVELOPMENT COSTS	\$18,980,693	\$19,200,679	\$16,906,482	\$16,886,298

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			\$16,906,482	\$16,886,298
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$16,906,482	\$16,886,298
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$16,906,482	\$16,886,298
Applicable Percentage			3.56%	3.56%
TOTAL AMOUNT OF TAX CREDITS			\$601,871	\$601,152

Syndication Proceeds	0.8499	\$5,115,392	\$5,109,285
Total Credits (Eligible Basis Method)		\$601,871	\$601,152
Syndication Proceeds		\$5,115,392	\$5,109,285
Requested Credits		\$596,042	
Syndication Proceeds		\$5,065,852	
Gap of Syndication Proceeds Needed		\$6,505,693	
Credit Amount		\$765,452	

PRIMROSE AT CRIST



MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Rosemont at Laureland.

Summary of the Transaction

The application was received on August 24, 2004. The Issuer for this transaction is City of Dallas HFC. The development is to be located at approximately the 330 E. Camp Wisdom in Dallas. The development will consist of 250 total units targeting the general population, with all affordable. The site is currently properly zoned for such a development. The Department received no letters in support and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI **and** Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI **and** Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Rosemont at Laureland.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Rosemont at Laureland**

TDHCA#: 04476

DEVELOPMENT AND OWNER INFORMATION

Development Location: Dallas QCT: N DDA: N TTC: N
 Development Owner: TX Laureland Housing, LP
 General Partner(s): TX Laureland Development, LLC, 100%, Contact: Brian Potashnik
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: City of Dallas HFC
 Development Type: General
 Population

Annual Tax Credit Allocation Calculation

Applicant Request: \$786,546 Eligible Basis Amt: \$789,596 Equity/Gap Amt.: \$966,780

Annual Tax Credit Allocation Recommendation: \$786,546

Total Tax Credit Allocation Over Ten Years: \$7,864,460

PROPERTY INFORMATION

Unit and Building Information

Total Units: 250 HTC Units: 250 % of HTC Units: 100
 Gross Square Footage: 271,824 Net Rentable Square Footage: 266,340
 Average Square Footage/Unit: 1,065
 Number of Buildings: 39
 Currently Occupied: N

Development Cost

Total Cost: \$24,950,985 Total Cost/Net Rentable Sq. Ft.: \$93,68

Income and Expenses

Effective Gross Income:¹ \$2,175,145 Ttl. \$833,407 Net Operating \$1,291,738
 Expenses: Inc.:

Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: Southwest Housing Management Corporation
 Attorney: Shackelford, Melton & McKinley Architect: Beeler Guest Owens Architects, LP
 Accountant: Reznick, Fedder & Silverman Engineer: To Be Determined
 Market Analyst: Apartment Market Data Lender: MMA Financial
 Contractor: Affordable Housing Construction Syndicator: MMA Financial

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Royce West, District 23 - NC Rep. Helen Giddings, District 109 - NC Mayor Laura Miller - NC Patricia Smith Harrington, CD Manager, City of Dallas; The development of affordable housing is consistent with the City of Dallas Consolidated Plan.

CONDITION(S) TO COMMITMENT

1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA").
2. Receipt, review, and acceptance of a third part engineering off-site cost certification for the bridge to be built over Ricketts Creek.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be required.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:
<input type="checkbox"/> Score <input type="checkbox"/> Utilization of Set-Aside <input type="checkbox"/> Geographic Distrib. <input checked="" type="checkbox"/> Tax Exempt Bond. <input type="checkbox"/> 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:
<input type="checkbox"/> Score <input type="checkbox"/> Utilization of Set-Aside <input type="checkbox"/> Geographic Distrib. <input checked="" type="checkbox"/> Tax Exempt Bond <input type="checkbox"/> 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: _____ Date _____ Elizabeth Anderson,
Chairman of the Board

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: December 30, 2004

PROGRAM: 4% HTC

FILE NUMBER: 04476

DEVELOPMENT NAME

Rosemont at Laureland Apartments

APPLICANT

Name:	<u>TX Laureland Housing, L.P.</u>	Type:	<u>For-profit</u>
Address:	<u>5910 North Central Expressway, Suite 1145</u>	City:	<u>Dallas</u> State: <u>Texas</u>
Zip:	<u>75206</u>	Contact:	<u>Len Vilicic</u>
		Phone:	<u>(214) 891-1402</u> Fax: <u>(214) 987-4032</u>

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	<u>TX Laureland Development, L.L.C.</u>	(%):	<u>0.01%</u>	Title:	<u>Managing General Partner</u>
Name:	<u>Housing Services Inc.</u>	(%):	<u>N/A</u>	Title:	<u>100% owner of MGP</u>
Name:	<u>Southwest Housing Development Co., Inc</u>	(%):	<u>N/A</u>	Title:	<u>Developer</u>
Name:	<u>Brian Potashnik</u>	(%):	<u>N/A</u>	Title:	<u>Owner of Developer</u>
Name:	<u>Laureland/Scyene Holding Company, Inc.</u>	(%):	<u>N/A</u>	Title:	<u>Will purchase Housing Services Inc.'s interest after closing</u>
Name:	<u>The Housing Authority of the City of Dallas (DHA)</u>	(%):	<u>N/A</u>	Title:	<u>100% owner of Laureland/Scyene Holding Company, Inc.</u>

PROPERTY LOCATION

Location: 330 E. Camp Wisdom Road **QCT** **DDA**
City: Dallas **County:** Dallas **Zip:** 75241

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$786,546	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of housing tax credits</u>			
Proposed Use of Funds: <u>New construction</u>		Property Type: <u>Multifamily</u>	
Special Purpose (s): <u>General population</u>			

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$786,546 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Board waiver of its QAP rule under 50.12(a)(2) regarding the submission of all documentation (including the market study) at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made.
2. Receipt, review, and acceptance of a third party engineering off-site cost certification for the bridge to be built over Ricketts Creek is a condition of this report.
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 250 **# Rental Buildings:** 39 **# Non-Res. Buildings:** 1 **# of Floors:** 3 **Age:** N/A yrs **Vacant:** N/A at / /
Net Rentable SF: 266,340 **Av Un SF:** 1,065 **Common Area SF:** 5,484 **Gross Bldg SF:** 271,824

STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned concrete slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 70% stucco 20% stone veneer and 8% hardiboard siding. The interior wall surfaces will be drywall and the pitched roof will be finished with laminated shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl tile. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, central boiler water heating system, individual heating and air conditioning, & 9-foot ceilings.

ONSITE AMENITIES

A 5,484-square foot community building will include an activity room, management offices, fitness, maintenance, a kitchen, restrooms, computer/business center. The community building, swimming pool, and one of the three equipped children's play areas are located at the entrance of the property.

Uncovered Parking: 552 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The subject is a dispersed (5.37 units per acre) new construction development of 250 units of affordable housing located in south Dallas. The development is comprised of 39 evenly distributed medium garden style walk-up residential buildings as follows:

- 13 Building Type A with 4 one-bedroom/one-bath units, 4 three-bedroom/two-bath units;
- 17 Building Type B with 6 two-bedroom/two-bath units;
- 4 Building Type C with 6 three-bedroom/two-bath units; and
- 5 Building Type D with 2 two-bedroom/two-bath units, 2 three- bedroom/two-bath units

Architectural Review: The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with nice fenestration.

SITE ISSUES

SITE DESCRIPTION

Size: 46.56 acres 2,028,154 square feet **Zoning/ Permitted Uses:** MF - Multifamily
Flood Zone Designation: Zone X **Status of Off-Sites:** Fully improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregular-shaped parcel located in the south area of Dallas, approximately 10 miles from the central business district. The site is situated on the south side of Camp Wisdom Road.

Adjacent Land Uses:

- **North:** East Camp Wisdom Road abuts the Site on the north immediately adjacent and City of Dallas Fire Department station, a church and undeveloped land are located beyond;
- **South:** Undeveloped land is located immediately adjacent and beyond;

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

- **East:** A TXU Electrical Substation is located adjacent to the east of the northern portion of the site., Single family residences and vacant land is located immediately adjacent; and
- **West:** Undeveloped land, a salvage yard, a trailer park, and single-family residences are immediately adjacent and beyond;

Site Access: Access to the property is from the east or west along East Camp Wisdom Road. The development is to have one main entry, and one secondary entry from East Camp Wisdom Road. Access to Interstate Highway 35 is less than 1/4 miles west, which provides connections to all other major roads serving the Primary Market area.

Public Transportation: Public transportation to the area is provided by Dallas Area Rapid Transit (DART). The location of the nearest stop is adjacent to the Subject

Shopping & Services: The site is within 3.2 miles of major grocery/pharmacies, shopping centers, a multi-screen theater, library, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on September 2, 2004 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 October 15, 2004 was prepared by Alpha Testing and contained the following findings and recommendations:

Recommendations: “ALPHA has performed a Phase I Environmental Site Assessment Update in accordance with ALPHA Proposal Number 13693 dated September 30, 2004 for the approximately 46.5 acre, irregular shaped, undeveloped tract of land located off Camp Wisdom Road in the City of Dallas, Dallas County, Texas. This Phase I ESA Update has revealed no evidence of recognized environmental conditions in connection with the Site”. (p. 10)

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 development the Applicant has elected the 50% at 50% / 50% at 60% option. 250 of the units (100% of the total) will be reserved for low-income tenants. 125 units (50%) will be reserved for households earning 50% or less of AMGI, 125 units (50%) will be reserved for households earning 60% or less of AMGI.

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

MARKET HIGHLIGHTS

A market feasibility study dated November 17, 2004 was prepared by Darrell Jack, with Apartment Market Data Research Services (“Market Analyst”). The date of the report indicates that the market study was not provided more than 60 days prior to the scheduled board meeting date of January 13, 2005 as required under 50.12 (a)(2) and therefore a waiver of this QAP requirement by the board is required. Highlights of the report are as follows:

Definition of Primary Market Area (PMA): “For this analysis we utilized a **primary trade area** comprising a custom Trade Area. This trade area encompasses 99.51 square miles.” (p. 30). This area is equivalent to a circle with a radius of 5.63 miles.

Population: The estimated 2003 population of the Primary Market Area was 231,617 and is expected to increase by 5.9% to approximately 245,187 by 2008. Within the primary market area there were estimated to be 78,387 households in 2003.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 11,936 qualified households in the PMA, based on the current estimate of 78,387 households, the projected

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

annual growth rate of 1.6%, renter households estimated at 50.9% of the population, income-qualified households estimated at 29.9%, and an annual renter turnover rate of 60%. (p. 42-47). The Market Analyst used an income band of \$21,360 to \$43,080.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	89	1%	116	1%
Resident Turnover	6,937	98%	7,213	98%
Other Sources:	N/A		N/A	
TOTAL ANNUAL DEMAND	7,026	100%	7,329	100%

Ref: p. 49

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 19.53% based upon 7,026 units of demand and 1,372 unstabilized affordable housing in the PMA (including the subject) (p. 50). The Underwriter calculated an inclusive capture rate of 23.5% based upon a revised supply of unstabilized comparable affordable units of 1,721 divided by a revised demand of 7,329. Included in the unstabilized supply of units were 140 units at Madison Point (02149), 180 units at Hickory Trace (02438), 280 units at Rose Court at Thorntree (02475), 202 units at West Virginia (03401), 236 units at Providence at Village Fair (04479), 152 units at Rosemont of Oak Hollow (01435) and 280 units at Rosemont at Lancaster (02479)

Market Rent Comparables: The Market Analyst...”conducted an analysis of the four competitive market rate projects consisting of 878 conventional units within or near the Primary Trade Area. These projects were constructed between 1998 and 2003. The occupancy rate for the market rate one bedrooms is 84.9%, for market rate two bedrooms it is 87.7%, the occupancy for the market rate three bedroom units is 89.4%, and the overall average occupancy for market rate units is 86.9%. This low occupancy is due to two projects, Woods of Five Mile Creek and Creekwood Place. Woods of Five Mile Creek was completed in 2003 and has experienced a difficult lease-up due to a poor location for a luxury project. Creekwood Place has a decent location but suffers from deferred maintenance.” (p. 116)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (50%)	\$623	\$623	\$0	\$733	-\$110
1-Bedroom (60%)	\$748	\$748	\$0	\$719	\$29
2-Bedroom (50%)	\$748	\$748	\$0	\$913	-\$165
2-Bedroom (60%)	\$898	\$898	\$0	\$913	-\$15
3-Bedroom (50%)	\$864	\$864	\$0	\$1,192	-\$328
3-Bedroom (60%)	\$1,037	\$1,037	\$0	\$1,192	-\$155

(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 rate of the Market Rate Properties within the Primary Market Area is 86.9% and the occupancy rate of the Income Restricted Properties is 88.7%. “Demand for new *affordable* rental apartment units is considered to be strong and growing.” (p. 118)

Absorption Projections: “Absorption over the previous fourteen years for all unit types (family and senior) is estimated to be 597 units per year. We expect this to increase as the number of new household continues to grow. And as especially as additional rental units become available.” (p. 118).

Market Study Analysis/Conclusions: The Underwriter found the market study to be acceptable. 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 HTC/program guidelines, and are achievable according to the Market Analyst. The Applicant’s income is slightly less than that of the Underwriter’s because the rent of the 60%, two-bedroom two-bath unit is \$1 less than the maximum as used by the Underwriter. This slight difference causes a \$672 difference in the annual income between the

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Applicant and the Underwriter. The Applicant indicated that the property would be served by a central boiler providing hot water to the tenant and as such the utility allowance for hot water heat was not deducted from the maximum rent limit. 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 \$625 less than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of \$3,177 per unit is 10% lower than the Underwriter's database-derived estimate of \$3,534 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 (\$25K lower), repairs and maintenance (\$32K higher), utilities (\$49K lower) and water, sewer, and trash (\$31K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them further. A partial rationale for some of these differences may be that the Development's utility and water expense should be higher than the typical transaction as a result of the higher cost to operate a central boiler system.

The Applicant plans to request and receive a 100% tax abatement from the local taxing authorities. Similar to Primrose at Bammel in Houston and Rosemont at Scyene in Dallas the project is being developed in tandem with the Housing Authority (DHA). DHA will own the general partner of the Partnership. DHA will hold title to the fee estate of the Project, and the Applicant will hold a leasehold interest pursuant to a long term ground lease executed between the DHA, as landlord, and the Applicant as tenant. The DHA will use its status as a political subdivision of Texas to apply its tax-exempt status to the subject property. The underwriting analysis also assumes the property will be tax exempt. Documentation of the proposed lease and the City's agreement to enter in to such an arrangement have not been provided and receipt review and acceptance of same is a condition of this report..

Conclusion: The Applicant's estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income (NOI) estimate 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 difference in operating 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 should be limited to \$1,171,018 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. The Underwriter has completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of \$16,540,000.

ACQUISITION VALUATION INFORMATION			
ASSESSED VALUE			
Land: 46.56 acres	\$349,160	Assessment for the Year of:	2004
Building:	\$	Valuation by:	Dallas County Appraisal District
Total Assessed Value:	\$349,160	Tax Rate:	2.8805
EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Purchase and sale agreement (46.56 acres)		
Contract Expiration Date:	01/ 25/ 2005	Anticipated Closing Date:	01/ 25/ 2005
Acquisition Cost:	\$1,520,788	Other Terms/Conditions:	
Seller:	Madeline N. Hargrove (Original Seller)		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. This transaction closed on September 2, 2003. The original sale of the subject property is between Madeline Hargrove and Southwest Housing Acquisitions Corp. in the amount of \$1,520,788. The second and subsequent changes in ownership will occur at or after closing of this transaction. The second transaction is between Southwest Housing Acquisitions Corp. as seller and TX Laureland Housing, LP

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

(Applicant) as the purchaser. This transaction is scheduled to close on January 25, 2005; however, the purchaser (the Applicant) has assigned this contract to The Housing Authority of the City of Dallas (DHA), which through its 100% owner of Laureland/Scyene Holding Company, Inc. will ultimately own 100% of TX Laureland Development, LLC the General Partner of this transaction. DHA will own the property and will enter into a ground lease with TX Laureland Development, LLC. The first ten years of the lease will be paid in advance in the amount of \$1,520,788. Thereafter, the annual rent will be in the amount of \$100 per year. These transactions, with the exception of the original purchase, have an Identity of Interest. However, the sale prices and lease amounts are the same as the original purchase price from Ms. Hargrove, therefore these Identity of Interest transactions are considered acceptable.

Off-Site Costs: "Ricketts Creek flows across the central portion of the Site and the eastern boundary. The site does appear to be a perennial stream". (p 9 – ESA) To access the southern portion of the subject tract a bridge must be built over Ricketts Creek. According to a Memorandum Dated December 22, 2004 from Chris Frysinger, P.E. with Kimley-Horn and Associates, Inc. to TX Laureland Housing, LP # 1620 "Our opinion of the cost of the bridge, which is currently in the preliminary design stage, is approximately \$285,000. This number may be adjusted as more information becomes available on the design." Receipt, review, and acceptance of a third party engineering off-site cost certification for the bridge to be built over Ricketts Creek is a condition of this report.

Sitework Cost: The Applicant's claimed sitework costs of \$7,495 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$119M or less than 1% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor general requirements, contractor general and administrative fees, and contractor profit are within the 6%, 2%, and 6% maximums allowed by HTC guidelines however contingency is \$145,870 over the Department's 5% limit. Consequently the Applicant's eligible fees in this area have been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis by \$22K and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

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 by the Underwriter, is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$22,304,984 is used to determine a credit allocation of \$789,596 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount. This is \$3,050 more than initially requested due to the Applicant's use of a lower applicable percentage.

FINANCING STRUCTURE			
CONSTRUCTION TO PERMANENT FINANCING			
Source:	Newman Capital/GMAC	Contact:	Jerry Wright
Tax Exempt Amount:	\$15,000,000	Interest Rate:	BMA +250BP during construction, 6.50% Permanent
Taxable Amount:	\$2,100,000	Interest Rate:	BMA +250BP during construction, 8.0% Permanent
Additional Information:	Original lender was MMA.		
Amortization:	40 yrs	Term:	32.5 yrs
Annual Payment:	\$1,124,077	Commitment:	<input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional
		Lien Priority:	1 st
		Date:	12/ 28/ 2004
TAX CREDIT SYNDICATION			
Source:	MMA Financial	Contact:	Steven A. Napolitano
Net Proceeds:	\$6,797,000	Net Syndication Rate (per \$1.00 of 10-yr HTC)	.87¢

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Commitment: LOI Firm Conditional **Date:** 10/ 25/ 2004

Additional Information: With the change in Lender the syndicator is likely to have also changed but new commitments have not been provided

APPLICANT EQUITY

Amount: \$1,832,130 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by Dallas County Housing Finance Corporation and will be underwritten and placed through Newman Capital and likely purchased by GMAC. The new permanent financing commitment is somewhat inconsistent with the terms reflected in the sources and uses of funds listed in the application as the exact structure has been in flux during the underwriting review process.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$867,509 amount to 30% of the total fees.

Financing Conclusions: Based on the Applicant's requested amount, the HTC allocation should not exceed \$786,546 annually for ten years, resulting in syndication proceeds of approximately \$6,842,950. . Due to the difference in estimated net operating income, the Underwriter's debt coverage ratio (DCR) of 1.06 is less than the program minimum standard of 1.10. The maximum debt service for this development will likely yield a final bond amount that is \$560,000 less than the amount indicated in the most recent commitment. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$1,568,035, which represents approximately 53.9% of the eligible fee and which should be repayable from cash flow within 10 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Property Manager and Supportive Services firm are all related entities. These are common relationships for HTC-funded developments. In addition, the issuer and the ultimate owner of the GP will be instrumentalities of the City of Dallas. These are common relationships for HTC-funded developments. While not as common, this relationship is not prohibited.

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.

- Southwest Housing Development Company, Inc., the Developer submitted an unaudited financial statement as of June 30, 2004 reporting total assets of \$27.3M and consisting of \$2.4M in cash, \$23.3M in receivables, and \$1.6M in machinery, equipment, and fixtures. Liabilities totaled \$15.7M, resulting in net equity of \$11.6M.
- The principal of the General Partner, Brian Potashnik and wife Cheryl submitted an unaudited financial statement as of December 15, 2004 and is anticipated to be guarantor(s) of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation

SUMMARY OF SALIENT RISKS AND ISSUES

- Significant inconsistencies in the application could affect the financial feasibility of the development.
- The Applicant's operating expenses are more than 5% outside of the Underwriter's verifiable range.
- Anticipated offsite costs were not properly accounted for in the Applicant budget

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

- The second seller of the property has an identity of interest with the Applicant as does the issuer.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- 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:

Bert Murray

Date:

December 30, 2004

Director of Real Estate Analysis:

Tom Gouris

Date:

December 30, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Rosemont at Laureland Apartments, Dallas, 4% HTC # 04476

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int-Pd Util	Wtr, Swr, Trsh
TC 50%	26	1	1	750	\$623	567	\$14,742	\$0.76	\$56.00	\$52.00
TC 60%	26	1	1	750	748	692	17,992	0.92	56.00	52.00
TC 50%	56	2	2	1,070	748	682	38,192	0.64	66.00	58.00
TC 60%	56	2	2	1,070	898	832	46,592	0.78	66.00	58.00
TC 50%	43	3	2	1,250	864	782	33,626	0.63	82.00	67.00
TC 60%	43	3	2	1,250	1,037	955	41,065	0.76	82.00	67.00
TOTAL:	250		AVERAGE:	1,065	\$838	\$769	\$192,209	\$0.72	\$69.42	\$59.85

INCOME

Total Net Rentable Sq Ft: 266,340

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00

Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.69%	\$408	0.38
Management	5.00%	435	0.41
Payroll & Payroll Tax	11.22%	976	0.92
Repairs & Maintenance	4.07%	354	0.33
Utilities	3.98%	346	0.32
Water, Sewer, & Trash	5.32%	463	0.43
Property Insurance	3.06%	266	0.25
Property Tax Exempt	0.00%	0	0.00
Reserve for Replacements	2.30%	200	0.19
Other: compl fees, Support Ser., Se	0.98%	85	0.08
TOTAL EXPENSES	40.61%	\$3,534	\$3.32
NET OPERATING INC	59.39%	\$5,167	\$4.85

DEBT SERVICE

Newman	55.89%	\$4,863	\$4.56
GIC income	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	3.50%	\$304	\$0.29

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		6.05%	\$6,143	\$5.77
Off-Sites		1.12%	1,140	1.07
Sitework		7.38%	7,495	7.04
Direct Construction		49.61%	50,379	47.29
Contingency	5.00%	2.85%	2,894	2.72
General Req'ts	6.00%	3.42%	3,472	3.26
Contractor's G & A	2.00%	1.14%	1,157	1.09
Contractor's Profit	6.00%	3.42%	3,472	3.26
Indirect Construction		3.29%	3,344	3.14
Ineligible Costs		3.71%	3,770	3.54
Developer's G & A	2.00%	1.52%	1,540	1.45
Developer's Profit	13.00%	9.86%	10,012	9.40
Interim Financing		4.73%	4,804	4.51
Reserves		1.89%	1,919	1.80
TOTAL COST		100.00%	\$101,543	\$95.31
Recap-Hard Construction Costs		67.82%	\$68,870	\$64.65

SOURCES OF FUNDS

Newman	67.36%	\$68,400	\$64.20
GIC income	0.55%	\$562	\$0.53
HTC Syndication Proceeds	26.96%	\$27,372	\$25.69
Deferred Developer Fees	3.42%	\$3,470	\$3.26
Additional (excess) Funds Required	1.71%	\$1,739	\$1.63
TOTAL SOURCES			

	TDHCA	APPLICANT		Comptroller's Region	
POTENTIAL GROSS RENT	\$2,306,508	\$2,305,836		3	
Secondary Income	45,000	45,000	\$15.00	IREM Region	Dallas
POTENTIAL GROSS INCOME	\$2,351,508	\$2,350,836			
Vacancy & Collection Loss	(176,363)	(176,316)	-7.50%	Per Unit Per Month	of Potential Gross Rent
EFFECTIVE GROSS INCOME	\$2,175,145	\$2,174,520			
EXPENSES			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	\$101,997	\$77,100	\$0.29	\$308	3.55%
Management	108,757	108,726	0.41	435	5.00%
Payroll & Payroll Tax	244,040	239,424	0.90	958	11.01%
Repairs & Maintenance	88,526	122,800	0.46	491	5.65%
Utilities	86,523	37,500	0.14	150	1.72%
Water, Sewer, & Trash	115,728	85,000	0.32	340	3.91%
Property Insurance	66,585	52,500	0.20	210	2.41%
Property Tax Exempt	0	0	0.00	0	0.00%
Reserve for Replacements	50,000	50,000	0.19	200	2.30%
Other: compl fees, Support Ser., Se	21,250	21,250	0.08	85	0.98%
TOTAL EXPENSES	\$883,407	\$794,300	\$2.98	\$3,177	36.53%
NET OPERATING INC	\$1,291,738	\$1,380,220	\$5.18	\$5,521	63.47%
DEBT SERVICE					
Newman	\$1,215,709	\$1,234,541	\$4.64	\$4,938	56.77%
GIC income	0	0	\$0.00	\$0	0.00%
Additional Financing	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	\$76,029	\$145,679	\$0.55	\$583	6.70%
AGGREGATE DEBT COVERAGE RATIO	1.06	1.12			
RECOMMENDED DEBT COVERAGE RATIO	1.10				

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		6.05%	\$6,143	\$5.77	\$1,535,788	\$1,535,788	\$5.77	\$6,143	6.16%
Off-Sites		1.12%	1,140	1.07	285,000		0.00	0	0.00%
Sitework		7.38%	7,495	7.04	1,873,750	1,873,750	7.04	7,495	7.51%
Direct Construction		49.61%	50,379	47.29	12,594,833	12,713,341	47.73	50,853	50.95%
Contingency	5.00%	2.85%	2,894	2.72	723,429	875,225	3.29	3,501	3.51%
General Req'ts	6.00%	3.42%	3,472	3.26	868,115	875,226	3.29	3,501	3.51%
Contractor's G & A	2.00%	1.14%	1,157	1.09	289,372	291,742	1.10	1,167	1.17%
Contractor's Profit	6.00%	3.42%	3,472	3.26	868,115	875,225	3.29	3,501	3.51%
Indirect Construction		3.29%	3,344	3.14	835,900	835,900	3.14	3,344	3.35%
Ineligible Costs		3.71%	3,770	3.54	942,462	942,462	3.54	3,770	3.78%
Developer's G & A	2.00%	1.52%	1,540	1.45	385,092		0.00	0	0.00%
Developer's Profit	13.00%	9.86%	10,012	9.40	2,503,100	2,931,226	11.01	11,725	11.75%
Interim Financing		4.73%	4,804	4.51	1,201,100	1,201,100	4.51	4,804	4.81%
Reserves		1.89%	1,919	1.80	479,777		0.00	0	0.00%
TOTAL COST		100.00%	\$101,543	\$95.31	\$25,385,833	\$24,950,985	\$93.68	\$99,804	100.00%
Recap-Hard Construction Costs		67.82%	\$68,870	\$64.65	\$17,217,613	\$17,504,509	\$65.72	\$70,018	70.16%

				TDHCA	APPLICANT	RECOMMENDED	
Newman	67.36%	\$68,400	\$64.20	\$17,100,000	\$17,100,000	\$16,540,000	Developer Fee Available
GIC income	0.55%	\$562	\$0.53	140,527	140,527		\$2,909,346
HTC Syndication Proceeds	26.96%	\$27,372	\$25.69	6,842,948	6,842,948	6,842,950	% of Dev. Fee Deferred
Deferred Developer Fees	3.42%	\$3,470	\$3.26	867,509	867,509	1,568,035	53.9%
Additional (excess) Funds Required	1.71%	\$1,739	\$1.63	434,849	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$25,385,833	\$24,950,985	\$24,950,985	\$5,186,884

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Rosemont at Laureland Apartments, Dallas, 4% HTC # 04476

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality I ownhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$ 47.58	\$12,672,503
Adjustments				
Exterior Wall Finish	1.54%		\$0.73	\$195,157
9-Ft. Ceilings	3.00%		1.43	380,175
Roofing			0.00	0
Subfloor			(1.00)	(265,008)
Floor Cover			2.53	673,840
Porches/Balconies	\$16.62	26,634	1.66	442,546
Plumbing	\$730	94	0.26	68,620
Built-In Appliances	\$1,650	250	1.55	412,500
Stairs	\$990	26	0.10	25,740
Enclosed Corridors	\$0.00		0.00	0
Heating/Cooling			1.96	522,026
Clubhouse	\$59.29	5,508	1.23	326,553
Comm &/or Aux Bldgs	\$20.11	2,559	0.19	51,451
Other:			0.00	0
SUBTOTAL			58.22	15,506,104
Current Cost Multiplier	1.10		5.82	1,550,610
Local Multiplier	0.90		(5.82)	(1,550,610)
TOTAL DIRECT CONSTRUCTION COSTS			\$58.22	\$15,506,104
Plans, specs, survy, bld prm	3.90%		(\$2.27)	(\$604,738)
Interim Construction Interest	3.38%		(1.96)	(523,331)
Contractor's OH & Profit	11.50%		(6.70)	(1,783,202)
NET DIRECT CONSTRUCTION COSTS			\$47.29	\$12,594,833

PAYMENT COMPUTATION

Primary	\$17,100,000	Term	480
Int Rate	6.598%	DCR	1.06

Secondary		Term	
Int Rate	0.00%	Subtotal DCR	1.06

Additional		Term	
Int Rate		Aggregate DCR	1.06

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$1,171,016
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$120,722

Primary	\$16,540,000	Term	480
Int Rate	6.564%	DCR	1.10

Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

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

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

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	\$2,306,508	\$2,375,703	\$2,446,974	\$2,520,384	\$2,595,995	\$3,009,470	\$3,488,800	\$4,044,476	\$5,435,437
Secondary Income	45,000	46,350	47,741	49,173	50,648	58,715	68,067	78,908	106,045
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,351,508	2,422,053	2,494,715	2,569,556	2,646,643	3,068,185	3,556,867	4,123,384	5,541,483
Vacancy & Collection Loss	(176,363)	(181,654)	(187,104)	(192,717)	(198,498)	(230,114)	(266,765)	(309,254)	(415,611)
Employee or Other Non-Rental l	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,175,145	\$2,240,399	\$2,307,611	\$2,376,840	\$2,448,145	\$2,838,071	\$3,290,102	\$3,814,130	\$5,125,871
EXPENSES at 4.00%									
General & Administrative	\$101,997	\$106,077	\$110,320	\$114,733	\$119,323	\$145,174	\$176,627	\$214,893	\$318,095
Management	108,757	112,020	115,381	118,842	122,407	141,904	164,505	190,706	256,294
Payroll & Payroll Tax	244,040	253,802	263,954	274,512	285,492	347,345	422,598	514,156	761,076
Repairs & Maintenance	88,526	92,067	95,750	99,580	103,563	126,000	153,298	186,511	276,081
Utilities	86,523	89,984	93,584	97,327	101,220	123,150	149,830	182,292	269,836
Water, Sewer & Trash	115,728	120,358	125,172	130,179	135,386	164,718	200,404	243,822	360,916
Insurance	66,585	69,248	72,018	74,899	77,895	94,771	115,304	140,285	207,655
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other	21,250	22,100	22,984	23,903	24,859	30,245	36,798	44,771	66,271
TOTAL EXPENSES	\$883,407	\$917,656	\$953,242	\$990,218	\$1,028,638	\$1,244,472	\$1,505,948	\$1,822,777	\$2,672,157
NET OPERATING INCOME	\$1,291,738	\$1,322,743	\$1,354,369	\$1,386,622	\$1,419,507	\$1,593,599	\$1,784,153	\$1,991,352	\$2,453,714
DEBT SERVICE									
First Lien Financing	\$1,171,016	\$1,171,016	\$1,171,016	\$1,171,016	\$1,171,016	\$1,171,016	\$1,171,016	\$1,171,016	\$1,171,016
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	\$120,722	\$151,727	\$183,353	\$215,606	\$248,491	\$422,583	\$613,138	\$820,337	\$1,282,699
DEBT COVERAGE RATIO	1.10	1.13	1.16	1.18	1.21	1.36	1.52	1.70	2.10

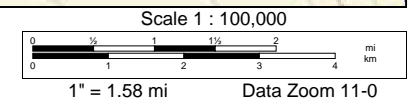
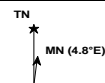
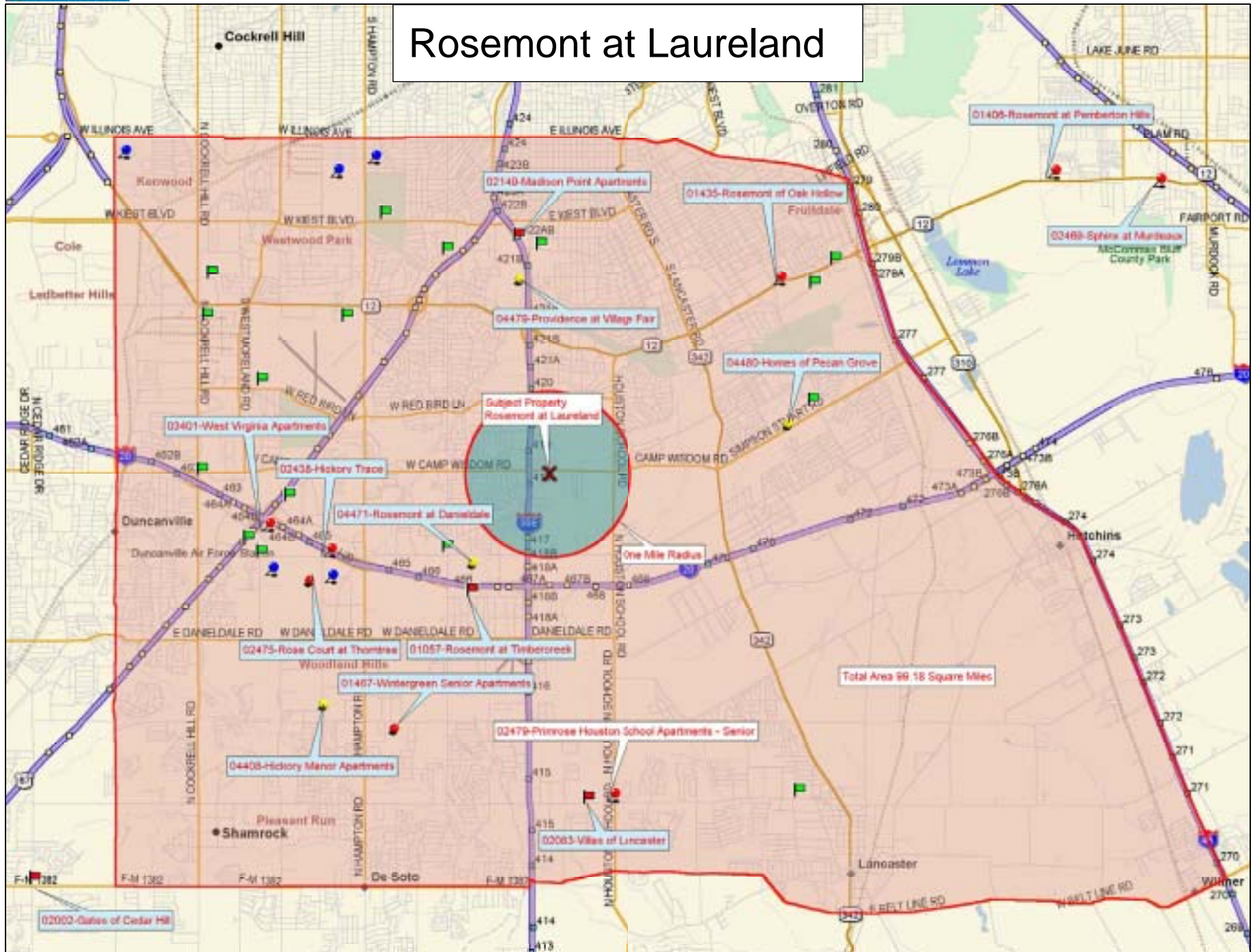
LIHTC Allocation Calculation - Rosemont at Laureland Apartments, Dallas, 4% HTC # 04476

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	\$1,535,788	\$1,535,788		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,873,750	\$1,873,750	\$1,873,750	\$1,873,750
Off-site improvements		\$285,000		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$12,713,341	\$12,594,833	\$12,713,341	\$12,594,833
(4) Contractor Fees & General Requirements				
Contractor overhead	\$291,742	\$289,372	\$291,742	\$289,372
Contractor profit	\$875,225	\$868,115	\$875,225	\$868,115
General requirements	\$875,226	\$868,115	\$875,225	\$868,115
(5) Contingencies	\$875,225	\$723,429	\$729,355	\$723,429
(6) Eligible Indirect Fees	\$835,900	\$835,900	\$835,900	\$835,900
(7) Eligible Financing Fees	\$1,201,100	\$1,201,100	\$1,201,100	\$1,201,100
(8) All Ineligible Costs	\$942,462	\$942,462		
(9) Developer Fees			\$2,909,346	
Developer overhead		\$385,092		\$385,092
Developer fee	\$2,931,226	\$2,503,100		\$2,503,100
(10) Development Reserves		\$479,777		
TOTAL DEVELOPMENT COSTS	\$24,950,985	\$25,385,833	\$22,304,984	\$22,142,805

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			\$22,304,984	\$22,142,805
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$22,304,984	\$22,142,805
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$22,304,984	\$22,142,805
Applicable Percentage			3.54%	3.54%
TOTAL AMOUNT OF TAX CREDITS			\$789,596	\$783,855

Syndication Proceeds	0.8700	\$6,869,489	\$6,819,541
Total Credits (Eligible Basis Method)		\$789,596	\$783,855
Syndication Proceeds		\$6,869,489	\$6,819,541
Requested Credits		\$786,546	
Syndication Proceeds		\$6,842,950	
Gap of Syndication Proceeds Needed		\$8,410,985	
Credit Amount		\$966,780	

Rosemont at Laureland



MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Rosemont at Scyene.

Summary of the Transaction

The application was received on August 27, 2004. The Issuer for this transaction is City of Dallas HFC. The development is to be located at 9901 Scyene Road in Dallas. The development will consist of 250 total units targeting the general population, with all affordable. The site is currently properly zoned for such a development. The Department received no letters in support and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI **and** Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI **and** Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Rosemont at Scyene.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Rosemont at Scyene**

TDHCA#: 04482

DEVELOPMENT AND OWNER INFORMATION

Development Location: Dallas QCT: N DDA: N TTC: N
 Development Owner: TX Scyene Housing, LP
 General Partner(s): TX Scyene Development, LLC, 100%, Contact: Brian Potashnik
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: City of Dallas HFC
 Development Type: General
 Population

Annual Tax Credit Allocation Calculation

Applicant Request: \$776,433 Eligible Basis Amt: \$777,192 Equity/Gap Amt.: \$968,363

Annual Tax Credit Allocation Recommendation: \$776,433

Total Tax Credit Allocation Over Ten Years: \$7,764,330

PROPERTY INFORMATION

Unit and Building Information

Total Units: 250 HTC Units: 250 % of HTC Units: 100
 Gross Square Footage: Net Rentable Square Footage: 266,340
 Average Square Footage/Unit: 1,065
 Number of Buildings: 39
 Currently Occupied: N

Development Cost

Total Cost: \$24,792,754 Total Cost/Net Rentable Sq. Ft.: \$93.09

Income and Expenses

Effective Gross Income:¹ 2,175,145 Ttl. \$898,407 Net Operating \$1,276,738
 Expenses: Inc.:

Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: Southwest Housing Management Corporation
 Attorney: Shackelford, Melton & McKinley Architect: Beeler Guest Owens Architects, LP
 Accountant: Reznick, Fedder & Silverman Engineer: To Be Determined
 Market Analyst: Apartment Market Data Lender: MMA Financial
 Contractor: Affordable Housing Construction Syndicator: MMA FinancialWachovia Securities

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Royce West, District 23 - NC Rep. Terri Hodge, District 100 - NC Mayor Laura Miller - NC Patricia Smith Harrington, CD Manager, City of Dallas The development is consistent with the City of Dallas Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation 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: _____
Chairman of the Board Date

Elizabeth Anderson,

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: December 30, 2004 **PROGRAM:** 9% HTC **FILE NUMBER:** 04482

DEVELOPMENT NAME

Rosemont at Scyene Apartments

APPLICANT

Name:	<u>TX Scyene Housing, LP</u>	Type:	<u>For-profit</u>
Address:	<u>5910 North Central Expressway</u>	City:	<u>Dallas</u> State: <u>TX</u>
Zip:	<u>75206</u>	Contact:	<u>Len Vilicic</u> Phone: <u>(214) 891-1402</u> Fax: <u>(214) 987-4032</u>

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	<u>TX Scyene Development, LLC</u>	(%):	<u>.01</u>	Title:	<u>General Partner</u>
Name:	<u>Housing Services Inc.</u>	(%):	<u>N/A</u>	Title:	<u>100% Owner of MGP</u>
Name:	<u>Southwest Housing Development Co., Inc</u>	(%):	<u>N/A</u>	Title:	<u>Developer</u>
Name:	<u>Brian Potashnik</u>	(%):	<u></u>	Title:	<u>Owner of Developer</u>
Name:	<u>Laureland/Scyene Holding Company, Inc.</u>	(%):	<u>N/A</u>	Title:	<u>Will purchase Housing Services Inc.'s interest after closing</u>
Name:	<u>The Housing Authority of the City of Dallas (DHA)</u>	(%):	<u>N/A</u>	Title:	<u>100% Owner of Laureland/Scyene Holding Company, Inc.</u>

PROPERTY LOCATION

Location: 9901 Scyene Road **QCT** **DDA**
City: Dallas **County:** Dallas **Zip:** 75227

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$776,433	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of housing tax credits</u>			
Proposed Use of Funds: <u>New construction</u>		Property Type: <u>Multifamily</u>	
Special Purpose (s): <u>General population</u>			

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$776,433 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DEVELOPMENT SPECIFICATIONS														
IMPROVEMENTS														
Total Units:	250	# Rental Buildings:	39	# Non-Res. Buildings:	1	# of Floors:	3	Age:	N/A yrs	Vacant:	N/A	at	/	/
Net Rentable SF:	266,340		Av Un SF:	1,065		Common Area SF:	5,484		Gross Bldg SF:	271,824				
STRUCTURAL MATERIALS														
<p>The structure will be wood frame on a post-tensioned concrete slab. According to the plans provided in the application the exterior will be comprised as follows: 22% stone veneer/ 8% cement fiber siding/ 70% stucco. The interior wall surfaces will be drywall and the pitched roof will be finished with laminated shingle.</p>														
APPLIANCES AND INTERIOR FEATURES														
<p>The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, central boiler water heating system, individual heating and air conditioning, & 9-foot ceilings.</p>														
ON-SITE AMENITIES														
<p>A 5,484-square foot community building will include an activity room, management offices, fitness, maintenance, a kitchen, restrooms, a computer/business center, & a media room. The community building, swimming pool, and one equipped children's play area are located at the entrance to the property. The other equipped children's play area is located in the middle of the property. In addition, perimeter fencing with limited access gate is planned for the site.</p>														
Uncovered Parking:	258	spaces	Carpports:	250	spaces	Garages:	0	spaces						
PROPOSAL and DEVELOPMENT PLAN DESCRIPTION														
<p>Description: Rosemont at Scyene is a moderately dense (9.96 units per acre) new construction development of 250 units of affordable housing located in southeast Dallas. The development will be comprised of 39 evenly distributed medium garden style walk-up low-rise residential buildings as follows:</p> <ul style="list-style-type: none"> • 13 Building Type A with 4 one-bedroom/one-bath units, 4 three-bedroom/two-bath units; • 17 Building Type B with 6 two- bedroom/two-bath units; • 4 Building Type C with 6 three-bedroom/two-bath units; • 5 Building Type D with 2 two- bedroom/two-bath units, 2 three-bedroom/two-bath units; <p>Architectural Review: The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with nice fenestration.</p>														

SITE ISSUES									
SITE DESCRIPTION									
Size:	25.1	acres	1,093,356	square feet	Zoning/ Permitted Uses:	MF-2(A)			
Flood Zone Designation:	Zone X			Status of Off-Sites:	Partially improved				
SITE and NEIGHBORHOOD CHARACTERISTICS									
<p>Location: The site is a rectangularly-shaped parcel located in the southeast area of Dallas, approximately seven miles from the central business district. The site is situated on the north side of Scyene Road.</p> <p>Adjacent Land Uses:</p> <ul style="list-style-type: none"> • North: A single-family residential development is being constructed immediately adjacent with Military Parkway and Sam Houston Road beyond; • South: State Highway 352/ Scyene Road immediately adjacent with a single-family residential area beyond; • East: A single-family residence borders the Site to the east immediately adjacent with a church and N. 									

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Masters Drive beyond; and

- **West:** A multi-family residential development is immediately adjacent with vacant land beyond;

Site Access: Access to the property is from the east or west along Scyene Road. The development is to have one main entry from the south. Access to Interstate Highway 635 is two miles to the east, which provides connections to all other major roads serving the Dallas area.

Public Transportation: Public transportation to the area is provided by DART (Dallas Area Rail Transit). The location of the nearest stop was not identified in the application materials.

Shopping & Services: The site is within five miles of major grocery/pharmacies, 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 September 1, 2004, 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 October 18, 2004 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations:

Findings:

- **Asbestos-Containing Materials (ACM):** “The Site is currently vacant land; therefore, suspect asbestos containing materials (ACM) were not observed at the Site during the visual survey.” (ESA, p. 17)
- **Lead-Based Paint (LBP):** “The Site is currently vacant land; therefore, suspect Lead-Based Paints were not observed at the Site during the visual survey.”
- **Radon:** “Based on a review of Map of Radon Zones developed by the EPA and U.S. Geological Survey, the Site is located in EPA Zone 3, which indicates radon concentrations below 2pCi/l... the Site is considered to have a low potential for elevated levels of radon gas.” (ESA, p. 20)
- **Floodplain:** “The Site is located within Zone X, which is outside the 100-year floodplain zone, according to the Federal Emergency Management Agency’s (FEMA) Flood Insurance Rate Map...” (ESA, p. 20)

Recommendations: “This assessment has revealed no evidence of recognized environmental conditions in connection with the Site.” (ESA, p. 20)

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 development the Applicant has elected the 50% at 50% / 50% at 60% option.

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 October 29, 2004 was prepared by Apartment Market Data (“Market Analyst”) and highlighted the following findings:

Definition of Primary Market Area (PMA): This area encompasses approximately 42.71 square miles and is equivalent to a circle with a radius of 3.7 miles.

Population: The estimated 2000 population of the PMA was 162,723 and is expected to increase by 8.43% to approximately 176,434 by 2008. Within the primary market area there were estimated to be 53,344 households in 2000.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 8,203

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

qualified households in the PMA, based on the current (2003) estimate of 54,286 households, the projected annual growth rate of 3.38%, renter households estimated at 41.5% of the population, income-qualified households estimated at 29.8%, and an annual renter turnover rate of 60.1%. (p. 42-47). The Market Analyst used an income band of \$21,360 to \$43,080.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	55	1.1%	57	1.38%
Resident Turnover	4,733	98.9%	4,064	98.62%
TOTAL ANNUAL DEMAND	4,788	100%	4,121	100%

Ref: p. 49

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 13.6% based upon 4,788 units of demand and 652 unstabilized affordable housing units in the PMA (including the subject) (p. 49). The Underwriter calculated an inclusive capture rate of 15.8% based upon a supply of unstabilized comparable affordable units of 652 divided by a revised demand of 4,120. Included in the unstabilized supply of units were 204 units at Sphinx at Delefield (04419), 54 units at Prairie Commons (02008), and 144 units at The Masters (04425)

Market Rent Comparables: The Market Analyst surveyed four comparable market rate apartment projects totaling 995 conventional units in the market area. (p. 99).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (50%)	\$567	\$623	-\$56	\$727	-\$160
1-Bedroom (60%)	\$692	\$748	-\$56	\$727	-\$35
2-Bedroom (50%)	\$682	\$748	-\$66	\$931	-\$249
2-Bedroom (60%)	\$831	\$898	-\$67	\$931	-\$100
3-Bedroom (50%)	\$782	\$864	-\$82	\$1,129	-\$347
3-Bedroom (60%)	\$955	\$1037	-\$82	\$1,129	-\$174

(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 87.7% as a result of out migration of new households due to limited new construction of affordable units. Newer units, constructed since 1990, average 98.1%. Demand for new “affordable” rental apartment units is considered to be strong and growing.” (p. 118).

Absorption Projections: “New units, both affordable and market rate, in areas around the Trade Area have been readily absorbed.” (p. 118) Absorption over the next fourteen years for all types (family and senior) is expected to be 212 units per year.” (p. 118).

Known Planned Development: “The current stock of affordable housing in the primary market area consists of one elderly and three family projects. There are also two LIHTC projects in the Trade Area that recently began construction.” (p. 91).

Effect on Existing Housing Stock: “The current supply of affordable housing in this market is far less than demand.” (p. 91).

Market Study Analysis/Conclusions: 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 HTC/program guidelines, and are achievable according to the Market Analyst. The Applicant’s income is slightly less than that of the Underwriter’s because the rent of the 60%, two-bedroom two-bath unit is \$1 less than the maximum as used by the Underwriter. This slight difference causes a \$672 difference in the annual income between the

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Applicant and the Underwriter. The Applicant indicated that the property would be served by a central boiler providing hot water to the tenant and as such the utility allowance for hot water heat was not deducted from the maximum rent limit. 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 \$625 less than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of \$3,210 per unit is 11% lower than the Underwriter's database-derived estimate of \$3,594 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 (\$15K lower), payroll (\$19K lower), repairs and maintenance (\$30K higher), utilities (\$49K lower) and water, sewer, and trash (\$28K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them further. A partial rationale for some of these differences may be that the Development's utility and water expense should be higher than the typical transaction as a result of the higher cost to operate a central boiler system.

The Applicant plans to request and receive a 100% tax abatement from the local taxing authorities. Similar to Primrose at Bammel in Houston and Rosemont at Laureland in Dallas the project is being developed in tandem with the Housing Authority (DHA). DHA will own the general partner of the Partnership. DHA will hold title to the fee estate of the Project, and the Applicant will hold a leasehold interest pursuant to a long term ground lease executed between the DHA, as landlord, and the Applicant as tenant. The DHA will use its status as a political subdivision of Texas to apply its tax-exempt status to the subject property. The underwriting analysis also assumes the property will be tax exempt. Documentation of the proposed lease and the City's agreement to enter in to such an arrangement have not been provided and receipt review and acceptance of same is a condition of this report..

Conclusion: The Applicant's estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income (NOI) estimate 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 difference in operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.07 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to \$1,157,414 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. The Underwriter has completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of \$16,368,000.

ASSESSED VALUE

Land: 25.1 acres	\$112,960	Assessment for the Year of:	2004
Building:	\$0	Valuation by:	Dallas Central Appraisal District
Total Assessed Value:	\$112,960	Tax Rate:	2.93%

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved commercial property contract					
Contract Expiration Date:	12/	26/	2004	Anticipated Closing Date:	2/	25/ 2005
Acquisition Cost:	\$1,665,000			Other Terms/Conditions:		
Seller:	A.P. Lawton Limited Partnership			Related to Development Team Member:	No	

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of \$1,665,000 (\$6.25/SF, \$66,364/acre, or \$6,660/unit) is substantiated by the appraisal/tax assessed value of \$112,960. The original sale of the subject property is between the third part seller and Southwest Housing Acquisitions Corp. in the amount of \$1,665,000. The second and subsequent changes in ownership will occur at or after closing of this transaction. The second transaction is between Southwest Housing Acquisitions Corp. as seller and TX Laureland Housing, LP (Applicant) as the purchaser. This purchaser (the Applicant) has assigned this contract to The Housing Authority of the City of Dallas (DHA), which through its 100% owner of Laureland/Scyene Holding Company, Inc. will ultimately own

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

100% of TX Scyene Development, LLC the General Partner of this transaction. DHA will own the property and will enter into a ground lease with TX Scyene Development, LLC. The first ten years of the lease will be paid in advance in the amount of \$1, 665,000. Thereafter, the annual rent will be in the amount of \$100 per year. These transactions, with the exception of the original purchase, have an Identity of Interest. However, the sale prices and lease amounts are the same as the original purchase price from the third party seller, therefore these Identity of Interest transactions are considered acceptable.

Sitework Cost: The Applicant's claimed sitework costs of \$7,495 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$56K or less than 1% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor general requirements, contractor general and administrative fees, and contractor profit are within the 6%, 2%, and 6% maximums allowed by HTC guidelines however contingency is \$145,245 over the Department's 5% limit. Consequently the Applicant's eligible fees in this area have been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis by \$22K and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

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 by the Underwriter, is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$22,016,760 is used to determine a credit allocation of \$777,192 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount. This calculated amount is \$759 more than initially requested due to the Applicant's use of a lower applicable percentage.

INTERIM TO PERMANENT BOND FINANCING

Source: Newman Capital/GMAC		Contact: Jerry Wright	
Tax Exempt Amount:	\$15,000,000	Interest Rate:	BMA +250BP during construction, 6.50% Permanent
Taxable Amount:	\$2,000,000	Interest Rate:	BMA +250BP during construction, 8.0% Permanent
Additional Information: Original lender was MMA.			
Amortization: 40 yrs	Term: 32.5 yrs	Commitment:	<input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional
Annual Payment: \$1,142,759	Lien Priority: 1 st	Date:	12/ 29/ 2004

TAX CREDIT SYNDICATION

Source: MMA Financial		Contact: Steven A. Napolitano	
Net Proceeds:	\$6,797,000	Net Syndication Rate (per \$1.00 of 10-yr HTC)	.87¢
Commitment:	<input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional	Date:	10/ 25/ 2004
Additional Information: With the change in Lender the syndicator is likely to have also changed but new commitments have not been provided			

APPLICANT EQUITY

Amount: \$1,912,175	Source: Deferred Developer Fee
----------------------------	---------------------------------------

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by Dallas County Housing Finance Corporation and will be underwritten and placed through Newman Capital and likely purchased by GMAC. The new permanent financing commitment is somewhat inconsistent with the terms reflected in the

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

sources and uses of funds listed in the application as the exact structure has been in flux during the underwriting review process.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

Financing Conclusions: Based on the Applicant's requested amount, the HTC allocation should not exceed \$776,433 annually for ten years, resulting in syndication proceeds of approximately \$6,754,967. Due to the difference in estimated net operating income, the Underwriter's debt coverage ratio (DCR) of 1.07 is less than the program minimum standard of 1.10. The maximum debt service for this development will likely yield a final bond amount that is \$632,000 less than the amount indicated in the most recent commitment. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$1,669,787, which represents approximately 58% of the eligible fee and which should be repayable from cash flow within 10 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

**DEVELOPMENT TEAM
IDENTITIES of INTEREST**

The Applicant, Developer, General Contractor, Property Manager and Supportive Services firm are all related entities. These are common relationships for HTC-funded developments. In addition, the issuer and the ultimate owner of the GP will be instrumentalities of the City of Dallas. These are common relationships for HTC-funded developments. While not as common, this relationship is not prohibited.

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.
- Southwest Housing Development Company, Inc., the Developer submitted an unaudited financial statement as of June 30, 2004 reporting total assets of \$27.3M and consisting of \$2.4M in cash, \$23.3M in receivables, and \$1.6M in machinery, equipment, and fixtures. Liabilities totaled \$15.7M, resulting in net equity of \$11.6M.
- Brian Potashnik, the owner of the Developer, general partner, and general contractor, submitted an unaudited joint personal financial statement with his wife Cheryl as of December 31, 2003 and are anticipated to be guarantors of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

SUMMARY OF SALIENT RISKS AND ISSUES

- Significant inconsistencies in the application could affect the financial feasibility of the development.
- The Applicant's operating expenses are more than 5% outside of the Underwriter's verifiable range.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- 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:		Date:	December 30, 2004
	<hr style="width: 80%; margin: 0 auto;"/> <i>Phillip Drake</i>		<hr style="width: 80%; margin: 0 auto;"/>
Director of Real Estate Analysis:		Date:	December 30, 2004
	<hr style="width: 80%; margin: 0 auto;"/> <i>Tom Gouris</i>		<hr style="width: 80%; margin: 0 auto;"/>

MULTIFAMILY COMPARATIVE ANALYSIS

Rosemont at Scyene Apartments, Dallas, 4% HTC #04482

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int-Pd Util	Wtr, Swr, Trsh
TC 50%	26	1	1	750	\$623	\$567	\$14,742	\$0.76	\$56.00	\$52.00
TC 60%	26	1	1	750	748	\$692	17,992	0.92	56.00	52.00
TC 50%	56	2	2	1,070	748	\$682	38,192	0.64	66.00	58.00
TC 60%	56	2	2	1,070	898	832	46,592	0.78	66.00	58.00
TC 50%	43	3	2	1,250	864	782	33,626	0.63	82.00	67.00
TC 60%	43	3	2	1,250	1,037	955	41,065	0.76	82.00	67.00
TOTAL:	250		AVERAGE:	1,065	\$838	\$769	\$192,209	\$0.72	\$69.42	\$59.85

INCOME				Total Net Rentable Sq Ft: 266,340		TDHCA		APPLICANT		Comptroller's Region 3	
POTENTIAL GROSS RENT						\$2,306,508	\$2,305,836			IREM Region Dallas	
Secondary Income: laund,vend,app./misc fees,Per Unit Per Month: \$15.00						45,000	45,000	\$15.00			Per Unit Per Month
Other Support Income:						0	0				
POTENTIAL GROSS INCOME						\$2,351,508	\$2,350,836				
Vacancy & Collection Loss % of Potential Gross Income: -7.50%						(176,363)	(176,316)	-7.50%			of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions						0	0				
EFFECTIVE GROSS INCOME						\$2,175,145	\$2,174,520				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative				4.69%	\$408	0.38	\$101,997	\$86,950	\$0.33	\$348	4.00%
Management				5.00%	435	0.41	108,757	108,726	0.41	435	5.00%
Payroll & Payroll Tax				11.22%	976	0.92	244,040	224,666	0.84	899	10.33%
Repairs & Maintenance				4.07%	354	0.33	88,526	118,800	0.45	475	5.46%
Utilities				3.98%	346	0.32	86,523	37,500	0.14	150	1.72%
Water, Sewer, & Trash				5.32%	463	0.43	115,728	87,000	0.33	348	4.00%
Property Insurance				3.06%	266	0.25	66,585	52,500	0.20	210	2.41%
Property Tax 2.93276				0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements				2.30%	200	0.19	50,000	50,000	0.19	200	2.30%
Other:compl fees, sec., supp. serv.				1.67%	145	0.14	36,250	36,250	0.14	145	1.67%
TOTAL EXPENSES				41.30%	\$3,594	\$3.37	\$898,407	\$802,392	\$3.01	\$3,210	36.90%
NET OPERATING INC				58.70%	\$5,107	\$4.79	\$1,276,738	\$1,372,128	\$5.15	\$5,489	63.10%
DEBT SERVICE											
First Lien Mortgage				54.91%	\$4,777	\$4.48	\$1,194,332	\$1,142,759	\$4.29	\$4,571	52.55%
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				3.79%	\$330	\$0.31	\$82,406	\$229,369	\$0.86	\$917	10.55%
AGGREGATE DEBT COVERAGE RATIO						1.07		1.20			
RECOMMENDED DEBT COVERAGE RATIO						1.10					

CONSTRUCTION COST					TDHCA		APPLICANT		PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT							
ACQUISITION COST (site or bldg)		6.65%	\$6,660	\$6.25	\$1,665,000	\$1,665,000	\$6.25	\$6,660	6.72%		
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%		
Sitework		7.49%	7,495	7.04	1,873,750	1,873,750	7.04	7,495	7.56%		
Direct Construction		50.33%	50,379	47.29	12,594,833	12,650,841	47.50	50,603	51.03%		
Contingency	5.00%	2.89%	2,894	2.72	723,429	871,475	3.27	3,486	3.52%		
General Req'ts	6.00%	3.47%	3,472	3.26	868,115	871,475	3.27	3,486	3.52%		
Contractor's G & A	2.00%	1.16%	1,157	1.09	289,372	290,492	1.09	1,162	1.17%		
Contractor's Profit	6.00%	3.47%	3,472	3.26	868,115	871,475	3.27	3,486	3.52%		
Indirect Construction		3.34%	3,344	3.14	835,900	835,900	3.14	3,344	3.37%		
Ineligible Costs		3.77%	3,776	3.54	943,961	943,961	3.54	3,776	3.81%		
Developer's G & A	2.00%	1.52%	1,526	1.43	381,567	0	0.00	0	0.00%		
Developer's Profit	13.00%	9.91%	9,921	9.31	2,480,187	2,893,538	10.86	11,574	11.67%		
Interim Financing		4.10%	4,099	3.85	1,024,846	1,024,846	3.85	4,099	4.13%		
Reserves		1.90%	1,898	1.78	474,433	0	0.00	0	0.00%		
TOTAL COST		100.00%	\$100,094	\$93.95	\$25,023,507	\$24,792,754	\$93.09	\$99,171	100.00%		
Recap-Hard Construction Costs		68.81%	\$68,870	\$64.65	\$17,217,613	\$17,429,509	\$65.44	\$69,718	70.30%		

SOURCES OF FUNDS				RECOMMENDED			
First Lien Mortgage	67.94%	\$68,000	\$63.83	\$17,000,000	\$17,000,000	\$16,368,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$2,871,751
HTC Syndication Proceeds	26.99%	\$27,016	\$25.36	6,754,000	6,754,000	6,754,967	% of Dev. Fee Deferred
Deferred Developer Fees	8.14%	\$8,151	\$7.65	2,037,788	2,037,788	1,669,787	58%
Additional (excess) Funds Required	-3.07%	(\$3,073)	(\$2.88)	(768,281)	(999,034)	(0)	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$25,023,507	\$24,792,754	\$24,792,754	\$5,094,116

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Rosemont at Scyene Apartments, Dallas, 4% HTC #04482

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Iowhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$ 47.58	\$12,672,503
Adjustments				
Exterior Wall Finish	1.54%		\$0.73	\$195,157
Elderly/9-Ft. Ceilings	3.00%		1.43	380,175
Roofing			0.00	0
Subfloor			(1.00)	(265,008)
Floor Cover			2.53	673,840
Porches/Balconies	\$16.62	26634	1.66	442,546
Plumbing	\$730	94	0.26	68,620
Built-In Appliances	\$1,650	250	1.55	412,500
Stairs/Fireplaces	\$990	26	0.10	25,740
Floor Insulation			0.00	0
Heating/Cooling			1.96	522,026
Garages/Carports		250	0.00	0
Comm &/or Aux Bldgs	\$59.29	5,508	1.23	326,553
Other:	\$20.11	2,559	0.19	51,451
SUBTOTAL			58.22	15,506,104
Current Cost Multiplier	1.10		5.82	1,550,610
Local Multiplier	0.90		(5.82)	(1,550,610)
TOTAL DIRECT CONSTRUCTION COSTS			\$58.22	\$15,506,104
Plans, specs, survy, bld prm	3.90%		(\$2.71)	(\$604,738)
Interim Construction Interest	3.38%		(1.96)	(523,331)
Contractor's OH & Profit	11.50%		(6.70)	(1,783,202)
NET DIRECT CONSTRUCTION COSTS			\$47.29	\$12,594,833

PAYMENT COMPUTATION

Primary	\$17,000,000	Term	480
Int Rate	6.50%	DCR	1.07

Secondary	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.07

Additional	\$6,754,000	Term	
Int Rate		Aggregate DCR	1.07

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$1,157,414
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$119,324

Primary	\$16,368,000	Term	480
Int Rate	6.55%	DCR	1.10

Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	\$6,754,000	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	\$2,306,508	\$2,375,703	\$2,446,974	\$2,520,384	\$2,595,995	\$3,009,470	\$3,488,800	\$4,044,476	\$5,435,437
Secondary Income	45,000	46,350	47,741	49,173	50,648	58,715	68,067	78,908	106,045
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,351,508	2,422,053	2,494,715	2,569,556	2,646,643	3,068,185	3,556,867	4,123,384	5,541,483
Vacancy & Collection Loss	(176,363)	(181,654)	(187,104)	(192,717)	(198,498)	(230,114)	(266,765)	(309,254)	(415,611)
Employee or Other Non-Rental L	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,175,145	\$2,240,399	\$2,307,611	\$2,376,840	\$2,448,145	\$2,838,071	\$3,290,102	\$3,814,130	\$5,125,871
EXPENSES at 4.00%									
General & Administrative	\$101,997	\$106,077	\$110,320	\$114,733	\$119,323	\$145,174	\$176,627	\$214,893	\$318,095
Management	108,757	112,020	115,381	118,842	122,407	141,904	164,505	190,706	256,294
Payroll & Payroll Tax	244,040	253,802	263,954	274,512	285,492	347,345	422,598	514,156	761,076
Repairs & Maintenance	88,526	92,067	95,750	99,580	103,563	126,000	153,298	186,511	276,081
Utilities	86,523	89,984	93,584	97,327	101,220	123,150	149,830	182,292	269,836
Water, Sewer & Trash	115,728	120,358	125,172	130,179	135,386	164,718	200,404	243,822	360,916
Insurance	66,585	69,248	72,018	74,899	77,895	94,771	115,304	140,285	207,655
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other	36,250	37,700	39,208	40,776	42,407	51,595	62,773	76,373	113,051
TOTAL EXPENSES	\$898,407	\$933,256	\$969,466	\$1,007,091	\$1,046,186	\$1,265,822	\$1,531,923	\$1,854,380	\$2,718,937
NET OPERATING INCOME	\$1,276,738	\$1,307,143	\$1,338,145	\$1,369,749	\$1,401,959	\$1,572,249	\$1,758,178	\$1,959,750	\$2,406,935
DEBT SERVICE									
First Lien Financing	\$1,157,414	\$1,157,414	\$1,157,414	\$1,157,414	\$1,157,414	\$1,157,414	\$1,157,414	\$1,157,414	\$1,157,414
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	\$119,324	\$149,730	\$180,732	\$212,335	\$244,545	\$414,835	\$600,765	\$802,336	\$1,249,521
DEBT COVERAGE RATIO	1.10	1.13	1.16	1.18	1.21	1.36	1.52	1.69	2.08

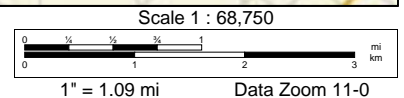
LIHTC Allocation Calculation - Rosemont at Scyene Apartments, Dallas, 4% HTC #04482

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	\$1,665,000	\$1,665,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,873,750	\$1,873,750	\$1,873,750	\$1,873,750
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$12,650,841	\$12,594,833	\$12,650,841	\$12,594,833
(4) Contractor Fees & General Requirements				
Contractor overhead	\$290,492	\$289,372	\$290,492	\$289,372
Contractor profit	\$871,475	\$868,115	\$871,475	\$868,115
General requirements	\$871,476	\$868,115	\$871,475	\$868,115
(5) Contingencies				
	\$871,475	\$723,429	\$726,230	\$723,429
(6) Eligible Indirect Fees				
	\$835,900	\$835,900	\$835,900	\$835,900
(7) Eligible Financing Fees				
	\$1,024,846	\$1,024,846	\$1,024,846	\$1,024,846
(8) All Ineligible Costs				
	\$943,961	\$943,961		
(9) Developer Fees				
			\$2,871,751	
Developer overhead		\$381,567		\$381,567
Developer fee	\$2,893,538	\$2,480,187		\$2,480,187
(10) Development Reserves				
		\$474,433		
TOTAL DEVELOPMENT COSTS	\$24,792,754	\$25,023,507	\$22,016,760	\$21,940,113

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			\$22,016,760	\$21,940,113
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$22,016,760	\$21,940,113
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$22,016,760	\$21,940,113
Applicable Percentage			3.53%	3.53%
TOTAL AMOUNT OF TAX CREDITS			\$777,192	\$774,486

Syndication Proceeds	0.8700	\$6,761,567	\$6,738,028
Total Credits (Eligible Basis Method)		\$777,192	\$774,486
Syndication Proceeds		\$6,761,567	\$6,738,028
Requested Credits		\$776,433	
Syndication Proceeds		\$6,754,967	
Gap of Syndication Proceeds Needed		\$8,424,754	
Credit Amount		\$968,363	

Rosemont at Scyene



MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Cherrycrest Villas.

Summary of the Transaction

The application was received on September 8, 2004. The Issuer for this transaction is City of Dallas HFC. The development is to be located at North side of 2500 block of John West Road in Dallas. The development will consist of 232 total units targeting the elderly population, with all affordable. The site is currently properly zoned for such a development. The Department received no letters in support and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI **and** Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI **and** Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Cherrycrest Villas.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Cherrycrest Villas**

TDHCA#: 04490

DEVELOPMENT AND OWNER INFORMATION

Development Location: Dallas QCT: Y DDA: N TTC: N
 Development Owner: TX John West Housing, LP
 General Partner(s): TX John West Development, LLC, 100%, Contact: Brian Potashnik
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: City of Dallas HFC
 Development Type: Elderly

Annual Tax Credit Allocation Calculation

Applicant Request: \$857,883 Eligible Basis Amt: \$867,687 Equity/Gap Amt.: \$1,047,869
Annual Tax Credit Allocation Recommendation: \$857,883
 Total Tax Credit Allocation Over Ten Years: \$ 8,578,830

PROPERTY INFORMATION

Unit and Building Information

Total Units: 232 HTC Units: 232 % of HTC Units: 100
 Gross Square Footage: 214,584 Net Rentable Square Footage: 209,076
 Average Square Footage/Unit: 901
 Number of Buildings: 26
 Currently Occupied: N

Development Cost

Total Cost: \$20,605,994 Total Cost/Net Rentable Sq. Ft.: \$98.56

Income and Expenses

Effective Gross Income:¹ \$1,899,410 Ttl. Expenses: \$995,284 Net Operating Inc.: \$904,126
 Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: Southwest Housing Management Corporation
 Attorney: Broad & Cassel Architect: Beeler Guest Owens Architects, LP
 Accountant: Reznick, Fedder & Silverman Engineer: To Be Determined
 Market Analyst: Apartment Market Data Lender: GMAC Commerical Holding Corp.
 Contractor: Affordable Housing Construction Syndicator: Wachovia Securities

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Royce West, District 23 - NC Rep. Terri Hodge, District 100 - NC Mayor Laura Miller - NC Patricia Smith Harrington, CD Manager, City of Dallas; The development is consistent with the City of Dallas Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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. Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the allocation amount may be warranted.
3. Board waiver of its QAP rule under 50.12(a)(2) regarding the submission of all documentation (including the market study) at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.

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: _____
Chairman of the Board Date

Elizabeth Anderson,

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: December 27, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04490

DEVELOPMENT NAME

Cherrycrest Villas Apartments

APPLICANT

Name: TX John West Housing, L.P. **Type:** For-profit
Address: 5910 North Central Expressway, Suite 1145 **City:** Dallas **State:** TX
Zip: 75206 **Contact:** Len Vilicic **Phone:** (214) 891-1402 **Fax:** (214) 987-4032

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: TX John West Development, LLC	(%): 0.01	Title: Managing General Partner
Name: Housing Services, Inc.	(%): N/A	Title: 100% Owner of MGP
Name: Southwest Housing Development, Co., Inc.	(%): N/A	Title: Developer
Name: Brian Potashnik	(%): N/A	Title: 100% Owner of Developer

PROPERTY LOCATION

Location: North side of 2500 block of John West Road **QCT** **DDA**
City: Dallas **County:** Dallas **Zip:** 75228

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$857,883	N/A	N/A	N/A
Other Requested Terms: Annual ten-year allocation of housing tax credits			
Proposed Use of Funds: New construction		Property Type: Multifamily	
Special Purpose (s): Elderly			

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$857,883 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

- Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.
- Board waiver of its QAP rule under 50.12(a)(2) regarding the submission of all documentation (including the market study) at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made.

REVIEW of PREVIOUS UNDERWRITING REPORTS

Cherrycrest Villas was submitted, but was not underwritten in the 2004 9% HTC cycle.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DEVELOPMENT SPECIFICATIONS					
IMPROVEMENTS					
Total Units:	<u>232</u>	# Rental Buildings:	<u>26</u>	# Non-Res. Buildings:	<u>1</u>
		# of Floors:	<u>3</u>	Age:	<u>N/A</u> yrs
Net Rentable SF:	<u>209,076</u>	Av Un SF:	<u>901</u>	Common Area SF:	<u>5,508</u>
		Gross Bldg SF:	<u>214,584</u>		
STRUCTURAL MATERIALS					
<p>The structures will be wood frame on post-tensioned concrete slabs on grade. According to the plans provided in the application the exteriors will be comprised as follows: 72% stucco/18% stone veneer/10% cement fiber siding. The interior wall surfaces will be drywall and the pitched roofs will be finished with laminated shingles.</p>					
APPLIANCES AND INTERIOR FEATURES					
<p>The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, central boiler water heating system, individual heating & air conditioning, & 9-foot ceilings.</p>					
ON-SITE AMENITIES					
<p>A 5,508-square foot community building will include an activity room, management offices, fitness & maintenance facilities, a kitchen, restrooms, & a computer/business center. The community building, swimming pool, an equipped children's play area, & a 540-SF laundry/mail building are to be located at the entrance of the property. In addition, perimeter fencing with limited access gates is planned for the site.</p>					
Uncovered Parking:	<u>47</u>	spaces	Carports:	<u>232</u>	spaces
			Garages:	<u>0</u>	spaces
PROPOSAL and DEVELOPMENT PLAN DESCRIPTION					
<p>Description: Cherrycrest Villas is an 12-unit per acre new construction development of 232 units of affordable senior housing located in east Dallas. The development is comprised of four large, three-story, garden style, elevator served residential buildings and twenty-two single story quadplexes. The buildings are configured as follows:</p> <ul style="list-style-type: none"> • 2 Building Type B with 24 one-bedroom/one-bath units; • 2 Building Type C with 18 one-bedroom/one-bath units, and 30 two- bedroom/two-bath units; • 22 Building Type D with 4 two-bedroom/two-bath units; <p>Architectural Review: The building and unit plans are of good design, sufficient size, and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with ornamental architectural features.</p>					

SITE ISSUES					
SITE DESCRIPTION					
Size:	<u>19.61</u>	acres	<u>854,212</u>	square feet	Zoning/ Permitted Uses: <u>MF</u>
Flood Zone Designation:	<u>Zone X</u>		Status of Off-Sites:	<u>Partially improved</u>	
SITE and NEIGHBORHOOD CHARACTERISTICS					
<p>Location: The site is an irregularly-shaped parcel located in the far east area of Dallas, approximately eight miles from the central business district. The site is an assemblage of three tracts which combine to form an unusual elongated “N” with right angles. Due to the unusual site footprint, the development will have numerous adjacent neighbors and will either be less secure or more difficult to fully access than the typical development.</p> <p>Adjacent Land Uses:</p> <ul style="list-style-type: none"> • North: single-family residential immediately adjacent; • South: John West Road immediately adjacent and vacant land beyond; 					

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

- **West:** single-family residential development with three cul-de-sac streets and soccer fields immediately adjacent; and
- **East:** several general population apartment complexes (two tax credit developments, 03410 Rosemont at Ash Creek and 04147 Shiloh Village) and a church;

Site Access: Access to the property is from the east or west along John West Road. The development is to have one main entry from John West Road. Access to Interstate Highway I-30 is less than one mile southeast, which provides connections to all other major roads serving the Dallas area.

Public Transportation: Public transportation to the area is provided by DART. The location of the nearest stop is less than 0.2 of a mile.

Shopping & Services: The site is within several miles of two major shopping center, 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.

Adverse Site Issues: The departments underwriting report for the adjacent Rosemont at Ash Creek reflected the developers acquisition of the 10 ± acres John West frontage to be up to one third encumbered by the 100 year flood plain. The site plan also reflects this flood plain area but includes no improvements in the flood plain areas.

Site Inspection Findings: TDHCA staff performed a site inspection on September 29, 2004 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 November 15, 2004 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations: “This Phase I ESA Update has revealed no evidence of recognized environmental conditions in connection with the Site.” (p. 11)

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 development the Applicant has elected the 50% at 50% / 50% at 60% option.

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 November 29, 2004 was prepared by Apartment MarketData Research Services, LLC (“Market Analyst”) The date of the report indicates that the market study was not provided more than 60 days prior to the scheduled board meeting date of January 13, 2005 as required under 50.12 (a)(2) and therefore a waiver of this QAP requirement by the board is required. Highlights of the report are as follows:

Definition of Primary Market Area (PMA): “For this analysis we utilized a primary market area comprising a 53.3-square mile trade area in east Dallas. The following roads exemplify the major boundaries of the trade area: north – A straight line along Northwest Highway; east – IH 635 (LBJ Freeway); south – Scyene Road west to Hatcher/Dolphin, Dolphin north to Haskell, Haskell west to Greenville Avenue; west – Greenville Avenue.” (p. 31). This area is equivalent to a circle with a radius of four miles.

Population: The estimated 2003 population of the original PMA was 248,550 and is expected to increase by 5.4% to approximately 262,085 by 2008. Within the original PMA there were estimated to be 98,438 households in 2003.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total elderly demand of 1,802 qualified households in the original PMA, based on the current estimate of 25,549 elderly households, the projected annual household growth rate of 1.1%, income-qualified elderly households estimated at 22.1%, income-qualified elderly renter households estimated at 52.4% of the income qualified

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

elderly population, and an annual renter turnover rate of 60.1 % (p. 48-49). The Market Analyst used an income band of \$18,690 to \$35,940. The Market Analysts percentage of renters from income qualified seniors is based on the percentage of renters from income qualified households of all ages derived from the American Housing Survey (AHS) for Dallas. The problem with using this general population percentage is that the AHS also provides similar data on ages over 65 households which reveal that a much smaller percentage, less than 20% or households in the income band are renters. The Underwriter used the Market Analysts estimate that 25.1% of all households over age 55 years of age rent rather than own. (p. 58)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	27	1.5%	13	1.5%
Resident Turnover	1,775	98.5%	850	98.5%
TOTAL ANNUAL DEMAND	1,802	100%	863	100%

Ref: p. 50

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 19.76% based upon 1,802 units of demand and 356 unstabilized affordable housing in the PMA (including the subject) (p. 51). The Underwriter calculated a still acceptable inclusive capture rate of 41.3% based upon a supply of unstabilized comparable affordable units of 356 divided by a demand of 863.

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 1,406 units in the market area. (p. 105).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (50%)	\$573	\$573	\$0	\$745	-\$172
1-Bedroom (60%)	\$698	\$698	\$0	\$745	-\$47
2-Bedroom (50%)	\$697	\$697	\$0	\$900	-\$203
2-Bedroom (60%)	\$846	\$847	-\$1	\$900	-\$54

(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 90.2% and projects constructed since 1990 average 93.4% as a result of solid demand. Affordable family projects in the Trade Area average 83.4% occupancy. This low occupancy level is due to Rosemont at Ash Creek which is a new lease-up project that has only been open for a few months.” (p. 98).

Absorption Projections: “In estimating an absorption period for Cherrycrest Villas, we looked for other affordable senior housing projects within the PMA. There are no other senior projects within the PMA. Our best guess would be that Cherrycrest Villas would lease at a rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction.” (p. 95)

Known Planned Development: “There are currently no other market rate or affordable senior projects within the Trade area. As a result, this analyst believes that there is considerable pent – up demand for this type of community. Primrose at Highland, which is scheduled to begin construction within the next few months, will be the only competing elderly project in the Trade Area.” (p. 98-99)

Market Study Analysis/Conclusions: The Underwriter found the market study and supplemental analyses 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 HTC guidelines, and are achievable according to the Market Analyst. The Applicant obtained a utility allowance letter from a local

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

utility provider, TXU Energy, rather than using the City of Dallas utility allowance. The letter conforms to the Department's requirement for such a letter by identifying the development by name and reflecting an understanding of the units sizes proposed. However the allowances are notably only \$1 different for a two bedroom versus a one bedroom unit. It should be noted that the utility provider's letter provides allowances that are \$17 to \$34 less than the City's PHA allowance. In addition the Applicant proposes to use a central boiler rather than individual water heaters in each unit and allowances 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 Applicant's effective gross income estimate is only \$806 less than the Underwriter's estimate. If the higher PHA allowance were used however gross income would be reduced by \$78K.

Expenses: The Applicant's total expense estimate of \$4,014 per unit is 6.4% lower than the Underwriter's database-derived estimate of \$4,290 per unit for comparably-sized developments. In addition, the Applicant's specific expense line for utilities is \$41K lower than the Underwriter's estimate most likely as a result of the Applicant not considering the utility cost of a central boiler system.

Conclusion: Although the Applicant's estimated income is consistent with the Underwriter's expectations, the Applicant's total operating expenses are not within 5% of the database-derived estimate, and the Applicant's net operating income (NOI) estimate 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 1.04 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project may be limited to \$821,981 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. The Underwriter has completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of \$11,700,000.

ACQUISITION VALUATION INFORMATION			
APPRAISED VALUE			
Land Only: (10.6018) acres	\$660,000	Date of Valuation:	4/ 20/ 2004
Appraiser: <u>Butler ♦ Burgher, Inc.</u>	City: <u>Dallas</u>	Phone:	<u>(214) 739-0700</u>
APPRAISAL ANALYSIS/CONCLUSIONS			
An appraisal, provided by the purchaser, was performed by B. Diane Butler, MAI and dated April 20, 2004. The appraisal provided a "as-is" Market Value of \$660,000. The current "as-is" value is most important in the valuation and underwriting of this property because it should and does support the purchase price of the subject. For the "as-is" valuation, the primary approach used was the sales comparison approach. In this case the appraised value is greater than the acquisition price ascribed by the Applicant.			
ASSESSED VALUE			
Land: (10.6018) acres	\$489,520	Assessment for the Year of:	2004
Tax Rate:	2.880	Valuation by:	<u>Dallas County Appraisal District</u>
EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	<u>Special warranty deed</u>		
Acquisition Cost:	\$400,000	Other Terms/Conditions:	<u>Acquired as part of Rosemont of Ash Creek purchase</u>
Owner :	<u>TX John West Housing, L.P.</u>		Related to Development Team Member: <u>Yes</u>

ASSESSED VALUE			
Land: (6.709) acres	\$35,070	Assessment for the Year of:	2004
Tax Rate:	2.880	Valuation by:	<u>Dallas County Appraisal District</u>

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Unimproved commercial property contract		
Contract Expiration Date:	11/ 30/ 2004	Anticipated Closing Date:	2/ 7/ 2005
Acquisition Cost:	\$100,750	Other Terms/Conditions:	
Seller:	Robert L. Loar	Related to Development Team Member:	No

ASSESSED VALUE			
Land: (2.3022) acres	\$50,140	Assessment for the Year of:	2004
Tax Rate:	2.880	Valuation by:	Dallas County Appraisal District

EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Unimproved commercial property contract		
Contract Expiration Date:	11/ 30/ 2004	Anticipated Closing Date:	2/ 7/ 2005
Acquisition Cost:	\$85,170	Other Terms/Conditions:	
Seller:	Ernie Hughes	Related to Development Team Member:	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The combined site cost of \$590,000 (\$.69/SF, \$30,087/acre, or \$2,500/unit) is reasonably substantiated by the appraised value of \$660,000 which represents the 10.6018 acres of the total 19.61 acres which was purchased on October 10, 2003 for \$400,000 (the same value currently claimed as acquisition cost for this parcel). The remaining two other parcels containing 6.709 acres and 2.3022 acres is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$7,495 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$153K more than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and this is within the Departments 5% tolerance guideline.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$18,854,566 is used to estimate a credit allocation of \$867,687 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request which is less and to the gap of need using the Applicant's costs to determine the recommended credit amount.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

FINANCING STRUCTURE			
INTERIM TO PERMANENT BOND FINANCING			
Source:	GMAC Commercial Holding Capital Corp.	Contact:	Paul Weissman
Tax-Exempt Amount:	\$12,330,000	Interest Rate:	6.5%
Additional Information:			
Amortization:	40 yrs	Term:	32½ yrs
Commitment:	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional
Annual Payment:	\$871,742	Lien Priority:	1st
Commitment Date	11/ 19/ 2004		
TAX CREDIT SYNDICATION			
Source:	Wachovia Securities	Contact:	J. Frederick Davis III
Net Proceeds:	\$7,292,004	Net Syndication Rate (per \$1.00 of 10-yr HTC)	85¢
Commitment	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional
Date:	12/ 1/ 2004		
Additional Information:			

APPLICANT EQUITY	
Amount:	\$877,313
Source:	Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by the Dallas Housing Finance Corporation and purchased by GMACC Financial. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

GIC Income: The Applicant included \$103,337 in income from bond proceeds invested in a guaranteed investment contract during construction. The Underwriter has included this amount in deferred developer fee in the recommended financing structure.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$983,990 amount to 40% of the total fees.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the HTC allocation should not exceed \$867,687 annually for ten years; however, as the Applicant has requested only \$857,883 this will be the recommended allocation, resulting in syndication proceeds of approximately \$7,291,276. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$1,614,718, which represents approximately 66% of the eligible fee and which should be repayable from cash flow within ten years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager are all related entities. These are common relationships for HTC-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.
- Housing Services, Inc., the nonprofit sole member of the General Partner, submitted an unaudited financial statement as of January 31, 2004 reporting total assets of \$3.3M and consisting of \$204K in cash, \$2.6M in receivables, \$25K in machinery, equipment, and fixtures, and \$481K in business

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

interests. Liabilities totaled \$964K, resulting in a net worth of \$2.3M.

- Southwest Housing Development Company, Inc., the Developer and designated guarantor of the development, submitted an unaudited financial statement as of June 30, 2004 reporting total assets of \$27.3M and consisting of \$2.4M in cash, \$23.3M in receivables, and \$1.6M in machinery, equipment, and fixtures. Liabilities totaled \$15.7M, resulting in net equity of \$11.6M.
- Brian Potashnik, the owner of the Developer and general contractor, submitted an unaudited joint personal financial statement with his wife Cheryl as of December 31, 2003 and are anticipated to be guarantors of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

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 owner of a portion of the property (10.6018 acres) has an identity of interest with the Applicant.
- 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: December 27, 2004

Director of Real Estate Analysis:

Tom Gouris

Date: December 27, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Cherrycrest Villas, Dallas, 4% HTC #04490

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%)	42	1	1	750	\$623	\$573	\$24,066	\$0.76	\$50.00	\$52.00
TC (60%)	42	1	1	750	748	\$698	29,316	0.93	50.00	52.00
TC (50%)	74	2	2	987	748	\$697	51,578	0.71	51.00	58.00
TC (60%)	74	2	2	987	898	\$847	62,678	0.86	51.00	58.00
TOTAL:	232		AVERAGE:	901	\$773	\$723	\$167,638	\$0.80	\$50.64	\$55.83

INCOME				TOTAL Net Rentable Sq Ft: 209,076		TDHCA		APPLICANT		Comptroller's Region 3	
POTENTIAL GROSS RENT						\$2,011,656		\$2,010,768		IREM Region Dallas	
Secondary Income		Per Unit Per Month:	\$15.00			41,760		41,772		\$15.00 Per Unit Per Month	
Other Support Income: (describe)						0		0			
POTENTIAL GROSS INCOME						\$2,053,416		\$2,052,540			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(154,006)		(153,936)		-7.50% of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions						0		0			
EFFECTIVE GROSS INCOME						\$1,899,410		\$1,898,604			
EXPENSES				% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.19%	\$425	0.47		\$98,492	\$80,985	\$0.39	\$349	4.27%	
Management		5.00%	409	0.45		94,970	94,929	0.45	409	5.00%	
Payroll & Payroll Tax		10.89%	892	0.99		206,854	191,333	0.92	825	10.08%	
Repairs & Maintenance		4.63%	379	0.42		87,989	98,160	0.47	423	5.17%	
Utilities		3.86%	316	0.35		73,380	32,480	0.16	140	1.71%	
Water, Sewer, & Trash		5.17%	424	0.47		98,253	90,000	0.43	388	4.74%	
Property Insurance		2.75%	225	0.25		52,269	48,720	0.23	210	2.57%	
Property Tax	2.93276	10.39%	851	0.94		197,316	208,800	1.00	900	11.00%	
Reserve for Replacements		2.44%	200	0.22		46,400	46,400	0.22	200	2.44%	
Other: compl fees, supp serv, & se		2.07%	170	0.19		39,360	39,360	0.19	170	2.07%	
TOTAL EXPENSES		52.40%	\$4,290	\$4.76		\$995,284	\$931,167	\$4.45	\$4,014	49.04%	
NET OPERATING INC		47.60%	\$3,897	\$4.32		\$904,126	\$967,437	\$4.63	\$4,170	50.96%	
DEBT SERVICE											
GMAC		45.61%	\$3,734	\$4.14		\$866,242	\$871,742	\$4.17	\$3,758	45.91%	
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		1.99%	\$163	\$0.18		\$37,884	\$95,695	\$0.46	\$412	5.04%	
AGGREGATE DEBT COVERAGE RATIO						1.04		1.11			
RECOMMENDED DEBT COVERAGE RATIO						1.10					

CONSTRUCTION COST					TDHCA		APPLICANT				
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	PER SQ FT	PER UNIT	% of TOTAL				
Acquisition Cost (site or bldg)		2.85%	\$2,543	\$2.82	\$590,000	\$590,000	2.86%	\$2.82	\$2,543	2.86%	
Off-Sites		0.00%	0	0.00	0	0	0.00%	0.00	0	0.00%	
Sitework		8.41%	7,495	8.32	1,738,840	1,738,840	8.44%	8.32	7,495	8.44%	
Direct Construction		49.54%	44,132	48.97	10,238,566	10,391,972	50.43%	49.70	44,793	50.43%	
Contingency	5.00%	2.90%	2,581	2.86	598,870	606,541	2.94%	2.90	2,614	2.94%	
General Req'ts	6.00%	3.48%	3,098	3.44	718,644	727,848	3.53%	3.48	3,137	3.53%	
Contractor's G & A	2.00%	1.16%	1,033	1.15	239,548	242,616	1.18%	1.16	1,046	1.18%	
Contractor's Profit	6.00%	3.48%	3,098	3.44	718,644	727,849	3.53%	3.48	3,137	3.53%	
Indirect Construction		5.44%	4,844	5.38	1,123,900	1,123,900	5.45%	5.38	4,844	5.45%	
Ineligible Costs		4.90%	4,361	4.84	1,011,643	1,011,643	4.91%	4.84	4,361	4.91%	
Developer's G & A	2.00%	1.57%	1,398	1.55	324,254	0	0.00%	0.00	0	0.00%	
Developer's Profit	13.00%	10.20%	9,085	10.08	2,107,654	2,459,291	11.93%	11.76	10,600	11.93%	
Interim Financing		4.04%	3,602	4.00	835,710	835,710	4.06%	4.00	3,602	4.06%	
Reserves		2.03%	1,811	2.01	420,199	149,784	0.73%	0.72	646	0.73%	
TOTAL COST		100.00%	\$89,080	\$98.85	\$20,666,474	\$20,605,994	100.00%	\$98.56	\$88,819	100.00%	
Recap-Hard Construction Costs		68.97%	\$61,436	\$68.17	\$14,253,114	\$14,435,666	70.06%	\$69.05	\$62,223	70.06%	

SOURCES OF FUNDS				RECOMMENDED			
GMAC	59.66%	\$53,147	\$58.97	\$12,330,000	\$12,330,000	\$11,700,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$2,459,291
HTC Syndication Proceeds	35.28%	\$31,431	\$34.88	7,292,004	7,292,004	7,291,276	% of Dev. Fee Deferred
Deferred Developer Fees	4.76%	\$4,241	\$4.71	983,990	983,990	1,614,718	66%
Additional (excess) Funds Required	0.29%	\$261	\$0.29	60,480	(0)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$20,666,474	\$20,605,994	\$20,605,994	\$3,108,684

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
Cherrycrest Villas, Dallas, 4% HTC #04490

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.47	\$9,087,742
Adjustments				
Exterior Wall Finish	1.44%		\$0.63	\$130,863
Elderly and 9-Ft. Ceilings	6.00%		2.61	545,265
Roofing			0.00	0
Subfloor			(2.03)	(424,424)
Floor Cover			2.00	418,152
Porches/Balconies	\$18.00	19,207	1.65	345,722
Plumbing	\$605	212	0.61	128,260
Built-In Appliances	\$1,650	232	1.83	382,800
Stairs	\$1,700	12	0.10	20,400
Enclosed Corridors	\$33.55	22,608	3.63	758,420
Heating/Cooling			1.53	319,886
Carports	\$8.18	46,400	1.82	379,552
Comm &/or Aux Bldgs	\$59.29	5,508	1.56	326,553
Other: Elevators	\$46,500	4	0.89	186,000
SUBTOTAL			60.29	12,605,191
Current Cost Multiplier	1.10		6.03	1,260,519
Local Multiplier	0.90		(6.03)	(1,260,519)
TOTAL DIRECT CONSTRUCTION COSTS			\$60.29	\$12,605,191
Plans, specs, survy, bld prm	3.90%		(\$2.35)	(\$491,602)
Interim Construction Interes	3.38%		(2.03)	(425,425)
Contractor's OH & Profit	11.50%		(6.93)	(1,449,597)
NET DIRECT CONSTRUCTION COSTS			\$48.97	\$10,238,566

PAYMENT COMPUTATION

Primary	\$12,330,000	Term	480
Int Rate	6.50%	DCR	1.04
Secondary	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.04
Additional	\$7,292,004	Term	
Int Rate		Aggregate DCR	1.04

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$821,981
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$82,144

Primary	\$11,700,000	Term	480
Int Rate	6.50%	DCR	1.10
Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	\$7,292,004	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,011,656	\$2,072,006	\$2,134,166	\$2,198,191	\$2,264,137	\$2,624,755	\$3,042,810	\$3,527,451	\$4,740,599
Secondary Income	41,760	43,013	44,303	45,632	47,001	54,487	63,166	73,226	98,410
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,053,416	2,115,018	2,178,469	2,243,823	2,311,138	2,679,242	3,105,976	3,600,677	4,839,009
Vacancy & Collection Loss	(154,006)	(158,626)	(163,385)	(168,287)	(173,335)	(200,943)	(232,948)	(270,051)	(362,926)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,899,410	\$1,956,392	\$2,015,084	\$2,075,536	\$2,137,802	\$2,478,299	\$2,873,028	\$3,330,627	\$4,476,084
EXPENSES at 4.00%									
General & Administrative	\$98,492	\$102,432	\$106,529	\$110,790	\$115,222	\$140,185	\$170,556	\$207,508	\$307,162
Management	94,970	97,820	100,754	103,777	106,890	123,915	143,651	166,531	223,804
Payroll & Payroll Tax	206,854	215,128	223,733	232,683	241,990	294,418	358,204	435,810	645,106
Repairs & Maintenance	87,989	91,508	95,169	98,976	102,935	125,236	152,368	185,379	274,407
Utilities	73,380	76,315	79,368	82,543	85,844	104,443	127,071	154,601	228,847
Water, Sewer & Trash	98,253	102,183	106,271	110,521	114,942	139,845	170,143	207,005	306,417
Insurance	52,269	54,360	56,534	58,796	61,147	74,395	90,513	110,123	163,009
Property Tax	197,316	205,209	213,417	221,954	230,832	280,842	341,688	415,715	615,360
Reserve for Replacements	46,400	48,256	50,186	52,194	54,281	66,042	80,350	97,758	144,705
Other	39,360	40,934	42,572	44,275	46,046	56,022	68,159	82,926	122,750
TOTAL EXPENSES	\$995,284	\$1,034,146	\$1,074,533	\$1,116,507	\$1,160,130	\$1,405,342	\$1,702,703	\$2,063,356	\$3,031,568
NET OPERATING INCOME	\$904,126	\$922,246	\$940,551	\$959,029	\$977,673	\$1,072,957	\$1,170,325	\$1,267,270	\$1,444,515
DEBT SERVICE									
First Lien Financing	\$821,981	\$821,981	\$821,981	\$821,981	\$821,981	\$821,981	\$821,981	\$821,981	\$821,981
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	\$82,144	\$100,265	\$118,569	\$137,048	\$155,692	\$250,976	\$348,343	\$445,289	\$622,534
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.17	1.19	1.31	1.42	1.54	1.76

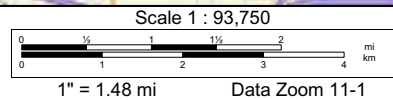
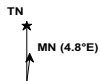
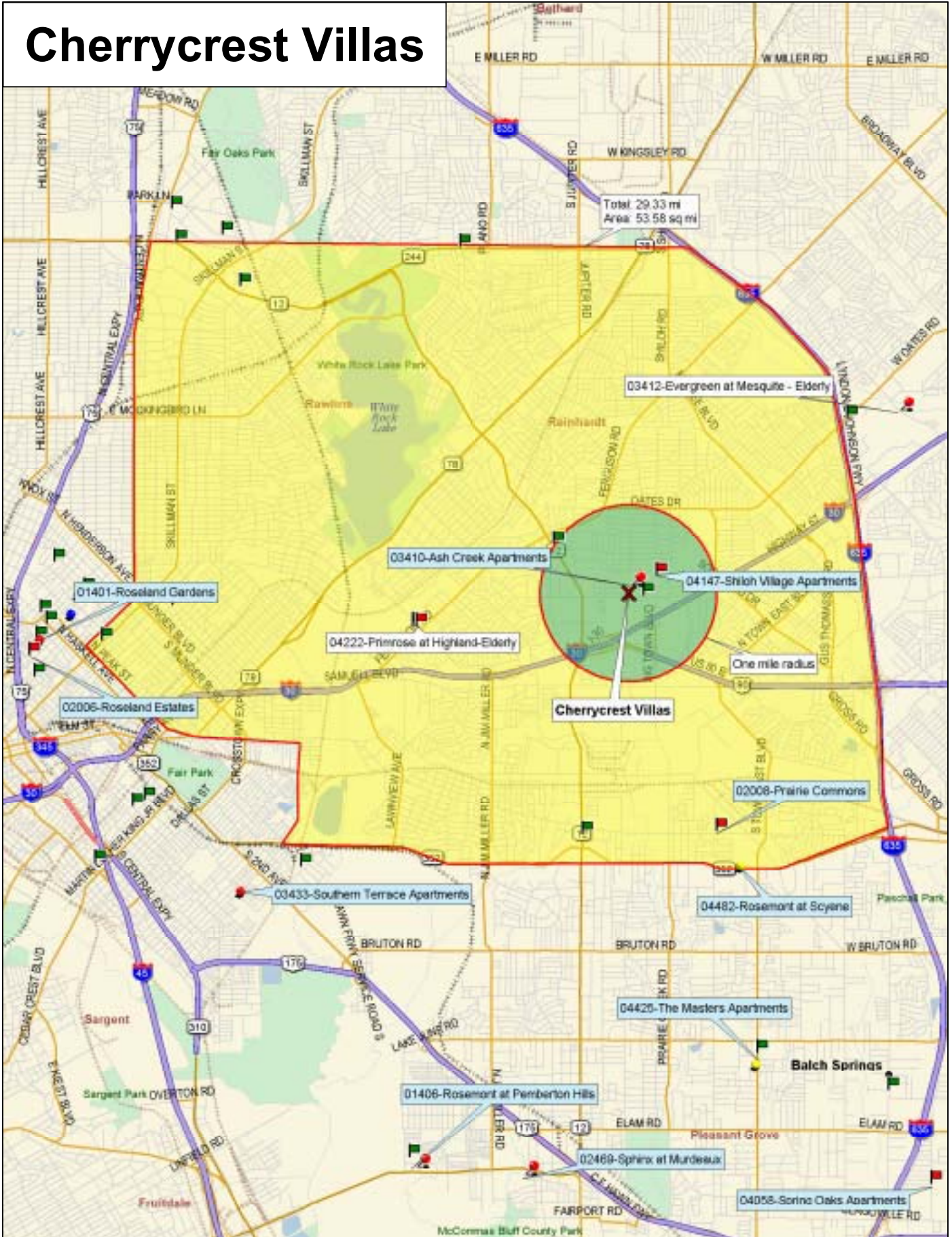
LIHTC Allocation Calculation - Cherrycrest Villas, Dallas, 4% HTC #04490

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	\$590,000	\$590,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,738,840	\$1,738,840	\$1,738,840	\$1,738,840
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$10,391,972	\$10,238,566	\$10,391,972	\$10,238,566
(4) Contractor Fees & General Requirements				
Contractor overhead	\$242,616	\$239,548	\$242,616	\$239,548
Contractor profit	\$727,849	\$718,644	\$727,849	\$718,644
General requirements	\$727,848	\$718,644	\$727,848	\$718,644
(5) Contingencies				
	\$606,541	\$598,870	\$606,541	\$598,870
(6) Eligible Indirect Fees				
	\$1,123,900	\$1,123,900	\$1,123,900	\$1,123,900
(7) Eligible Financing Fees				
	\$835,710	\$835,710	\$835,710	\$835,710
(8) All Ineligible Costs				
	\$1,011,643	\$1,011,643		
(9) Developer Fees				
Developer overhead		\$324,254		\$324,254
Developer fee	\$2,459,291	\$2,107,654	\$2,459,291	\$2,107,654
(10) Development Reserves				
	\$149,784	\$420,199		
TOTAL DEVELOPMENT COSTS	\$20,605,994	\$20,666,474	\$18,854,566	\$18,644,632

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			\$18,854,566	\$18,644,632
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$24,510,936	\$24,238,022
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$24,510,936	\$24,238,022
Applicable Percentage			3.54%	3.54%
TOTAL AMOUNT OF TAX CREDITS			\$867,687	\$858,026

Syndication Proceeds	0.8499	\$7,374,603	\$7,292,491
Total Credits (Eligible Basis Method)		\$867,687	\$858,026
Syndication Proceeds		\$7,374,603	\$7,292,491
Requested Credits		\$857,883	
Syndication Proceeds		\$7,291,276	
Gap of Syndication Proceeds Needed		\$8,905,994	
Credit Amount		\$1,047,869	

Cherrycrest Villas



MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Rosemont at Garth.

Summary of the Transaction

The application was received on August 19, 2004. The Issuer for this transaction is Southeast Texas HFC. The development is to be located at Southeast corner of Garth Road and Hunt Road in Baytown. The development will consist of 250 total units targeting the general population, with all affordable. The site is currently properly zoned for such a development. The Department received no letters in support and three letters in opposition from the City of Baytown, Goose Creek CISD, and Wayne Hansen. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI **and**
Set aside **50%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI **and**
Set aside **85%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects
located in a **census tract with median income that is greater** than the median
income of the county MSA, or PMSA that the QCT is located in.
(MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Rosemont at Garth.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Rosemont at Garth**

TDHCA#: 04465

DEVELOPMENT AND OWNER INFORMATION

Development Location: Baytown QCT: N DDA: N TTC: N
 Development Owner: TX Garth Housing, LP
 General Partner(s): TX Garth GP, LLC, 100%, Contact: Rhonda Smith
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Southeast TX HFC
 Development Type: General
 Population

Annual Tax Credit Allocation Calculation

Applicant Request: \$685,028 Eligible Basis Amt: \$692,857 Equity/Gap Amt.: \$685,028

Annual Tax Credit Allocation Recommendation: \$685,028

Total Tax Credit Allocation Over Ten Years: \$ 6,850,280

PROPERTY INFORMATION

Unit and Building Information

Total Units: 250 HTC Units: 250 % of HTC Units: 100
 Gross Square Footage: 245,508 Net Rentable Square Footage: 240,000
 Average Square Footage/Unit: 960
 Number of Buildings: 13
 Currently Occupied: N

Development Cost

Total Cost: \$21,262,441 Total Cost/Net Rentable Sq. Ft.: \$88.59

Income and Expenses

Effective Gross Income:¹ \$2,007,990 Ttl. Expenses: \$1,030,533 Net Operating Inc.: \$977,457
 Estimated 1st Year DCR: \$1.10

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: Southwest Housing Management Corp.
 Attorney: Shackelford, Melton & McKinley Architect: Beeler Guest Owens Architects, LP
 Accountant: To Be Determined Engineer: To Be Determined
 Market Analyst: Apartment Market Data Lender: Newman & Associates
 Contractor: Affordable Housing Construction Syndicator: Wachovia Securities

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. John Whitmire, District 15 - NC
# in Opposition: 3	Rep. Wayne Smith, District 128 - NC
Goose Creek ISD, City of Baytown, and Wayne Hansen	Mayor Calvin Mundinger - NC
	Gary Jackson, City Manager, City of Baytown - The proposed project in the application is consistent with the jurisdiction's Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: December 28, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04465

DEVELOPMENT NAME

Rosemont at Garth Apartments

APPLICANT

Name: TX Garth Housing, L.P. **Type:** For-profit
Address: 5910 North Central Expressway, Suite 1145 **City:** Dallas **State:** Texas
Zip: 75206 **Contact:** Len Vilicic **Phone:** (214) 891-1402 **Fax:** (214) 987-4032

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: TX Garth GP, LLC **(%):** .01% **Title:** General Partner
Name: Southeast Texas Housing Partners, Inc. **(%):** 100% **Title:** 100% Owner of GP
Name: Brian Potashnic – Initial Limited Partner **(%):** 99.99% **Title:** Initial Limited Partner

PROPERTY LOCATION

Location: SE Corner of Garth Road and Hunt Road, **QCT** **DDA**
City: Baytown **County:** Harris **Zip:** 77521

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$685,028	N/A	N/A	N/A
Other Requested Terms: Annual ten-year allocation of housing tax credits			
Proposed Use of Funds: New construction		Property Type: Multifamily	
Special Purpose (s): General population			

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$685,028 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 250 **# Rental Buildings:** 13 **# Non-Res. Buildings:** 2 **# of Floors:** 3 **Age:** N/A yrs **Vacant:** N/A at / /
Net Rentable SF: 240,000 **Av Un SF:** 960 **Common Area SF:** 6,409 **Gross Bldg SF:** 245,508

STRUCTURAL MATERIALS

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

The structure will be wood frame on a post-tensioned concrete slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 5% stone veneer 5% cement fiber siding, and 90% stucco. The interior wall surfaces will be drywall and the pitched roof will be finished with laminated shingle.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl flooring. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, central boiler water heating system, individual heating and air conditioning, & 9-foot ceilings.

ON-SITE AMENITIES

A 6,409-square foot community building will include an activity room, management offices, fitness, maintenance, a kitchen, restrooms, and a computer/business center. The community building, and swimming pool are located at the entrance of the property. The equipped children's play area is in the rear section of the property. In addition, perimeter fencing with limited access gates are planned for the site.

Uncovered Parking: 569 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The Subject is a relatively dense (12 units per acre) new construction development of 250 units of affordable housing located in the northern portion of Baytown. The development will be comprised of 13 evenly distributed large garden style walk-up residential buildings as follows:

- € 7 Building Type A with 12 two-bedroom/two-bath units, and 8 three-bedroom/two-bath units;
- € 3 Building Type C with 12 one-bedroom/one-bath units, and 8 three- bedroom/two-bath units;
- € 2 Building Type D with 8 one-bedroom/one-bath units, and 8 two- bedroom/two-bath units;
- € 1 Building Type I with 12 two-bedroom/two-bath units, and 6 three- bedroom/two-bath units;

Architectural Review: The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with nice fenestration.

SITE ISSUES

SITE DESCRIPTION

Size: 20.89 acres 909,968 square feet **Zoning/ Permitted Uses:** Multi Family
Flood Zone Designation: Zone X **Status of Off-Sites:** Fully improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Baytown is located in region 6, approximately 25 miles east of Houston in Harris County. The site is an irregularly-shaped parcel located in the northern portion of Baytown, approximately 5 miles from the central business district. The site is situated on the west side of Garth Street.

Adjacent Land Uses:

- € **North:** Four pipeline markers, a funeral home, and vacant land is located immediately adjacent and vacant land beyond;
- € **South:** A church, a railroad track servicing company, are immediately adjacent and Archer Road, and vacant land is beyond;
- € **East:** Garth Road is immediately adjacent and vacant land beyond; and
- € **West:** Three pipelines are immediately adjacent and a pond, vacant land, and a single family residence are beyond;

Site Access: Access to the property is from the north or south from Garth Road. The development is to have one main entry, from the north or south from Garth Road. Access to Interstate Highway 10 is one miles south, which provides connections to all other major roads serving the Baytown and Southeast Texas area.

Public Transportation: Public transportation in the area is not provided.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Shopping & Services: The site is within 3 miles of 4 major grocery/pharmacies, shopping centers, a multi-screen theater, library, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

€ **Special Adverse Site Characteristics:** Several pipelines appear to traverse or bound the site and the site plan appears to allow for drives to cover some of the easements. The ESA also identifies this concern.

Site Inspection Findings: TDHCA staff performed a site inspection on October 7, 2004 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 September 30, 2004 was prepared by Alpha Testing and contained the following findings and recommendations:

€ **Findings and Conclusions:** “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 31 acre, irregular shaped, vacant tract of land located off Garth Road in the City of Baytown, Harris County, Texas, the Site....**This assessment has revealed evidence of recognized environmental conditions in connection with the Site. The one (1) 16” brine pipeline (owned by Texas Brine, LLC) located on the north-central portion of the Site, the two (2) petroleum pipelines (an Equistar petroleum pipeline and a BP petroleum pipeline) abutting the western boundary of the Site, and the four(4) petroleum/petrochemical pipelines (a Butadien pipeline, a Buckeye Gulf Coast petroleum pipeline, a liquefied petroleum gas (LPG) pipeline and a DOW Chemical Ethylene pipeline) abutting the northern boundary of the Site are considered Recognized Environmental Conditions.”** (p. 19-20)

Recommendations: “**In order to evaluate the presence of petroleum hydrocarbons and volatile organic compounds (VOC’s) in the on-site soil and groundwater, an Environmental Site Investigation (ESI) would be required.”** (p. 20) A follow-up environmental site investigation dated December 22, 2004 tested boring samples from around the pipelines for Total Petroleum Hydrocarbons (THP) and Volatile Organic Compounds (VOC) in the soils and ground water. The results of the testing of eight sampling wells did not indicate THP or VOC concentrations above the method detection limits. Based on the results, no additional site investigation appears warranted at this time.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 236 of the units (100% of the total) will be reserved for low-income tenants. As a priority one private activity bond transaction, the Applicant has chosen to further restrict 50% of the units to households earning 50% of AMGI and 50% of the units to households earning 60% of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET HIGHLIGHTS

A market feasibility study dated September 28, 2004 was prepared by Mr. Darrell Jack with Apartment Market Data Research Services LLC (“Market Analyst”) and highlighted the following findings:

Definition of Primary Market Area (PMA): This area encompasses approximately 244 square miles and is equivalent to a circle with a radius of 8.82 miles.

Population: The estimated 2003 population of the primary market area was 136,363 and is expected to increase by 10.41% to approximately 150,562 by 2008. Within the primary market area there were estimated to be 46,092 households in 2003.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

11,381 qualified households in the PMA, based on the current estimate of 46,092 households, the projected annual growth rate of 9.4%, renter households estimated at 32.4% of the population, income-qualified households estimated at 24.69%, and an annual renter turnover rate of 64.4 %. (p. 43, 47, 55). The Market Analyst used an income band of \$18,994 to \$39,540.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	117	2%	122	2.9%
Resident Turnover	3,991	97%	4,040	97.1%
Other Sources:	N/A	N/A	N/A	N/A
TOTAL ANNUAL DEMAND	4,108	100%	4,162	100%

Ref: p. 48

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 6.1% based upon 4,108 units of demand and 250 unstabilized affordable housing in the PMA (including the subject) (p. 49). The Underwriter calculated an inclusive capture rate of 6.1% based upon a supply of unstabilized comparable affordable units of 250 divided by a revised demand of 4,162. The market also contains 240 new units from a private activity bond/HTC application approved in November of 2004 known as Bay View Apartments. While Bay View Apartments has a lower priority lottery number, it was ready to close sooner than this subject. Including both developments in the capture rate based on this market study still provides an acceptable capture rate below 25% just as it did when both were included in the Bay View market study. It should also be noted that the subject will have a slight competitive advantage over Bay View despite the latter start since all of the Bay View units are based on the 60% income level whereas the income range for the subject includes the 50% level as well.

Market Rent Comparables: The Market Analyst surveyed 6 comparable apartment projects totaling 1,562 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (50%)	\$571	\$571	\$0	\$625	-\$54
1-Bedroom (60%)	\$686	\$686	\$0	\$625	\$61
2-Bedroom (50%)	\$686	\$686	\$0	\$825	-\$139
2-Bedroom (60%)	\$823	\$823	\$0	\$825	-\$2
3-Bedroom (50%)	\$793	\$793	\$0	\$1000	-\$207
3-Bedroom (60%)	\$951	\$951	\$0	\$1000	-\$49

(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 competitive sub-market supply and demand analysis conducted by Apartment MarketData Research Services included 400 existing income restricted units and 1,562 conventional units within the Primary Trade Area. The report reflects solid demand for competitive projects in the micro-market reviewed. The occupancy rate for the income restricted one bedrooms is 98.5%, for the income restricted two bedrooms it is 94.8%, the occupancy for the income restricted three bedroom units is 91.7%, and the overall average occupancy for income restricted units is 94.5%” (p. 96).

Absorption Projections: “We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction.” (p. 88). Based on the chart provided in the report it indicates that the Subject should be leased to a stabilized level (223 units) within 11 months after the units are completed and come on line from construction.

Effect on Existing Housing Stock: “The subject should not have a detrimental effect on any existing affordable projects, as occupancies at the other projects are strong throughout the area.” (p. 89).

Market Study Analysis/Conclusions: The Underwriter found the market study to be acceptable and provided sufficient information on which to base a funding recommendation.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under HTC/program guidelines, and are achievable according to the Market Analyst. The Applicant estimated utility allowances based upon a project specific estimate from TXU and identified water heat through a central boiler as a landlord cost. 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 the same as the Underwriter's estimate.

Expenses: The Applicant's estimate of total operating expense is 6.9% lower than the Underwriter's database-derived estimate, an acceptable deviation. Each of the Applicant's specific expense line items compare well to the Underwriter's estimates except utilities for which the Applicant appears to have failed to include sufficient expense for the cost to operate the central boiler as evidenced by utility expense being \$32K lower than the Underwriter's estimate.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations, total operating expenses and the Applicant's net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. The Underwriter's estimated debt coverage ratio (DCR) of 1.03 is slightly less than the program minimum standard of 1.10. Therefore, the developments debt service capacity will likely be limited to \$888,342 by a reduction of the debt amount or interest rate or extension of the term. Based upon the rates and terms quoted in the commitment, the Underwriter estimates the permanent debt could be reduced by as much as \$880,000 and the remainder of this report is based on an ultimate debt of \$12,800,000.

ASSESSED VALUE

Land: 32.2 acres	\$294,140	Assessment for the Year of:	2004
Building:	N/A	Valuation by:	Harris County Appraisal District
Total Assessed Value:	\$294,140	Tax Rate:	3.27542

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Purchase and sale agreement						
Contract Expiration Date:	01/	20/	2005	Anticipated Closing Date:	01/	20/	2005
Acquisition Cost:	\$1,542,895		Other Terms/Conditions:	Two Tracts will be sold off after closing with the possibility of a third at a later date. Net land area 20.89 acres.. Cost \$608,043			
Seller:	SMDI c/o Linda Arthur			Related to Development Team Member:	No		

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The original acquisition contract was for a larger parcel of land (32.2 Acres) than the current Subject tract (20.89 acres). The original acquisition contract price is \$1,542,895. Currently two portions of the original tract are under contract for sale. The first tract is 1.3 +/- acres being sold to a Dentist for an office building in the amount of \$240,669. The second is 5.225 +/- acres and is being sold to a developer for a retail site in the amount of \$694,183. A third portion is being considered for future sale for commercial or retail use. The Applicant indicated in the Development Cost Schedule that the Site Acquisition Cost is \$600,000. If the acquisition price of the two properties being sold is deducted from the current contact price of \$1,542,895, the remaining balance would be approximately \$608,043. Assuming that the third parcel is then sold for \$539,403 (same price as the 5.225 acre tract \$3.05/Sq. Ft.) the Applicant could then possibly reduce the price of the Site Acquisition of the Subject from \$600,000 to approximately \$68,640. Since no contract is currently pending, this additional Sale is speculative. In addition, the reduction in net acquisition cost will, in this case, only serve to partially reduce the significant projected need to defer development fees.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Sitework Cost: The Applicant's claimed sitework costs of \$7,495 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying 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 overstated.

Fees: The Applicant's contractor general requirements, contractor general and administrative fees, and contractor profit are within \$1 of the 6%, 2%, and 6% maximums allowed by HTC guidelines based on their own construction costs.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$19,572,220 is used to determine a credit allocation of \$692,857 using an applicable percentage of 3.54%. However, the Applicant used 3.50% as the applicable percentage and requested a credit allocation of \$685,028. Therefore, the requested amount of \$685,028 will be used and the resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION FINANCING

Source: Newman & Assoc **Contact:** Jerry Wright
Principal Amount: \$13,680,000 **Interest Rate:** 6.40%
Additional Information: Term sheet only
Amortization: 40 yrs **Term:** 30 yrs **Commitment:** LOI Firm Conditional

PERMANENT FINANCING

Source: Newman & Assoc **Contact:** Jerry Wright
Principal Amount: \$13,680,000 **Interest Rate:** 6.40%
Additional Information: _____
Amortization: 40 yrs **Term:** 30 yrs **Commitment:** LOI Firm Conditional
Annual Payment: \$949,415 **Lien Priority:** 1st **Commitment Date** 11/ 19/ 2004

TAX CREDIT SYNDICATION

Source: Wachovia Securities **Contact:** Robert Klixbull
Net Proceeds: \$6,026,739 **Net Syndication Rate (per \$1.00 of 10-yr HTC)** .88¢
Commitment LOI Firm Conditional **Date:** 10/ 9/ 2004
Additional Information: _____

APPLICANT EQUITY

Amount: \$1,425,420 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim and Permanent Bond Financing: Newman Capital, (the "Lender") shall arrange for the purchase of tax-exempt bonds (the "Bonds") issued by a bond insurer. The issuer will be southeast Texas HFC. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

GIC Income: The Applicant has estimated that the GIC income will amount to \$116,485. This is generally a developer risk if not funded and therefore this Underwriter has netted this amount into a deferred

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

developer's fee .

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,554,195 amount to 61% of the total fees.

Financing Conclusions: Based on the Underwriter's estimate of Net Operating Income, the DCR is less than the required 1.10, and a reduction in permanent debt on the property to \$12,800,000 is anticipated by the Underwriter. Based on the Applicant's request, the HTC allocation should not exceed \$685,028 annually for ten years, resulting in syndication proceeds of approximately \$6,028,246. As a result, the underwriting analysis anticipates, the Applicant's deferred developer fee will increase to \$2,434,195 which represents approximately 95% of the eligible fee and which should be repayable from cash flow within 10 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may not be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager are all related entities. These are common relationships for HTC-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.
- € Southwest Housing Development Company, Inc., the Developer and designated guarantor of the development, submitted an unaudited financial statement as of June 30, 2004 reporting total assets of \$27.3M and consisting of \$2.4M in cash, \$23.3M in receivables, and \$1.6M in machinery, equipment, and fixtures. Liabilities totaled \$15.7M, resulting in net equity of \$11.6M.
- € Brian Potashnik, the owner of the Developer and general contractor, submitted an unaudited joint personal financial statement with his wife Cheryl as of December 15, 2004 and are anticipated to be guarantors of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

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 anticipated amount of deferred developer fee cannot be repaid within ten years and any amount unpaid past ten years would be removed from eligible basis.

Underwriter:

Bert Murray

Date:

December 28, 2004

Director of Real Estate Analysis:

Tom Gouris

Date:

December 28, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Rosemont at Garth, Baytown, 4%, 04465

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, Trst
TC 50%	26	1	1	750	\$571	\$526	\$13,676	\$0.70	\$45.00	\$54.29
TC 60%	26	1	1	750	686	641	16,666	0.85	45.00	54.29
TC 50%	56	2	2	950	686	628	35,168	0.66	58.00	64.21
TC 60%	56	2	2	950	823	765	42,840	0.81	58.00	64.21
TC 50%	43	3	2	1,100	793	721	31,003	0.66	72.00	74.13
TC 60%	43	3	2	1,100	951	879	37,797	0.80	72.00	74.13
TOTAL:	250		AVERAGE:	960	\$769	\$709	\$177,150	\$0.74	\$60.11	\$65.56

INCOME

Total Net Rentable Sq F **240,000**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00
Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%
Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.33%	\$428	0.45
Management	4.01%	322	0.34
Payroll & Payroll Tax	10.93%	878	0.91
Repairs & Maintenance	4.69%	377	0.39
Utilities	3.60%	289	0.30
Water, Sewer, & Trash	4.33%	348	0.36
Property Insurance	2.99%	240	0.25
Property Tax	12.23%	983	1.02
Reserve for Replacements	2.49%	200	0.21
Other: compl fees, Sup Ser	0.71%	57	0.06
TOTAL EXPENSES	51.32%	\$4,122	\$4.29

NET OPERATING INC

DEBT SERVICE

	%	PER UNIT	PER SQ FT
First Lien Mortgage	47.28%	\$3,798	\$3.96
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	1.40%	\$112	\$0.12

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

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)	2.88%	2.88%	\$2,400	\$2.50	\$600,000	\$600,000	\$2.50	\$2,400	2.82%
Off-Sites	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework	8.99%	8.99%	7,495	7.81	1,873,750	1,873,750	7.81	7,495	8.81%
Direct Construction	49.24%	49.24%	41,040	42.75	10,259,881	10,906,697	45.44	43,627	51.30%
Contingency	5.00%	2.91%	2,427	2.53	606,682	639,023	2.66	2,556	3.01%
General Req'ts	6.00%	3.49%	2,912	3.03	728,018	766,828	3.20	3,067	3.61%
Contractor's G &	2.00%	1.16%	971	1.01	242,673	255,609	1.07	1,022	1.20%
Contractor's Prof	6.00%	3.49%	2,912	3.03	728,018	766,827	3.20	3,067	3.61%
Indirect Construction	5.08%	5.08%	4,236	4.41	1,058,900	1,058,900	4.41	4,236	4.98%
Ineligible Costs	5.23%	5.23%	4,361	4.54	1,090,218	1,090,218	4.54	4,361	5.13%
Developer's G & A	2.00%	1.56%	1,300	1.35	324,992	0	0.00	0	0.00%
Developer's Profi	13.00%	10.14%	8,450	8.80	2,112,449	2,552,899	10.64	10,212	12.01%
Interim Financing	3.61%	3.61%	3,007	3.13	751,690	751,690	3.13	3,007	3.54%
Reserves	2.20%	2.20%	1,835	1.91	458,786	0	0.00	0	0.00%
TOTAL COST	100.00%	100.00%	\$83,344	\$86.82	\$20,836,056	\$21,262,441	\$88.59	\$85,050	100.00%
Recap-Hard Construction Cost	69.30%	69.30%	\$57,756	\$60.16	\$14,439,021	\$15,208,734	\$63.37	\$60,835	71.53%

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	65.66%	\$54,720	\$57.00	\$13,680,000	\$13,680,000	\$12,800,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$2,552,898
HTC Syndication Proceeds	28.93%	\$24,113	\$25.12	6,028,246	6,028,246	6,028,246	% of Dev. Fee Deferred
Deferred Developer Fees	7.46%	\$6,217	\$6.48	1,554,195	1,554,195	2,434,195	95%
Additional (excess) Funds Rec	-2.05%	(\$1,706)	(\$1.78)	(426,385)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$20,836,056	\$21,262,441	\$21,262,441	\$3,397,175

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Rosemont at Garth, Baytown, 4%, 04465

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.83	\$10,519,512
Adjustments				
Exterior Wall Fini	0.40%		\$0.18	\$42,078
9-Ft. Ceilings	3.00%		1.31	315,585
Roofing			0.00	0
Subfloor			(0.68)	(162,400)
Floor Cover			2.00	480,000
Porches/Balconies	\$18.00	19,200	1.44	345,600
Plumbing	\$605	594	1.50	359,370
Built-In Appliance	\$1,650	250	1.72	412,500
Stairs	\$1,450	73	0.44	105,850
Floor Insulation			0.00	0
Heating/Cooling			1.53	367,200
Garages/Carports		0	0.00	0
Club Hse & Aux Bld	\$58.11	6,409	1.55	372,446
Other:			0.00	0
SUBTOTAL			54.82	13,157,742
Current Cost Multiple	1.10		5.48	1,315,774
Local Multiplier	0.86		(7.68)	(1,842,084)
TOTAL DIRECT CONSTRUCTION COSTS			\$52.63	\$12,631,432
Plans, specs, survy, b	3.90%		(\$2.05)	(\$492,626)
Interim Construction I	3.38%		(1.78)	(426,311)
Contractor's OH & Prof	11.50%		(6.05)	(1,452,615)
NET DIRECT CONSTRUCTION COSTS			\$42.75	\$10,259,881

PAYMENT COMPUTATION

Primary	\$13,680,000	Term	480
Int Rate	6.40%	DCR	1.03

Secondary	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.03

Additional	\$6,028,246	Term	
Int Rate		Aggregate DCR	1.03

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$888,342
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$89,115

Primary	\$12,800,000	Term	480
Int Rate	6.40%	DCR	1.10

Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	\$6,028,246	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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	#####	#####	\$2,255,261	\$2,322,919	\$2,392,607	\$2,773,687	\$3,215,463	\$3,727,603	\$5,009,587		
Secondary Income			45,000	46,350	47,741	49,173	50,648	58,715	68,067	78,908	106,045
Other Support Income: (d)			0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME			2,170,800	2,235,924	2,303,002	2,372,092	2,443,255	2,832,402	3,283,530	3,806,511	5,115,632
Vacancy & Collection Los			(162,810)	(167,694)	(172,725)	(177,907)	(183,244)	(212,430)	(246,265)	(285,488)	(383,672)
Employee or Other Non-Re			0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	#####	#####	\$2,130,277	\$2,194,185	\$2,260,010	\$2,619,972	\$3,037,265	\$3,521,023	\$4,731,960		
EXPENSES	at	4.00%									
General & Administrative			\$107,087	\$111,371	\$115,826	\$120,459	\$125,277	\$152,419	\$185,441	\$225,617	\$333,968
Management			80,556	82,972	85,461	88,025	90,666	105,107	121,848	141,255	189,835
Payroll & Payroll Tax			219,475	228,254	237,384	246,880	256,755	312,381	380,060	462,401	684,466
Repairs & Maintenance			94,264	98,035	101,956	106,034	110,276	134,167	163,235	198,601	293,977
Utilities			72,206	75,094	78,098	81,222	84,471	102,772	125,037	152,127	225,185
Water, Sewer & Trash			87,038	90,520	94,141	97,906	101,822	123,883	150,722	183,377	271,442
Insurance			60,000	62,400	64,896	67,492	70,192	85,399	103,901	126,411	187,119
Property Tax			245,657	255,483	265,702	276,330	287,383	349,646	425,398	517,561	766,117
Reserve for Replacements			50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other			14,250	14,820	15,413	16,029	16,670	20,282	24,676	30,023	44,441
TOTAL EXPENSES	#####	#####	\$1,112,957	\$1,156,621	\$1,202,005	\$1,457,221	\$1,766,901	\$2,142,714	\$3,152,483		
NET OPERATING INCOME			\$977,457	\$997,281	\$1,017,320	\$1,037,564	\$1,058,005	\$1,162,751	\$1,270,364	\$1,378,309	\$1,579,477
DEBT SERVICE											
First Lien Financing			\$888,342	\$888,342	\$888,342	\$888,342	\$888,342	\$888,342	\$888,342	\$888,342	\$888,342
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			\$89,115	\$108,939	\$128,978	\$149,222	\$169,663	\$274,409	\$382,022	\$489,967	\$691,135
DEBT COVERAGE RATIO			1.10	1.12	1.15	1.17	1.19	1.31	1.43	1.55	1.78

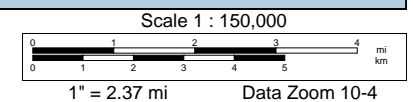
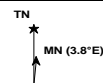
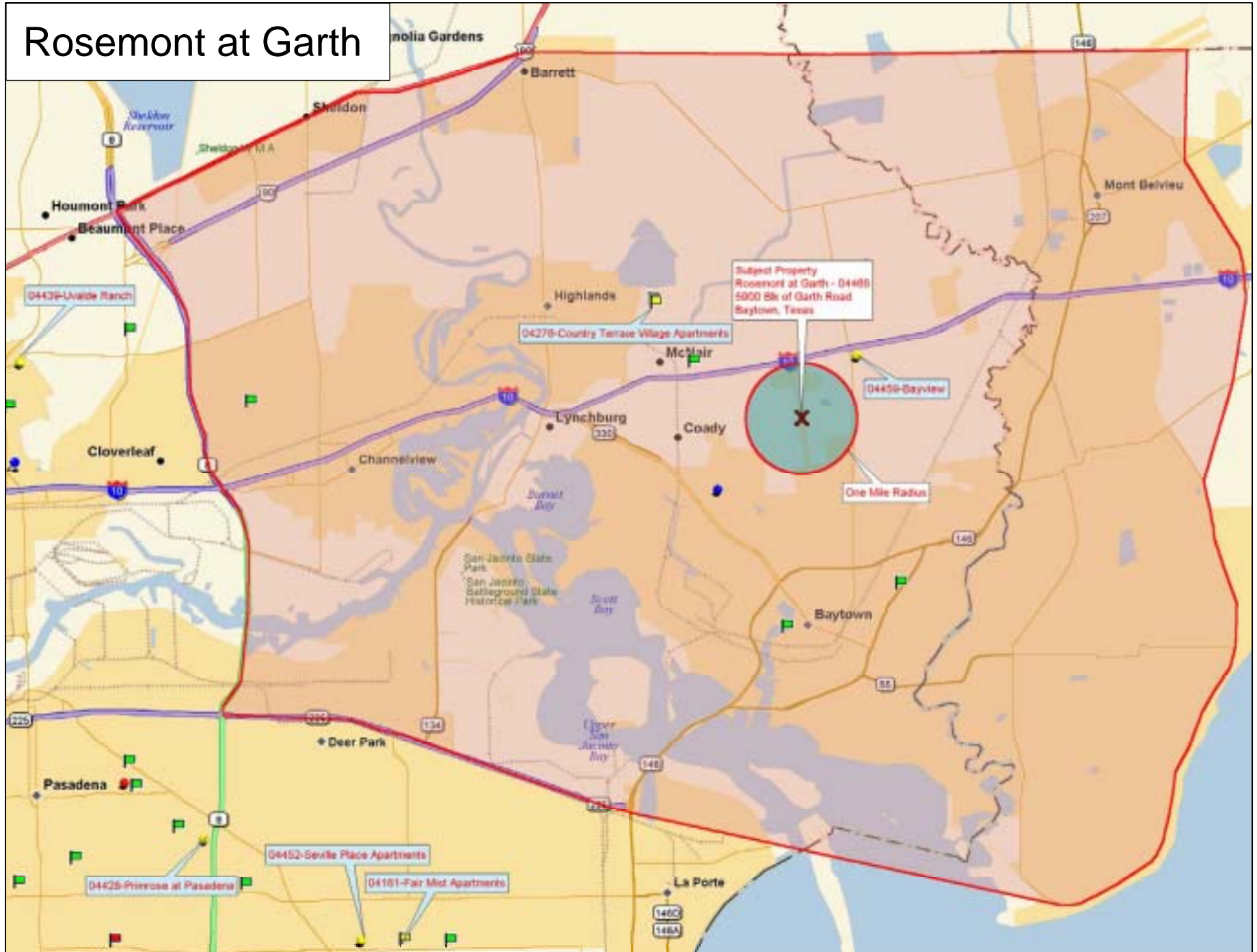
LIHTC Allocation Calculation - Rosemont at Garth, Baytown, 4%, 04465

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	\$600,000	\$600,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,873,750	\$1,873,750	\$1,873,750	\$1,873,750
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	#####	\$10,259,881	\$10,906,697	\$10,259,881
(4) Contractor Fees & General Requirements				
Contractor overhead	\$255,609	\$242,673	\$255,609	\$242,673
Contractor profit	\$766,827	\$728,018	\$766,827	\$728,018
General requirements	\$766,828	\$728,018	\$766,827	\$728,018
(5) Contingencies				
	\$639,023	\$606,682	\$639,022	\$606,682
(6) Eligible Indirect Fees				
	\$1,058,900	\$1,058,900	\$1,058,900	\$1,058,900
(7) Eligible Financing Fees				
	\$751,690	\$751,690	\$751,690	\$751,690
(8) All Ineligible Costs				
	\$1,090,218	\$1,090,218		
(9) Developer Fees				
			\$2,552,898	
Developer overhead		\$324,992		\$324,992
Developer fee	\$2,552,899	\$2,112,449		\$2,112,449
(10) Development Reserves				
		\$458,786		
TOTAL DEVELOPMENT COSTS	#####	\$20,836,056	\$19,572,220	\$18,687,053

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$19,572,220	\$18,687,053
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$19,572,220	\$18,687,053
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$19,572,220	\$18,687,053
Applicable Percentage		3.54%	3.54%
TOTAL AMOUNT OF TAX CREDITS		\$692,857	\$661,522

Syndication Proceeds	0.8800	\$6,097,138	\$5,821,391
Total Credits (Eligible Basis Method)		\$692,857	\$661,522
Syndication Proceeds		\$6,097,138	\$5,821,391
Requested Credits		\$685,028	
Syndication Proceeds		\$6,028,246	
Gap of Syndication Proceeds Needed		\$8,462,441	
Credit Amount		\$961,641	

Rosemont at Garth



MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Primrose at Bammel.

Summary of the Transaction

The application was received on August 19, 2004. The Issuer for this transaction is Harris County HFC. The development is to be located at the West Side of Old Bammel Road North of Tomball Parkway in Houston. The development will consist of 210 total units targeting the elderly population, with all affordable. The site is currently properly zoned for such a development. The Department has received one letter of support from Senator John Whitmire and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI and Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI and Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Primrose at Bammel.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Primrose at Bammel**

TDHCA#: 04467

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: N DDA: N TTC: N
 Development Owner: TX Bammel Housing, LP
 General Partner(s): TX Bammel 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: \$612,346 Eligible Basis Amt: \$620,337 Equity/Gap Amt.: \$798,670
Annual Tax Credit Allocation Recommendation: \$612,346
 Total Tax Credit Allocation Over Ten Years: \$6,123,460

PROPERTY INFORMATION

Unit and Building Information

Total Units: 210 HTC Units: 210 % of HTC Units: 100
 Gross Square Footage: 196,656 Net Rentable Square Footage: 190,206
 Average Square Footage/Unit: 906
 Number of Buildings: 6
 Currently Occupied: N

Development Cost

Total Cost: \$20,004,583 Total Cost/Net Rentable Sq. Ft.: \$105.17

Income and Expenses

Effective Gross Income:¹ \$1,578,264 Ttl. Expenses: \$651,980 Net Operating Inc.: \$926,284
 Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Southwest Housing Management Corp.
Attorney:	Shackelford, Melton & McKinley	Architect:	Beeler Guest Owens Architects, LP
Accountant:	Reznick, Fedder & Silverman	Engineer:	To Be Determined
Market Analyst:	Apartments Market Data	Lender:	GMAC Commercial Mortgage
Contractor:	Affordable Housing Construction	Syndicator:	Paramount Financial Group, Inc.

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. John Whitmire, District 15 - S Rep. Peggy Hamric, District 126 - NC Mayor Bill White - NC Robert Eckels, County Judge; Development is consistent with the Consolidated Plan of Harris County.

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

CONDITION(S) TO COMMITMENT

1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.

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: _____

Date

Elizabeth Anderson,

Chairman of the Board

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: December 30, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04467

DEVELOPMENT NAME

Primrose at Bammel Apartments

APPLICANT

Name: TX Bammel Housing, LP **Type:** For-profit
Address: 5910 N Central Expressway, Suite 1145 **City:** Dallas **State:** TX
Zip: 75206 **Contact:** Len Vilicic **Phone:** (214) 891-1402 **Fax:** (214) 987-4032

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: HCHA Bammel, LLC **(%):** 0.01 **Title:** Managing General Partner
Name: Harris County Housing Authority **(%):** N/A **Title:** 100% owner of MGP
Name: Southwest Housing Development (Brian Potashnik) **(%):** N/A **Title:** Developer

PROPERTY LOCATION

Location: West side Old Bammel Road just north of Tomball Parkway **QCT** **DDA**
City: Houston **County:** Harris **Zip:** 77086

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$612,346	N/A	N/A	N/A
Other Requested Terms: Annual ten-year allocation of housing tax credits			
Proposed Use of Funds: New construction		Property Type: Multifamily (Seniors)	

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$612,346 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 210	# Rental Buildings: 4	# Non-Res. Buildings: 2	# of Floors: 3	Age: N/A yrs	Vacant: N/A at / /
Net Rentable SF: 190,206	Av Un SF: 906	Common Area SF: 6,450	Gross Bldg SF: 196,656		

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned slab. According to the plans provided in the application the exterior will be comprised as follows: 18% masonry, 10% cement fiber siding, and 72% stucco. The interior wall surfaces will be drywall and the pitched/flat roof will be finished with laminated shingle.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, cable, ceiling fans, laminated counter tops, central boiler water heating system, individual heating and air conditioning, & 9-foot ceilings. The residential units on the upper floors will be accessed by elevators at an average ratio of 35 units per elevator.

ON-SITE AMENITIES

A 5,508-square foot community building will include an activity room, management offices, fitness, maintenance, a kitchen, restrooms, a computer/business center, a crafts room, and a media room. The community building, swimming pool, and a laundry/mail building are located at the entrance to the property. In addition, perimeter fencing with limited access gate(s) is planned for the site. Finally, the site will include a detention pond located at the rear of the property and a 276-square foot boiler room.

Uncovered Parking: 53 spaces **Carports:** 150 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Primrose at Bammel is a very dense (20 units per acre) new construction development of affordable housing located in northwest Houston. The development is comprised of four evenly distributed garden style residential buildings with elevator service as follows:

- € Three buildings with 18 one-bedroom and 36 two-bedroom units; and
- € One building with 18 one-bedroom and 30 two-bedroom units.

Architectural Review: The units appear to offer adequate living and storage space. Each unit will have a private balcony and exterior storage closet. The building exteriors are typical of current construction with stucco, hardboard and stone veneer accents. An added touch to the basic design is arched openings on the ground floor. The accessory and community buildings will be similar in design and offer many tenant-accessible areas.

SITE ISSUES

SITE DESCRIPTION

Size: 10.79 acres 470,012 square feet **Zoning/ Permitted Uses:** No zoning
Flood Zone Designation: Zone X **Status of Off-Sites:** Fully improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located on the east line of State highway 249 and the west line of Old Bammel North Houston Road, south of Seton Lake Drive in Harris County. The subject's neighborhood is situated in northwestern Harris County, approximately 13 miles northwest of the Houston Central Business District.

Adjacent Land Uses:

- € **North:** Seton Lake Park & Ride facility, multifamily;
- € **South:** retail and mini-warehouse;
- € **East:** single family; and
- € **West:** retail.

Site Access: Access to the property is from the north or south along Bammel North Houston Road. East/west arteries in the neighborhood include Beltway 8, State Highway 249, Veterans Memorial, and FM 1960. North/south arteries include IH-45, Jones Road, North Houston Rosslyn Road, and Antoine Road.

Public Transportation: The availability of public transportation was not identified in the application

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

materials. Research indicates the area is served by the Metropolitan Transit Authority of Harris County, which operates a public bus system. The nearest linkage is not known.

Shopping & Services: The Houston area provides all shopping needs as well as required services and the distances to such services varies.

Site Inspection Findings: TDHCA staff performed a site inspection on October 7, 2004 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 October 27, 2004 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations:

Findings:

- € **Underground Storage Tank (UST):** “The Car Wash/Stop N’ Pik facility, located adjacent to the north, historically and currently operates three (3) 10,000-gallon gasoline USTs (tankhold is ~100 feet from the site). Based on the proximity of the USTs to the Site and the topographically up-gradient location, this facility is considered a recognized environmental concern” (p. 2).

Recommendations: “In order to evaluate the presence of petroleum hydrocarbons and volatile organic compounds (VOCs) in the on-site soil and groundwater, and an Environmental Site Investigation would be required” (p. 2).

The Applicant provided a copy of a proposal by Alpha Testing, Inc. to perform soil boring and install sampling wells to evaluate the presence of petroleum hydrocarbons in the on-site soil and groundwater as a result of potential releases from the UST tankhold located up-gradient and adjacent to the site. On December 6, 2004, Alpha Testing conducted an Environmental Site Investigation (ESI) with soil borings and sampling wells. “Based on the results of the ESI, the on-site soil in the vicinity...does not appear to be affected by a release of hydrocarbons. Based on the results of the ESI, no additional site investigation appears warranted at this time” (p. 1).

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside although as a Priority 1 private activity bond lottery development the Applicant has elected the 50% at 50% / 50% at 60% option. Due to the commitment of HOME funds through Harris County, at least 20% of the units must have rents restricted at the low HOME rate (50% of AMI). The proposed rent restrictions under the tax credit and bond programs will meet this requirement.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET HIGHLIGHTS

A market feasibility study dated August 30, 2004 and updated December 29, 2004 was prepared by O’Connor & Associates (“Market Analyst”) The updated information was requested by the Underwriter to evaluate areas outside of the defined PMA and the information regarding the additional PMA was not required for the analysis in the original report. The conclusions of the Underwriter are that the original report is accepted with the clarifications included in the update and therefore the fact that the supplemental information was received in less than the required 60 days prior to the board meeting as required under the QAP does not apply. Highlights from the Market Analyst’s reports are as follows:

Definition of Primary Market Area (PMA): “The subject’s primary market is **defined** as that area within zip codes 77038, 77064, 77067, 77069, 77086, and 77088, which is bound roughly as follows: Jones and North Houston Rosslyn Roads to the west; FM 1960 and Spears Rankin Roads to the north; I-45 to the east; and Little York and Breen Road and the northern city limit of Jersey Village to the south” (p. 10). This area

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

encompasses approximately 57.43 square miles and is equivalent to a circle with a radius of 4.25 miles.

The Underwriter requested further explanation for excluding certain portions of the area bound by FM 1960 to the northwest, Interstate 45 to the east, West Little York to the south, and Highway 290 to the southwest. The Market Analyst's response stated, "Jersey Village, which is located immediately south and southwest of the PMA, was excluded due to very different demographics." The area encompassed by zip code "77014 was excluded because it is not an under-served zip code; the proposed subject would not likely draw from this zip code due to the existence of sufficient HTC projects within that zip code; and inclusion would have resulted in population above the guidelines." Also, "zip code 77014 is in a different school district (Spring ISD) from the vast majority of the subject PMA...[and] 77014 has very different neighborhood development from our subject PMA zip codes."

On November 24, 2004, the Market Analyst provided a demand calculation based on demographics and existing/proposed developments in the area bound by FM 1960 to the northwest, Interstate 45 to the east, West Little York to the south, and Highway 290 to the southwest (the Underwriter's **suggested** market area). *The additional analysis based on the **suggested** market area does not negate the conclusions based on the Market Analyst's **defined** PMA as current Department guidelines were followed in determining the boundaries of the **defined** PMA.*

Population: The estimated 2004 population of the **defined** PMA was 178,929 and is expected to increase to approximately 195,255 by 2009. Within the primary market area there were estimated to be 58,335 households in 2004. Applying the age-qualified household percentage of 19.92% results in an estimated 11,620 senior households within the **defined** PMA in 2004.

The estimated 2004 population of the **suggested** market area was 274,421 and is expected to increase to approximately 303,699 by 2009. Within the market area there were estimated to be 92,390 households in 2004. Applying the age-qualified household percentage of 19.92% results in an estimated 18,404 senior households within the **suggested** market area in 2004.

Total Primary Market Demand for Rental Units: The Market Analyst calculated total demand in the defined PMA, based on income-qualified renter households estimated at 6.94% of the population, age-qualified households estimated at 19.92%, households with the appropriate number of individuals at 64.06%, and an annual renter turnover rate of 60% (p. 67). The Market Analyst used an income band of \$17,130 to \$32,940.

ANNUAL INCOME-ELIGIBLE DEFINED PMA DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	6	1%	8	2%
Resident Turnover	333	68%	275	79%
Other Sources: unspecified	34	7%	N/A	N/A
Other Sources: Section 8	117	24%	66	19%
TOTAL ANNUAL DEMAND	490	100%	349	100%

Ref: p. 67

In the original Market Study, the Market Analyst based renter percentages within income bands on an American Housing Study report for the general population. The same report indicates a much lower renter percentage for households +65 years of age within the same income band. When asked to comment on this discrepancy, the Market Analyst replied with the following:

"It is our opinion that low income seniors are more likely to be renters than the general population for the following reasons:

1. Low income seniors are likely to be on fixed income and would need to sell their home to supplement social security and retirement income.
2. Low income seniors would be more likely to not be able to afford or want to be hassled with repairs/maintenance/yard work involved in home ownership.
3. A higher percentage of seniors are women, who would be more likely to want the security provided in multifamily complexes.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

4. Single seniors would be more attracted to the social aspects of multifamily complexes.
5. Historic renter percentages among seniors would likely understate actual demand due to the limited availability of affordable (or market-rate) seniors rental housing in the Houston area. The quick lease-up of the majority of recently-constructed seniors affordable housing complexes underscores the pent-up demand in the market.”

After further discussion, the Market Analyst conceded and revised his demand calculation by using demographics provided by Claritas rather than the 1998 American Housing Survey. Also, the Analyst included additional demand from Section 8 holders that have incomes below the minimum required to spend less than 40% on housing cost.

The Underwriter recalculated the market areas’ prorata share of Section 8 voucher holders with incomes under the minimum necessary to spend no more than 40% of monthly income to rent a unit at the subject development. The calculation takes into consideration the total number of households in Houston qualified for Section 8 vouchers, the total number of households in the market area and the number of vouchers currently available. To this figure, the percentage of households under-income for the subject development as well as an age-qualified percentage are applied. The Underwriter’s calculation resulted in a reduced figure.

ANNUAL INCOME-ELIGIBLE SUGGESTED MARKET AREA DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	21	4%	15	3%
Resident Turnover	407	70%	435	84%
Other Sources: unspecified	43	7%	N/A	N/A
Other Sources: Section 8	115	19%	65	13%
TOTAL ANNUAL DEMAND	586	100%	515	100%

Ref: p. 67

Inclusive Capture Rate: “...a total of 230 Seniors units (only the subject), of which 230 units (the subject) will be rent-restricted Seniors units...there are approximately 490 potential households based on income eligibility, housing preferences, and taking into consideration the typical turnover rate in the subject’s primary market. Capture Rate for 230 Proposed Affordable Units – 46.90%” (p. 70, revised). The proposed number of units was reduced to 210 during the application process. The inclusive capture rate based on the Market Analyst’s demand calculation is 42.85% in the **defined** PMA. Developments targeting exclusively senior households may have a maximum inclusive capture rate of 100% under current Department guidelines.

The Market Analyst calculated an inclusive capture rate of 93.23% based on the demographics for the **suggested** market area and a total of 546 units proposed or under construction. The unstabilized comparable units include 156 at the Village of Cornerstone and 160 at Manor at Jersey Village. Again, the Market Analyst has included a total of 230 subject units rather than the current proposal for only 210 units. Based on the reduced number of subject units, the inclusive capture rate would be 89.76% in the **suggested** market area.

The Underwriter calculated an inclusive capture rate of 60.2% based on the **defined** market area and the impact of only the subject units. An inclusive capture rate of 102.0% was calculated for the **suggested** market area which includes two other unstabilized developments targeting seniors. *Again, the additional analysis based on the suggested market area does not negate conclusions based on the Market Analyst’s defined PMA as current Department guidelines were followed in determining the boundaries of the defined PMA.* Therefore, the proposed development meets the current requirements of less than a 100% inclusive capture rate for proposed developments targeting senior households.

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 1,486 units in the market area.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (50%)	\$529	\$531	-\$2	\$750	-\$221
1-Bedroom (60%)	\$644	\$646	-\$2	\$750	-\$106
2-Bedroom (50%)	\$633	\$637	-\$4	\$895	-\$262
2-Bedroom (60%)	\$770	\$774	-\$4	\$895	-\$125

(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 overall occupancy rate for projects in this primary market area was 86.41% as of June 2004. Occupancy rates for Class B projects was slightly higher at 87.78%” (p. 36). “Average occupancy in the primary market area has declined since September 1999 due to the amount of new construction. Based on our analysis of the market, moderate increases in occupancy are projected for this market” (p. 40).

Absorption Projections: “...Park@Fallbrook, which began leasing in April 2003 reported a current occupancy of 94%, which equates to an average absorption of approximately 18 units per month. Fallbrook Ranch began leasing in April 2004, and reported a current occupancy of 62%, which equates to absorption of approximately 24 units per month. Saddlebrook Apartments reportedly attained stabilized occupancy within 9 months, which equates to an average absorption of approximately 20 units per month...Due to the limited amount of recent construction within the PMA, we included information about absorption from comparable HTC projects within the Greater Houston Area...Based on our research, most projects that are constructed in the Houston area typically lease up within 12 months” (p. 38). “...we project that the subject property will lease an average of 20-30 units per month until achieving stabilized occupancy within eight to twelve months following completion” (p. 74).

Other Relevant Information: “The closest Seniors project is Villas in the Pines, a 236-unit HTC Seniors project with 141 units rent-restricted. Villas in the Pines reported a current occupancy of 92%, with all of the rent-restricted units occupied” (p. 44). Outside of the PMA there are a large number of recently approved or pending approval developments targeting elderly households, including Plaza at Willowchase Apartments (#04493, six miles north), Primrose at Aldine-Bender Apartments (#04405, five miles east), and Village at Cornerstone Apartments (#04434, ten miles north) and the Manor at Jersey Village (#03182 ten miles west)

Market Study Analysis/Conclusions: The Underwriter found the market study and subsequent supplements provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s potential gross rent, secondary income, and vacancy and collection loss projections are within current Department guidelines. As a result, the Applicant’s effective gross income figure is within 5% of the Underwriter’s estimate.

Expenses: The Applicant’s total operating expense figure is also within 5% of the Underwriter’s estimate. Three line item expenses are not within the tolerance levels described in current Department rules. The Applicant’s general and administrative line item expense projection appears to be understated by \$25K, payroll appears to be understated by \$24K and repairs and maintenance appears to be overstated by \$21K.

The Applicant plans to request and receive a 100% tax abatement from the local taxing authorities. A letter signed by William D Walter, Jr. of Coats Rose states, “The project is being developed in tandem with the Harris County Housing Authority...(PHA). PHA owns the general partner of the Partnership...PHA will hold title to the fee estate of the Project, and the [Applicant] will hold a leasehold interest pursuant to a long term ground lease executed between the PHA, as landlord, and the [Applicant] as tenant.” The PHA will use its status as a political subdivision of Texas to apply its tax-exempt status to the subject property. The underwriting analysis also assumes the property will be tax exempt. Documentation of the proposed lease and the counties agreement to enter in to such an arrangement were provided.

Conclusion: The Applicant’s effective gross income, total operating expense and net operating income are

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

each within 5% of the Underwriter's estimates. Therefore, the Applicant's proforma is used to determine the development's debt service capacity. It appears the proposed financing structure will result in a 1.10 debt coverage ratio in the initial year of stabilized operation.

ACQUISITION VALUATION INFORMATION			
ASSESSED VALUE			
Land: 10.786 acres	\$278,350	Assessment for the Year of:	2004
Building:	N/A	Valuation by:	Harris County Appraisal District
Total Assessed Value:	\$278,350	Tax Rate:	3.26077
EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Ground Lease (10.8 acres)		
Annual Rent:	\$65,000	Term:	65 years
Other Terms/Conditions:	\$64,000 annually waived if Low Income Housing Requirements are met		
Owner:	Harris County Housing Authority	Related to Development Team Member:	Yes

CONSTRUCTION COST ESTIMATE EVALUATION
<p>Acquisition Value: Despite the proposal after submission of the application to structure the development with ownership of the site by the Harris County Housing Authority, the cost schedule includes the acquisition cost of the site. This may be acceptable if the General Partner will be owned by the Housing Authority as indicated in a letter signed by William D Walter, Jr. of Coats Rose. Although the majority of the application indicates the General Partner will be owned by Brian Potashnik, documentation of the authorization of Harris County Housing Authority as the owner of the General Partner and purchaser of the land and a copy of the proposed lease were provided. Neither the Housing Authority nor the Applicant is related to the current owner of the proposed site. Therefore, the site cost of \$5,041 per unit or \$98,017 per acre would otherwise be acceptable since the purchase will be an arm's length transaction.</p> <p>Sitework Cost: The Applicant's claimed sitework costs of \$7,495 per unit are within the Department's current guidelines; therefore, additional third party documentation is not required.</p> <p>Direct Construction Cost: The Applicant's direct construction cost estimate is within 5% of the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i>-derived estimate, and is therefore regarded as reasonable as submitted.</p> <p>Fees: The Applicant has included contingency cost in eligible basis that exceeds the maximum of 5% of sitework and direct construction costs for new construction developments. Therefore, the Applicant's eligible basis projection has been reduced by \$107,125. This difference also resulted in a reduction in the Applicant's estimated eligible developer fee by \$16,069.</p> <p>Conclusion: The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule, adjusted by the Underwriter for overstated fees, will be used to calculate eligible basis and determine the development's need for permanent funds. An eligible basis of \$17,523,656 results in annual tax credits of \$620,337, which will be compared to the Applicant's request and tax credits resulting from the development's gap in need to determine the recommended allocation.</p>

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

FINANCING STRUCTURE			
CREDIT ENHANCEMENT for BOND FINANCING			
Source:	GMAC Commercial Mortgage	Contact:	Lloyd H Griffin
Tax-Exempt Amount:	\$12,652,000	Interest Rate:	Variable, 5.94% lender's underwriting rate as of 11/22/2004
Additional Information:	An LOI for credit enhancement for \$12.6M in bonds during the construction period was signed by GMAC on 11/23/2004; Applicant indicated use of only \$11,736,000 for permanent financing		
Amortization:	30 yrs	Term:	33 yrs
Commitment:	<input checked="" type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input type="checkbox"/> Conditional
Annual Payment:	\$838,934 (\$11.7M)	Lien Priority:	1 st
Commitment Date	10/ 06/ 2004		
GRANT/LOAN			
Source:	Harris County Housing Authority (Subrecipient)	Contact:	Guy Rankin
Principal Amount:	\$1,800,000	Commitment:	<input type="checkbox"/> LOI <input checked="" type="checkbox"/> Firm <input type="checkbox"/> Conditional
Additional Information:	Harris County HOME funds	Commitment Date	10/ 08/ 2004
TAX CREDIT SYNDICATION			
Source:	Paramount Financial Group	Contact:	Michael L Moses
Net Proceeds:	\$5,026,097	Net Syndication Rate (per \$1.00 of 10-yr HTC)	81¢
Commitment	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	Date:	10/ 06/ 2004
Additional Information:			
APPLICANT EQUITY			
Amount:	\$95,809	Source:	GIC
Amount:	\$1,278,583	Source:	Deferred Developer Fee
FINANCING STRUCTURE ANALYSIS			
<p>Credit Enhancement for Bond Financing: The tax-exempt bonds are to be issued by Harris County Housing Finance Corporation. Although the letter of interest indicates a bond amount of \$12,652,000, the application indicates only \$11,736,000 will be used as a permanent source of funds. This analysis assumes that a reduction in the bond amount will not affect the proposed terms and the higher amount is unlikely to be achievable even with full property tax abatement.</p> <p>HOME Funds: Harris County has received HOME funds and has committed the funds to Harris County Housing Authority with the understanding that a subsidiary, HCHA Bammel, LLC will have and ownership interest in the Applicant. The funds must be used to acquire land for the subject development with the remaining balance (\$1,800,000 – \$1,058,580 = \$741,420) to be loaned to the Applicant to provide housing for low- and very low-income seniors. The terms of a HOME loan will include deferred payment until maturity in 30 years with interest accruing at AFR. At least 20% of the units must have rents restricted at the low HOME rate (50% of AMI). The proposed rent restrictions under the tax credit and bond programs will meet this requirement.</p> <p>HTC Syndication: The syndication rate indicated in the letter of interest was used in the underwriting analysis to calculate anticipated syndication proceeds.</p> <p>Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,290,472 amount to 56% of the total proposed fees. The Applicant also projects GIC income of \$95,641. Deferred developer fee and GIC income are combined for purposes of this underwriting analysis.</p> <p>Financing Conclusions: As stated above, the Applicant's cost schedule, adjusted by the Underwriter for overstated fees, is used to calculate eligible basis and determine the development's need for permanent funds. However, the Applicant's request for annual tax credits of \$612,346 is the recommended allocation as it is less than both the tax credits calculated from the estimated eligible basis and tax credits calculated based on the development's gap in need for permanent funds. The syndication proceeds calculated based on the</p>			

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

proposed terms are less than indicated in the Applicant's sources and uses of funds statement; therefore, the anticipated deferred fees will increase to \$1,509,506. This amount appears to be repayable from development cashflow within ten years of stabilized operation.

**DEVELOPMENT TEAM
IDENTITIES of INTEREST**

The Applicant, Developer, General Contractor, Property Manager and Supportive Services provider are related entities. These are common relationships for HTC-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.
- € A proposed owner of the General Partner, Harris County Housing Authority, submitted a draft of their 2004 audited financial statement. The balance sheet reports total assets in the General Operations Fund of \$1.4M consisting of \$344K in unrestricted cash, \$440K in restricted cash, \$70K in receivables, \$67K due from other governmental entities, \$6K in prepaid insurance, and \$116K in net fixed assets/leasehold improvements. Equity of \$478K remains after considering all liabilities.
- € The owner of the developer and the original proposed owner of the General Partner, Brian Potashnik, also provided an unaudited personal financial statement.

Background & Experience: Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

SUMMARY OF SALIENT RISKS AND ISSUES

- € Significant inconsistencies in the application could affect the financial feasibility of the development.
- € The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- € The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- € The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Director of Real Estate Analysis:

Tom Gouris

Date:

December 29, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Primrose at Bammel, Houston, 4% HTC 04467

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 50%	36	1	1	750	\$571	\$531	\$19,116	\$0.71	\$41.00	\$37.31
TC 60%	36	1	1	750	686	\$646	23,256	0.86	41.00	37.31
TC 50%	69	2	2	987	686	\$637	43,953	0.65	51.00	43.31
TC 60%	69	2	2	987	823	\$774	53,406	0.78	51.00	43.31
TOTAL:	210		AVERAGE:	906	\$711	\$665	\$139,731	\$0.73	\$47.57	\$41.25

INCOME

Total Net Rentable Sq Ft: **190,206**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00
 Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%
 Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.50%	\$415	0.46
Management	5.00%	378	0.42
Payroll & Payroll Tax	12.74%	962	1.06
Repairs & Maintenance	4.84%	366	0.40
Utilities	1.89%	143	0.16
Water, Sewer, & Trash	4.47%	338	0.37
Property Insurance	3.00%	226	0.25
Property Tax	0.00%	0	0.00
Reserve for Replacements	2.65%	200	0.22
suppserv/comp/sec/landlease	2.35%	177	0.20
TOTAL EXPENSES	42.44%	\$3,205	\$3.54
NET OPERATING INC	57.56%	\$4,347	\$4.80

DEBT SERVICE

First Lien Mortgage	52.90%	\$3,995	\$4.41
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	4.67%	\$353	\$0.39

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		5.54%	\$5,112	\$5.64
Off-Sites		0.00%	0	0.00
Sitework		8.12%	7,495	8.27
Direct Construction		45.10%	41,626	45.96
Contingency	5.00%	2.66%	2,456	2.71
General Req'ts	6.00%	3.19%	2,947	3.25
Contractor's G & A	2.00%	1.06%	982	1.08
Contractor's Profit	6.00%	3.19%	2,947	3.25
Indirect Construction		7.86%	7,257	8.01
Ineligible Costs		5.10%	4,710	5.20
Developer's G & A	2.00%	1.52%	1,406	1.55
Developer's Profit	13.00%	9.90%	9,141	10.09
Interim Financing		4.99%	4,601	5.08
Reserves		1.75%	1,611	1.78
TOTAL COST		100.00%	\$92,292	\$101.90

Recap-Hard Construction Costs

SOURCES OF FUNDS

First Lien Mortgage	60.55%	\$55,886	\$61.70
Additional Financing	9.29%	\$8,571	\$9.46
HTC Syndication Proceeds	26.22%	\$24,202	\$26.72
Deferred Developer Fees	7.15%	\$6,601	\$7.29
Additional (excess) Funds Required	-3.22%	(\$2,968)	(\$3.28)
TOTAL SOURCES			

TDHCA	APPLICANT
\$1,676,772	\$1,668,420
37,800	25,164
0	12,648
\$1,714,572	\$1,706,232
(128,593)	(127,968)
0	0
\$1,585,979	\$1,578,264
\$87,182	\$62,300
79,299	78,913
202,010	177,917
76,798	97,850
29,970	31,500
70,952	77,000
47,552	44,100
0	0
42,000	42,000
37,250	40,400
\$673,013	\$651,980
\$912,966	\$926,284
\$838,934	\$840,826
0	0
0	0
\$74,032	\$85,458
1.09	1.10
	1.10

PER SQ FT	PER UNIT	% OF EGI
\$0.33	\$297	3.95%
0.41	376	5.00%
0.94	847	11.27%
0.51	466	6.20%
0.17	150	2.00%
0.40	367	4.88%
0.23	210	2.79%
0.00	0	0.00%
0.22	200	2.66%
0.21	192	2.56%
\$3.43	\$3,105	41.31%
\$4.87	\$4,411	58.69%
\$4.42	\$4,004	53.28%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.45	\$407	5.41%

TDHCA	APPLICANT
\$1,073,580	\$1,073,580
0	0
1,573,950	1,573,950
8,741,529	9,138,571
515,774	642,751
618,929	642,752
206,310	214,250
618,929	642,751
1,523,900	1,523,900
989,103	989,103
295,310	0
1,919,513	2,301,763
966,162	966,162
338,350	295,050
\$19,381,337	\$20,004,583
\$12,275,420	\$12,855,025

PER SQ FT	PER UNIT	% of TOTAL
\$5.64	\$5,112	5.37%
0.00	0	0.00%
8.27	7,495	7.87%
48.05	43,517	45.68%
3.38	3,061	3.21%
3.38	3,061	3.21%
1.13	1,020	1.07%
3.38	3,061	3.21%
8.01	7,257	7.62%
5.20	4,710	4.94%
0.00	0	0.00%
12.10	10,961	11.51%
5.08	4,601	4.83%
1.55	1,405	1.47%
\$105.17	\$95,260	100.00%
\$67.58	\$61,214	64.26%

RECOMMENDED

\$11,736,000	Developer Fee Available
1,800,000	\$2,285,694
4,959,507	% of Dev. Fee Deferred
1,509,076	66%
0	15-Yr Cumulative Cash Flow
\$20,004,583	\$3,707,295

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Primrose at Bammel, Houston, 4% HTC 04467

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.49	\$8,271,728
Adjustments				
Exterior Wall Finish	1.44%		\$0.63	\$119,113
Elderly	5.00%		2.17	413,586
9-Ft. Ceilings	3.18%		1.38	263,041
Subfloor			(0.68)	(128,706)
Floor Cover			2.00	380,412
Porches/Balconies	\$18.08	16800	1.60	303,778
Plumbing	\$605	414	1.32	250,470
Built-In Appliances	\$1,650	210	1.82	346,500
Exterior Stairs	\$1,450	16	0.12	23,200
Floor Insulation			0.00	0
Heating/Cooling			1.53	291,015
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$58.11	6,450	1.97	374,829
Elevators	\$46,500	4	0.98	186,000
SUBTOTAL			58.33	11,094,966
Current Cost Multiplier	1.08		4.67	887,597
Local Multiplier	0.89		(6.42)	(1,220,446)
TOTAL DIRECT CONSTRUCTION COSTS			\$56.58	\$10,762,117
Plans, specs, survy, bld prm	3.90%		(\$2.21)	(\$419,723)
Interim Construction Interes	3.38%		(1.91)	(363,221)
Contractor's OH & Profit	11.50%		(6.51)	(1,237,643)
NET DIRECT CONSTRUCTION COSTS			\$45.96	\$8,741,529

PAYMENT COMPUTATION

Primary	\$11,736,000	Term	360
Int Rate	5.94%	DCR	1.09

Secondary	\$1,800,000	Term	
Int Rate	0.00%	Subtotal DCR	1.09

Additional	\$5,082,469	Term	
Int Rate		Aggregate DCR	1.09

RECOMMENDED FINANCING STRUCTURE APPLICANT'S I

Primary Debt Service	\$838,934
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$87,350

Primary	\$11,736,000	Term	360
Int Rate	5.94%	DCR	1.10

Secondary	\$1,800,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	\$5,082,469	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

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	\$1,668,420	\$1,718,473	\$1,770,027	\$1,823,128	\$1,877,821	\$2,176,910	\$2,523,635	\$2,925,585	\$3,931,741
Secondary Income	25,164	25,919	26,696	27,497	28,322	32,833	38,063	44,125	59,301
Contractor's Profit	12,648	13,027	13,418	13,821	14,235	16,503	19,131	22,178	29,806
POTENTIAL GROSS INCOME	1,706,232	1,757,419	1,810,142	1,864,446	1,920,379	2,226,246	2,580,829	2,991,888	4,020,847
Vacancy & Collection Loss	(127,968)	(131,806)	(135,761)	(139,833)	(144,028)	(166,968)	(193,562)	(224,392)	(301,564)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,578,264	\$1,625,613	\$1,674,381	\$1,724,612	\$1,776,351	\$2,059,277	\$2,387,267	\$2,767,497	\$3,719,284
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$62,300	\$64,792	\$67,384	\$70,079	\$72,882	\$88,672	\$107,883	\$131,257	\$194,292
Management	78,913	81280.4209	83718.83353	86230.39853	88817.31049	102963.6054	119363.0383	138374.4758	185963.7245
Payroll & Payroll Tax	177,917	185,034	192,435	200,132	208,138	253,231	308,095	374,844	554,861
Repairs & Maintenance	97,850	101,764	105,835	110,068	114,471	139,271	169,445	206,155	305,160
Utilities	31,500	32,760	34,070	35,433	36,851	44,834	54,548	66,366	98,238
Water, Sewer & Trash	77,000	80,080	83,283	86,615	90,079	109,595	133,339	162,227	240,136
Insurance	44,100	45,864	47,699	49,607	51,591	62,768	76,367	92,912	137,533
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	42,000	43,680	45,427	47,244	49,134	59,779	72,730	88,488	130,983
Other	40,400	42,016	43,697	45,445	47,262	57,502	69,960	85,117	125,994
TOTAL EXPENSES	\$651,980	\$677,270	\$703,548	\$730,853	\$759,225	\$918,617	\$1,111,730	\$1,345,740	\$1,973,160
NET OPERATING INCOME	\$926,284	\$948,342	\$970,833	\$993,760	\$1,017,126	\$1,140,661	\$1,275,537	\$1,421,756	\$1,746,124
DEBT SERVICE									
First Lien Financing	\$838,934	\$838,934	\$838,934	\$838,934	\$838,934	\$838,934	\$838,934	\$838,934	\$838,934
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	\$87,350	\$109,408	\$131,899	\$154,825	\$178,192	\$301,727	\$436,603	\$582,822	\$907,190
DEBT COVERAGE RATIO	1.10	1.13	1.16	1.18	1.21	1.36	1.52	1.69	2.08

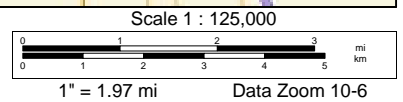
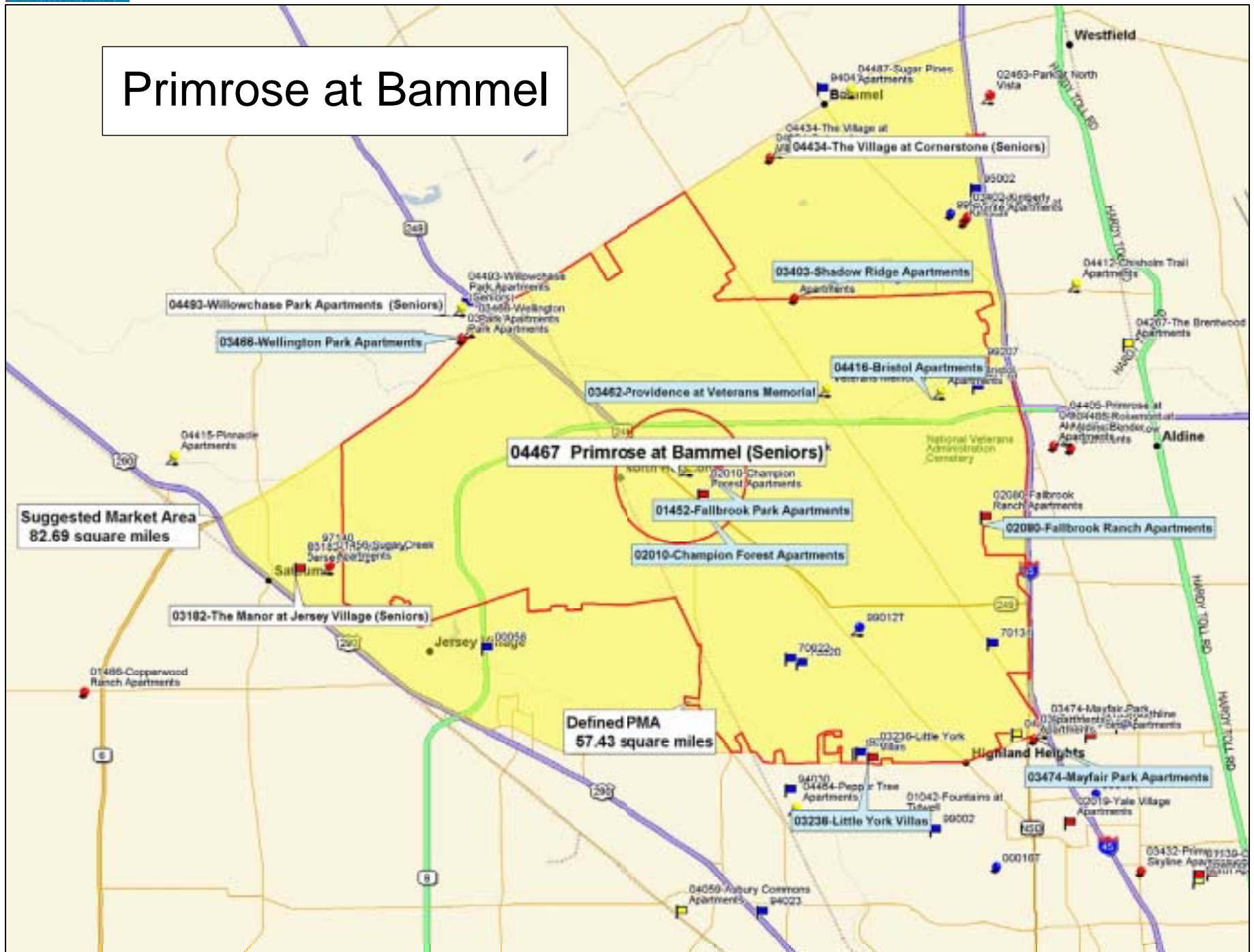
LIHTC Allocation Calculation - Primrose at Bammel, Houston, 4% HTC 04467

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	\$1,073,580	\$1,073,580		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,573,950	\$1,573,950	\$1,573,950	\$1,573,950
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$9,138,571	\$8,741,529	\$9,138,571	\$8,741,529
(4) Contractor Fees & General Requirements				
Contractor overhead	\$214,250	\$206,310	\$214,250	\$206,310
Contractor profit	\$642,751	\$618,929	\$642,751	\$618,929
General requirements	\$642,752	\$618,929	\$642,751	\$618,929
(5) Contingencies	\$642,751	\$515,774	\$535,626	\$515,774
(6) Eligible Indirect Fees	\$1,523,900	\$1,523,900	\$1,523,900	\$1,523,900
(7) Eligible Financing Fees	\$966,162	\$966,162	\$966,162	\$966,162
(8) All Ineligible Costs	\$989,103	\$989,103		
(9) Developer Fees			\$2,285,694	
Developer overhead		\$295,310		\$295,310
Developer fee	\$2,301,763	\$1,919,513		\$1,919,513
(10) Development Reserves	\$295,050	\$338,350		
TOTAL DEVELOPMENT COSTS	\$20,004,583	\$19,381,337	\$17,523,656	\$16,980,305

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		\$17,523,656	\$16,980,305
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		\$17,523,656	\$16,980,305
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$17,523,656	\$16,980,305
Applicable Percentage		3.54%	3.54%
TOTAL AMOUNT OF TAX CREDITS		\$620,337	\$601,103

Syndication Proceeds	0.8099	\$5,024,231	\$4,868,446
Total Credits (Eligible Basis Method)		\$620,337	\$601,103
Syndication Proceeds		\$5,024,231	\$4,868,446
Requested Credits		\$612,346	
Syndication Proceeds		\$4,959,507	
Gap of Syndication Proceeds Needed		\$6,468,583	
Credit Amount		\$798,670	

Primrose at Bammel



MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Mesa Homes.

Summary of the Transaction

The application was received on August 19, 2004. The Issuer for this transaction is Victory Street Public Facility Corporation. The development is to be located at the 10721 Mesa Drive in Houston. The development will consist of 180 total units targeting the general population, with all affordable. The site is currently properly zoned for such a development. The Department has received no letters of support and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI and Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI and Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Mesa Homes.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Mesa Homes**

TDHCA#: 04470

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: Y DDA: N TTC: N
 Development Owner: Chicory Court Rose Hill II, LP
 General Partner(s): Chicory GP Rose Hill II, LLC, 100%, Contact: Saleem Jafar
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Victory Street Public Facility Corp.
 Development Type: General
 Population

Annual Tax Credit Allocation Calculation

Applicant Request: \$1,273,325 Eligible Basis Amt: \$1,283,937 Equity/Gap Amt.: \$1,712,927
Annual Tax Credit Allocation Recommendation: \$1,273,325
 Total Tax Credit Allocation Over Ten Years: 12,733,250

PROPERTY INFORMATION

Unit and Building Information

Total Units: 240 HTC Units: 240 % of HTC Units: 100
 Gross Square Footage: 398,694 Net Rentable Square Footage: 390,250
 Average Square Footage/Unit: 1561
 Number of Buildings: 240
 Currently Occupied: N

Development Cost

Total Cost: 29,956,427 Total Cost/Net Rentable Sq. Ft.: \$80.07

Income and Expenses

Effective Gross Income:¹ \$2,271,935 Ttl. Expenses: \$1,077,410 Net Operating Inc.: \$1,194,525
 Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: To Be Determined
 Attorney: Shackelford, Melton & McKinley Architect: To Be Determined
 Accountant: Novogradac & Company, LLC Engineer: Carter Burgess
 Market Analyst: Butler Burgher, LLC Lender: Charter Mac Capital Solutions
 Contractor: To Be Determined Syndicator: Related Capital Company

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Mario Gallegos, District 6 - NC Rep. Senfronia Thompson, District 141 - NC Mayor Bill White - NC Daisy A. Stiner, Director of Housing & Community Development, City of Houston; Proposed development of affordable single family rental housing is consistent with the City of Houston's Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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. Board waiver of its QAP rule under 50.12(a)(2) regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made;
3. Receipt, review and acceptance of a completely revised application volumes 1 and 3 consistent with the latest information provided by the Applicant prior to closing, and subsequent re-evaluation of the credit amount as needed;
4. Receipt, review and acceptance of a site plan with each building clearly identified and an architect’s matrix and certification of the number of each build types for the subject development prior to closing;
5. Receipt, review and acceptance of final building plans for each building type with an architect’s certification of the building gross and new square footages and location of all amenities;
6. Receipt, review and acceptance of a survey for the portion of the site included as part of the proposed development on the final site plan for the subject 240 units and a proration to of the acquisition cost according to the amount of land being dedicated for use by the subject development prior to closing;
7. Receipt, review and acceptance of a re-evaluation of the demand by the market analyst and consideration of an adjustment due to household size and subsequent recalculation of a capture rate which must be less than 25% prior to closing;
8. Receipt, review and acceptance of an opinion from a knowledgeable CPA or tax attorney with regard to the eligibility of the site work cost proposed given the likely hood that these improvements will be ultimately dedicated to the city or otherwise be for public use prior to closing. Should the eligible costs accepted by such an opinion be less that the anticipated total costs, a recalculation and reduction in the credit amount would be required; and
9. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation 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: _____

Date

Elizabeth Anderson,

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: December 30, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04470

DEVELOPMENT NAME

Mesa Homes

APPLICANT

Name:	<u>Chicory Court Rose Hill II, LP</u>	Type:	<u>For-profit</u>
Address:	<u>1200 Three Lincoln Centre, 5430 LBJ Freeway</u>	City:	<u>Dallas</u> State: <u>TX</u>
Zip:	<u>75240</u>	Contact:	<u>Saleem Jafar/Bill Fisher</u>
Phone:	<u>(972) 455-9299</u>	Fax:	<u>(972) 455-9792</u>

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	<u>Chicory GP Rose Hill II, LLC</u>	(%):	<u>0.01</u>	Title:	<u>General Partner</u>
Name:	<u>Saleem Jafar</u>	(%):	<u>99.99</u>	Title:	<u>GP/Developer Shareholder</u>
Name:	<u>Odyssey Property Holdings, Inc</u>	(%):	<u>N/A</u>	Title:	<u>Developer</u>
Name:	<u>Bill Fisher</u>	(%):	<u>N/A</u>	Title:	<u>VP of Developer</u>

PROPERTY LOCATION

Location: 10721 Mesa Drive **QCT** **DDA**
City: Houston **County:** Harris **Zip:** 77078

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$1,273,325	N/A	N/A	N/A
Other Requested Terms:	<u>Annual ten-year allocation of housing tax credits</u>		
Proposed Use of Funds:	<u>New construction</u>	Property Type:	<u>Multifamily (single-family construction)</u>

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$1,273,325 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

- Board waiver of its QAP rule under 50.12(a)(2) regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made;
- Receipt, review, and acceptance of a completely revised application volume I and III consistent with the latest information provided by the Applicant prior to closing, and subsequent reevaluation of the credit amount as needed;
- Receipt, review, and acceptance of a site plan with each building clearly identified and an architect's matrix and certification of the number of each building types for the subject development prior to closing;
- Receipt, review, and acceptance of final building plans for each building type with an architect's certification of the building gross and net square footages and location of all amenities is a condition of this report;
- Receipt, review, and acceptance of a survey for the portion of the site included as part of the proposed development on the final site plan for the subject 240 units and a proration to of the acquisition cost

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

- according to the amount of land being dedicated for use by the subject development prior to closing;
6. Receipt, review, and acceptance of a re-evaluation of the demand by the market analyst and consideration of an adjustment due to household size and subsequent recalculation of a capture rate which must be less than 25% prior to closing;
 7. Receipt, review, and acceptance of an opinion from a knowledgeable CPA or tax attorney with regard to the eligibility of the site work costs proposed given the likely hood that these improvements will be ultimately dedicated to the city or otherwise be for public use prior to closing. Should the eligible costs accepted by such an opinion be less than the anticipated total costs, a recalculation and reduction in the credit amount would be required; and,
 8. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

NOTE: This application was originally submitted in August of 2004 with a shell application which identified 250 units. Several iterations of this application or portions of the application have evolved with the most current clarifying information from a series of spreadsheets dated December 15, 2004, two revised commitments dated December 16, 2004 and a lot survey dated November 2004 with hand written notes by the developer indicating the unit mix and location all point to a development of 240 single family homes. None of this most recent information has been updated and submitted on the Department's required application forms and the spreadsheet series appears to be internally inconsistent. Therefore this report is conditioned upon receipt, review, and acceptance of a completely revised application volume I and III consistent with the latest information provided by the Applicant preferably prior to the rescheduled Board meeting but at a minimum in sufficient time prior to bond closing to be re-evaluated by the Department. Moreover, this report is conditioned upon the Board's waiver of its QAP rule under 50.12(a)(2) regarding the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made.

REVIEW of PREVIOUS UNDERWRITING REPORTS														
No previous reports.														
DEVELOPMENT SPECIFICATIONS														
IMPROVEMENTS														
Total Units:	<u>240</u>	# Rental Buildings	<u>240</u>	# Non-Res. Buildings	<u>1</u>	# of Floors	<u>1</u>	Age:	<u>N/A</u> yrs	Vacant:	<u>N/A</u>	at	/	/
Net Rentable SF:	<u>374,140</u>		Av Un SF:	<u>1,559</u>		Common Area SF:	<u>≈3,300</u>		Gross Bldg SF:	<u>≈377,440</u>				
STRUCTURAL MATERIALS														
The structures will be wood frame on a slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 55% brick veneer and 45% cement fiber siding. The interior wall surfaces will be drywall and the pitched roof will be finished with composite shingles.														
APPLIANCES AND INTERIOR FEATURES														
The interior flooring will be a combination of carpeting & vinyl tile. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, [individual water heaters, and individual heating and air conditioning.														
ON-SITE AMENITIES														
A 3,300+/- square foot community building will include an activity room, management offices, fitness, maintenance, & laundry facilities, a kitchen, restrooms, a computer/business center, & a central mailroom. The community building, swimming pool, and equipped children's play area are located at an entrance to the property.														
Uncovered Parking:	<u>street</u>		spaces	Carpports:	<u>0</u>		spaces	Garages:	<u>240 double</u>					
PROPOSAL and DEVELOPMENT PLAN DESCRIPTION														
Description: Mesa Homes is a single-family (4.4 units per acre) new construction development of 240 units (originally submitted 250 units) of affordable housing located in northeast Houston. The site plan appears to be in flux; several different versions have been submitted none of which have been signed and the most														

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

recent of which has indicated which plans would be on which lots in maker pen but the actual proposed building structures on a site plan have not been provided. Therefore the unit mix can not be verified. The underwriting analysis assumes that the site will be subdivided to allow construction of 100 three-bedroom and 140 four-bedroom single family homes and a large community building based on the most recent documentation available. Receipt, review and acceptance of a site plan with each building clearly identified and an architect's matrix and certification of building gross and net square footages for the subject development prior to closing is a condition of this report.

Architectural Review: All of the multitude of slightly different home plans are of good design, sufficient size and are comparable to other modern single-family developments. They appear to provide acceptable access and storage. The elevations reflect attractive homes. The plans do not appear to identify the location or type of individual water heaters for the units and as will be discussed in more detail in the proforma section below it remains unclear how residents will be serviced with hot water. Plans were submitted for a community building with a square footage of approximately 3,300. The application materials indicate common area square footage of 8,444. The underwriting analysis assumes that the common area square footage is 3,300 based on submitted architectural plans. Receipt, review and acceptance of final building plans for each building type with an architect's certification of the building gross and net square footages and location of all amenities is a condition of this report.

The application indicates the proposed site is 54 acres, while the site control documents state acreage of 67.53. From the site plans provided, it appears that approximately half of the site (~37 acres) will be developed as part of the subject with a significant portion of the site dedicated to public easements in the form of roads. From one lot survey submitted, it appears that the entire site may ultimately contain 285 lots as well as some "reserve" acreage. It is not known what is planned for the remaining acreage however some comments regarding provisions for a park were made in letter to local officials. Receipt, review, and acceptance of a survey for the portion of the site included as part of the proposed development on the final site plan for the subject 240 units and a proration to of the acquisition cost according to the amount of land being dedicated for use by the subject development prior to closing is a condition of this report.

SITE ISSUES			
SITE DESCRIPTION			
Size:	67.53 acres	2,352,240 square feet	Zoning/ Permitted Uses: No zoning
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 northeast area of Houston, approximately eight miles from the central business district. The site is situated on the west side of Mesa Street.

Adjacent Land Uses:

- **North:** Vacant land;
- **South:** Single family residences;
- **East:** Small commercial retail; and
- **West:** Vacant land;

Site Access: "The subject site will have direct access to and from Mayberry, which is a north/south secondary traffic carrier. Mayberry intersects with Caddo Road to the south of the subject site and is an east/west traffic providing direct access to Mesa Road." (p. 56 of the market study) The units will have access via a network of eleven internal streets or public access easements. The site also appears to have several potential access points via four cul-de-sac style external streets that dead end into the development.

Public Transportation: Public transportation to the area is provided by Houston Metro. The location of the nearest stop is at the southeast corner of the site along Mesa.

Shopping & Services: The site is within three miles of major grocery/pharmacies, 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.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Site Inspection Findings: TDHCA staff performed a site inspection on October 7, 2004, 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 October 10, 2004 was prepared by MAS-D Environmental and Associates, Inc. and contained the following findings and recommendations:

Findings:

- **Asbestos-Containing Materials (ACM):** “There were no buildings or trash that would suggest the need for an asbestos survey” (p. 11).
- **Floodplain:** “The Subject property is in Zone X, which is outside the 100-year floodplain zone, according to the Federal Emergency Management Agency’s (FEMA) Flood Insurance Rate Map (FIRM) Map (sic) number 48201C0895 revised November 6, 1996” (p. 14).

Recommendations: “No further investigations are required nor recommended at this time by MAS-D” (Summary).

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 development the Applicant has elected the 50% at 50% / 50% at 60% option.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET HIGHLIGHTS

A market feasibility study dated October 11, 2004 was prepared by Butler Burgher, Inc (“Market Analyst”) and it evaluated the need for 250 single family units. Highlights from the study are as follows:

Definition of Primary Market Area (PMA): “The Primary Market Area is defined as Mount Houston Road to the north, Beltway 8 and Uvalde Road to the east, Interstate 10 to the south, and US 59 to the west.” The primary market area is the shape of a pretty uniform square and contains an estimated 72 square miles roughly equivalent to a circle with a 4.8 mile radius.

Population: The estimated 2004 population of the PMA was 198,490 and is expected to increase by 3.58% to approximately 205,592 by 2009.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 3,287 qualified households in the PMA, based on the current estimate of 62,161 households, the projected annual growth rate of 0.46%, renter households estimated at 41.94% of the population, income-qualified households estimated at 19.4%, and an annual renter turnover rate of 64.4 %. (p. 4). The Market Analyst used an income band of \$27,189 to \$42,480. An adjustment for household size was not included despite the fact that one and two person households will be less likely to rent three and four bedroom units. Eliminating even one person households would likely drastically reduce the anticipated demand to levels where the capture rate is unacceptable. However the market study did not provide sufficient raw data to make an appropriate adjustment for household size and the underwriter is unable to guess at what an appropriate adjustment for this PMA would be therefore none was made. Receipt review and acceptance of a re-evaluation of the demand by the market analyst and consideration of an adjustment due to household size is a condition of this report.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	30	1%	30	1%
Resident Turnover	3,257	99%	3,259	99%
TOTAL ANNUAL DEMAND	3,287	100%	3,289	100%

Ref: p. 4

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 15.40% based upon 3,287 units of demand and 506 unstabilized affordable housing in the PMA (including the subject) (p. 67). The market analyst included three and four bedroom units from three of five recent tax credit developments in the area, the two that were left out were excluded because one was stabilized and one was targeting elderly. The Market Analyst included Uvalde Ranch 04439 (244 units total, 72 included), Emerald Bay 02421 (248 units total 144 units included) and North Forest Trails 03417 (168 units total, 40 units included)

Market Rent Comparables: The Market Analyst surveyed six comparable apartment projects totaling 1,054 units in the market area. (p. 70).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
3-Bedroom (50%)	\$707	\$687	\$20	\$925	-\$218
3-Bedroom (60%)	\$865	\$845	\$20	\$925	-\$60
4-Bedroom (50%)	\$778	\$753	\$25	\$1,050	-\$272
4-Bedroom (60%)	\$955	\$930	\$25	\$1,050	-\$95

(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: “In late 2002, a trend of negative absorption and increasing supply began. It continued in 2003 as absorption was negative 3,786 units and 14,039 new units were delivered. These trends conspired to drive occupancy down to its current level of 86.6%. However, the more recent trend of positive (sic) has stabilized the occupancy level over the first two quarters of 2004 and 86.6%. ... The next six to nine months should bring some stability to the occupancy picture. By the end of 2004, 8,300 new units are to be delivered.” (p. 42).

Absorption Projections: “Based on (given) data, we have projected an absorption rate of 20 units per month. This rate is reasonable and would result in a 12-month absorption period to obtain stabilized physical occupancy.” (p. 69).

Known Planned Development: “Based on recent additions to supply coupled with a drop in short term demand, the local market has entered a phase of increased supply and decreased occupancy. An economic recovery with significant job creation coupled with increased mortgage rates are expected to boost absorption and increase occupancy. However, the timing of these events is uncertain. Additionally, some permitted projects have been postponed by larger developers until economic conditions reverse the current trend. Through May 2004 it (sic) the rate of permitting has subsided some as the trailing 12-month figure represents a decrease of 18%.” (p. 46).

Effect on Existing Housing Stock: “With regard to the subject housing market area, most recent data shows occupancy and rental rates falling in the last quarter. Occupancy decreased to 87.7% and the average rental rate in the submarket and rental rates fell to \$505 after peaking at \$529 on the previous quarter. ... There have been a total of 2,018 HTC units completed in the submarket since 1990 and one affordable housing property proposed at this time. ... Once the local and national economic pictures improve, we expect the submarket to recover from the current downward trends...” (p. 51).

Market Study Analysis/Conclusions: The Underwriter found the market study generally provided sufficient information on which to base a funding recommendation but is conditioning the report on additional information regarding the demand and household size discussed above.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under HTC guidelines, and are achievable according to the Market Analyst. The rent schedules provided on the Department's forms all indicate 250 units however the spreadsheet suggests a reduced four-bedroom contingent and also slight adjustments to the square footages of each of the units. In addition the spreadsheet estimates does not include a breakdown of expenses therefore the latest formal rent and expense schedule submitted on the departments forms will be used to compare to what the Underwriter believes will be a reduced unit count. As discussed previously these issues still need clarification and a re-evaluation should follow. The Applicant ultimately used the utility allowance for single family from the Houston PHA but the letter indicates that these allowances are also used for mobile homes. The Applicant includes an allowance for gas water heat however the application otherwise indicates electric water heat which is \$20 to \$25 per unit higher amounting to a \$38K potential difference in annual gross income. Moreover the building plans provided do not identify a water heater in the unit which suggests the use of a central boiler rather than individual water heaters which is a typical development feature of this developer. Clarification of this issue is a condition of this report. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result of the differences in the projected number of units the Applicant's effective gross income estimate is \$99K less than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of \$4,140 per unit is more than 5% lower than the Underwriter's database-derived estimate of \$4,489 per unit. This comparison is made more difficult because there are few single family rental developments of such size from which to garner historical information, besides the differences in unit assumptions inherent in the Applicant's out of date proforma. The specific expense line items of greatest concern appear to be general and administrative, payroll, utilities and property taxes all of which appear to be significantly understated.

Conclusion: Since the Applicant's estimate is based on an outdated unit count and is inconsistent with the Underwriter's expense expectations, the Underwriter's NOI will be used to evaluate debt service capacity. The Underwriter's estimated debt coverage ratio (DCR) of 1.03 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project may be limited to \$1,085,931 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. The Underwriter has completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of \$15,398,000.

ASSESSED VALUE

Land: 67.55	\$284,640	Assessment for the Year of:	2004 (Two Tracts)
Building:	N/A	Valuation by:	Harris County Appraisal District
Total Assessed Value:	\$284,640	Tax Rate:	3.04067

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved commercial property contract and amendment (67.53 acres)		
Contract Expiration Date:	1/ 15/ 2005	Anticipated Closing Date:	1/ 15/ 2005
Acquisition Cost:	\$742,830	Other Terms/Conditions:	
Seller:	S/C Management 87 LTD (603,281 SF)	Related to Development Team Member:	No
Seller:	Mary Patricia Chambers (2,339,172 SF)	Related to Development Team Member:	No

CONSTRUCTION COST ESTIMATE EVALUATION

The Applicant's development costs are derived from the last updated cost schedule provided on the Department's form is likely based upon 250 units but the more current spreadsheet information suggests that fewer units 240 will be developed though the spreadsheet indicates a higher credit amount. Since the spreadsheets do not detail the method by which this credit amount is derived the Underwriter has compared to the last more detailed information provided on the Departments form. As discussed previously, receipt,

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

review and acceptance of a revised application and a re-evaluation of these figures is a condition of this report.

Acquisition Value: The combined site cost of \$750,000 (\$11K/acre, or \$3,125/unit) is reasonably substantiated by an appraised value of \$770,000 for 57 acres prepared by Butler Burger. The actual site appears to be larger and as discussed above a portion of the site appears to be available for additional lots and or other use. The Underwriter has proated the acquisition price by the anticipated total lots however this should be re-evaluated once clarification on the proposed use and amount of additional acreage is known. Receipt, review and acceptance of a survey for the portion of the site included as part of the proposed development on the final site plan for the subject 240 units and a proration to of the acquisition cost according to the amount of land being dedicated for use by the subject development prior to closing is a condition of this report.

Sitework Cost: The Applicant claimed sitework costs of over \$13K per unit and provided a third party detailed cost estimate by RG Miller to justify these costs. These costs were considered preliminary and were not certified to be reasonable by the third party engineer nor have they been reviewed by the Applicant's CPA or tax credit attorney to preliminarily opine that they will all be considered includable in eligible basis. Receipt, review, and acceptance of an opinion from a knowledgeable CPA or tax attorney with regard to the eligibility of the site work costs proposed given the likely hood that these improvements will be ultimately dedicated to the city or otherwise be for public use prior to closing is a condition of this report. Should the eligible costs accepted by such an opinion be less than the anticipated total costs, a recalculation and reduction in the credit amount would be required.

Direct Construction Cost: The Applicant's costs are \$832K or just more than 5% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are understated.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$24.6K 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 has included contingency cost in eligible basis that exceeds the maximum of 5% of sitework and direct construction costs for new construction developments. Therefore, the Applicant's eligible basis projection has been reduced by \$186,104. This difference also resulted in a reduction in the Applicant's estimated eligible developer fee by \$31,613.

Conclusion: The Applicant's total development cost estimate appears to be based on a greater number of units than currently proposed but nonetheless is within 5% of the Underwriter's verifiable estimate and is therefore accepted as the base to determine eligible basis. As a result, an eligible basis of \$27,742,809 is used to estimate a credit allocation of \$1,283,938 from this method. This is more than the last identified requested credit amount of \$1,273,325. The latter will be used with the resulting syndication proceeds to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE					
INTERIM TO PERMANENT BOND FINANCING					
Source:	Charter Mac	Contact:	Marnie Miller		
Tax-Exempt Amount:	\$15,000,000	Interest Rate:	6.5%		
Taxable Amount:	\$1,400,000	Interest Rate:	8.25%		
Additional Information:	Blended Rate: 6.54%; Issuer: Victory Street Public Facility Corporation; 5.0% interim interest rate				
Amortization:	40 yrs	Term:	40 yrs	Commitment:	<input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional
Annual Payment:	\$1,158,461	Lien Priority:	1 st	Commitment Date	12/ 16/ 2004
TAX CREDIT SYNDICATION					

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Source:	Related Capital Company	Contact:	Justin Ginsberg
Net Proceeds:	\$10,843,000	Net Syndication Rate (per \$1.00 of 10-yr HTC)	85¢
Commitment	<input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional	Date:	12/ 17/ 2004

APPLICANT EQUITY

Amount:	\$167,384	Source:	Interest Income
Amount:	\$2,447,358	Source:	Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by “Victory Street Public Facility Corporation” and purchased by Charter Mac. The permanent financing commitment is not consistent with the terms or amounts reflected in the sources and uses of funds listed in the application.

HTC Syndication: The tax credit syndication commitment is not consistent with the terms or amounts reflected in the sources and uses of funds listed in the application.

Deferred Developer’s Fees: The Applicant’s proposed deferred developer’s fees of \$2,447,358 amount to 68% of the total fees.

Financing Conclusions: Based on the most current request on a TDHCA format the Applicant’s the HTC allocation should not exceed \$1,273,325 annually for ten years, resulting in syndication proceeds of approximately \$10,822,180. Based on the underwriting analysis, the Applicant’s deferred developer fee will be increased to \$3,736,247, which represents over 103% of the eligible developer fee and which will require deferral of non-related party contractor fee. Moreover this level of deferral is not repayable from cash flow within ten years but could be projected to be repaid in 15 years. Should the Applicant’s final direct construction cost exceed the cost estimate used to determine credits in this analysis or should a portion of site work costs not be allowed as eligible thereby reducing the credit allocation, additional repayable deferred fee may not be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, and Supportive Services firm are all related entities. These are common relationships for HTC-funded developments.

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

Financial Highlights:

- The Applicant is a single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The 99.99% shareholder of the General Partner, Saleem Jafar, submitted unaudited financial statements as of September 1, 2004 and is anticipated to be a guarantor of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project. Multifamily Production Finance Staff have verified that the contractor has met the Department’s experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

SUMMARY OF SALIENT RISKS AND ISSUES

- Significant inconsistencies in the application could affect the financial feasibility of the development.
- 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%.
- The development may have a capture rate that exceeds the Department’s tolerances when household size is considered.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

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:

Phillip Drake

Date: December 30, 2004

Director of Real Estate Analysis:

Tom Gouris

Date: December 30, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Mesa Homes, Houston, 4% HTC, #04470

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%	50	3	2	1,486	\$793	\$707	\$35,350	\$0.48	\$86.00	\$74.31
TC60%	50	3	2	1,486	951	\$865	43,250	0.58	86.00	74.31
TC50%	70	4	2	1,611	885	\$778	54,460	0.48	107.00	85.31
TC60%	70	4	2	1,611	1062	\$955	66,850	0.59	107.00	85.31
TOTAL:	240		AVERAGE:	1,559	\$931	\$833	\$199,910	\$0.53	\$98.25	\$80.73

INCOME				TDHCA		APPLICANT		Comptroller's Region 6		
Total Net Rentable Sq Ft: 374,140				\$2,398,920	\$2,502,900	IREM Region Houston				
POTENTIAL GROSS RENT				33,000	33,000	\$11.46	Per Unit Per Month			
Secondary Income	Per Unit Per Month:	\$11.46		24,226	27,000	\$9.38	Per Unit Per Month			
Other: cable, telephone, interest income	Per Unit Per Month:	\$8.41		\$2,456,146	\$2,562,900					
POTENTIAL GROSS INCOME				(184,211)	(192,216)	-7.50%	of Potential Gross Rent			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		0						
Employee or Other Non-Rental Units or Concessions				\$2,271,935	\$2,370,684					
EFFECTIVE GROSS INCOME										

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.12%	\$390	0.25	\$93,533	\$54,500	\$0.15	\$227	2.30%
Management	4.00%	379	0.24	90,877	94,827	0.25	395	4.00%
Payroll & Payroll Tax	8.61%	815	0.52	195,600	226,250	0.60	943	9.54%
Repairs & Maintenance	5.31%	502	0.32	120,562	108,500	0.29	452	4.58%
Utilities	2.83%	268	0.17	64,315	92,000	0.25	383	3.88%
Water, Sewer, & Trash	4.88%	462	0.30	110,810	92,500	0.25	385	3.90%
Property Insurance	3.29%	312	0.20	74,828	61,000	0.16	254	2.57%
Property Tax	3.04067	912	0.59	218,928	150,000	0.40	625	6.33%
Reserve for Replacements	2.11%	200	0.13	48,000	50,000	0.13	208	2.11%
SuppServ/comp/sec/cable	2.64%	250	0.16	59,955	63,955	0.17	266	2.70%
TOTAL EXPENSES	47.42%	\$4,489	\$2.88	\$1,077,410	\$993,532	\$2.66	\$4,140	41.91%
NET OPERATING INC	52.58%	\$4,977	\$3.19	\$1,194,525	\$1,377,152	\$3.68	\$5,738	58.09%

DEBT SERVICE				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
First Lien Mortgage: Tax-exempt bon	51.12%	\$4,839	\$3.10	\$1,161,333	\$1,264,359	\$3.38	\$5,268	53.33%
Taxable Bonds	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	1.46%	\$138	\$0.09	\$33,192	\$112,793	\$0.30	\$470	4.76%
AGGREGATE DEBT COVERAGE RATIO				1.03	1.09			
RECOMMENDED DEBT COVERAGE RATIO				1.10				

CONSTRUCTION COST				TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
ACQUISITION COST (site or bldg)	2.02%	\$2,606	\$1.67	\$625,541	\$750,000	\$2.00	\$3,125	2.50%
Off-Sites	0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework	10.07%	13,021	8.35	3,125,000	3,125,000	8.35	13,021	10.43%
Direct Construction	52.59%	67,990	43.61	16,317,547	15,485,447	41.39	64,523	51.69%
Contingency	5.00%	3,133	2.60	972,127	1,116,627	2.98	4,653	3.73%
General Req'ts	5.74%	3,603	2.98	1,116,627	1,116,627	2.98	4,653	3.73%
Contractor's G & A	1.91%	1,551	0.99	372,209	372,209	0.99	1,551	1.24%
Contractor's Profit	5.74%	3,603	2.98	1,116,627	1,116,627	2.98	4,653	3.73%
Indirect Construction	2.51%	3,249	2.08	779,750	779,750	2.08	3,249	2.60%
Ineligible Costs	4.02%	5,191	3.33	1,245,900	1,245,900	3.33	5,191	4.16%
Developer's G & A	1.60%	1,669	1.07	400,515	0	0.00	0	0.00%
Developer's Profit	13.00%	13,541	8.69	3,249,725	3,650,240	9.76	15,209	12.19%
Interim Financing	3.86%	4,992	3.20	1,198,000	1,198,000	3.20	4,992	4.00%
Reserves	1.64%	2,125	1.36	509,978	0	0.00	0	0.00%
TOTAL COST	100.00%	\$129,290	\$82.94	\$31,029,547	\$29,956,427	\$80.07	\$124,818	100.00%
Recap-Hard Construction Costs	74.19%	\$95,917	\$61.53	\$23,020,138	\$22,332,537	\$59.69	\$93,052	74.55%

SOURCES OF FUNDS				RECOMMENDED				
First Lien Mortgage: Tax-exempt bon	48.34%	\$62,500	\$40.09	\$15,000,000	\$15,000,000	\$15,398,000	Developer Fee Available	
Taxable Bonds	4.51%	\$5,833	\$3.74	1,400,000	1,400,000	0	\$3,618,627	
HTC Syndication Proceeds	34.94%	\$45,179	\$28.98	10,843,000	10,843,000	10,822,180	% of Dev. Fee Deferred	
Deferred Developer Fees	8.43%	\$10,895	\$6.99	2,614,742	2,614,742	3,736,247	103%	
Additional (excess) Funds Required	3.78%	\$4,883	\$3.13	1,171,805	98,685	(0)	15-Yr Cumulative Cash Flow	
TOTAL SOURCES				\$31,029,547	\$29,956,427	\$29,956,427	\$4,429,809	

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Mesa Homes, Houston, 4% HTC, #04470

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality One-Story SF Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$ 58.65	\$21,942,537
Adjustments				
Exterior Wall Finish			\$0.00	\$0
Subdivision Discount	-25.00%		(14.66)	(5,485,634)
Roofing			0.00	0
Subfloor			(2.04)	(763,246)
Floor Cover			2.59	969,023
Porches/Balconies			0.00	0
Plumbing	\$845	0	0.00	0
Built-In Appliances	\$1,650	240	1.06	396,000
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.61	602,365
Garages	\$18.48	106,800	5.28	1,973,664
Comm &/or Aux Bldgs	\$62.81	3,300	0.55	207,270
Other:			0.00	0
SUBTOTAL			53.03	19,841,979
Current Cost Multiplier	1.14		7.42	2,777,877
Local Multiplier	0.88		(6.36)	(2,381,037)
TOTAL DIRECT CONSTRUCTION COSTS			\$54.09	\$20,238,819
Plans, specs, survy, bid prnt	3.40%		(1.84)	(688,120)
Interim Construction Interest	3.38%		(1.83)	(683,060)
Contractor's OH & Profit	12.60%		(6.82)	(2,550,091)
NET DIRECT CONSTRUCTION COSTS			\$43.61	\$16,317,547

PAYMENT COMPUTATION

Primary	\$16,400,000	Term	480
Int Rate	6.57%	DCR	1.03
Secondary	\$0	Term	
Int Rate		Subtotal DCR	1.03
Additional	\$10,843,000	Term	
Int Rate		Aggregate DCR	1.03

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$1,082,868
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$111,657

Primary	\$15,398,000	Term	480
Int Rate	6.51%	DCR	1.10
Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	\$10,843,000	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	\$2,398,920	\$2,470,888	\$2,545,014	\$2,621,365	\$2,700,006	\$3,130,046	\$3,628,582	\$4,206,521	\$5,653,212
Secondary Income	33,000	33,990	35,010	36,060	37,142	43,058	49,915	57,866	77,767
Other: cable, telephone, Interest	24,226	24,952	25,701	26,472	27,266	31,609	36,643	42,480	57,089
POTENTIAL GROSS INCOME	2,456,146	2,529,830	2,605,725	2,683,897	2,764,414	3,204,713	3,715,141	4,306,866	5,788,068
Vacancy & Collection Loss	(184,211)	(189,737)	(195,429)	(201,292)	(207,331)	(240,353)	(278,636)	(323,015)	(434,105)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,271,935	\$2,340,093	\$2,410,296	\$2,482,604	\$2,557,082	\$2,964,359	\$3,436,505	\$3,983,851	\$5,353,963
EXPENSES at 4.00%									
General & Administrative	\$93,533	\$97,275	\$101,166	\$105,212	\$109,421	\$133,127	\$161,969	\$197,060	\$291,698
Management	90,877	93,604	96,412	99,304	102,283	118,574	137,460	159,354	214,159
Payroll & Payroll Tax	195,600	203,424	211,561	220,023	228,824	278,400	338,716	412,100	610,008
Repairs & Maintenance	120,562	125,385	130,400	135,616	141,041	171,598	208,775	254,007	375,992
Utilities	64,315	66,888	69,564	72,346	75,240	91,541	111,373	135,503	200,577
Water, Sewer & Trash	110,810	115,243	119,852	124,647	129,632	157,718	191,888	233,461	345,579
Insurance	74,828	77,821	80,934	84,171	87,538	106,504	129,578	157,651	233,362
Property Tax	218,928	227,685	236,793	246,264	256,115	311,603	379,113	461,249	682,761
Reserve for Replacements	48,000	49,920	51,917	53,993	56,153	68,319	83,120	101,129	149,695
Other	59,955	62,353	64,847	67,441	70,139	85,335	103,823	126,316	186,979
TOTAL EXPENSES	\$1,077,410	\$1,119,598	\$1,163,445	\$1,209,019	\$1,256,387	\$1,522,718	\$1,845,815	\$2,237,829	\$3,290,810
NET OPERATING INCOME	\$1,194,525	\$1,220,495	\$1,246,850	\$1,273,585	\$1,300,696	\$1,441,642	\$1,590,690	\$1,746,022	\$2,063,153
DEBT SERVICE									
First Lien Financing	\$1,082,868	\$1,082,868	\$1,082,868	\$1,082,868	\$1,082,868	\$1,082,868	\$1,082,868	\$1,082,868	\$1,082,868
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	\$111,657	\$137,628	\$163,983	\$190,718	\$217,828	\$358,774	\$507,822	\$663,154	\$980,286
DEBT COVERAGE RATIO	1.10	1.13	1.15	1.18	1.20	1.33	1.47	1.61	1.91

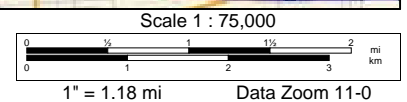
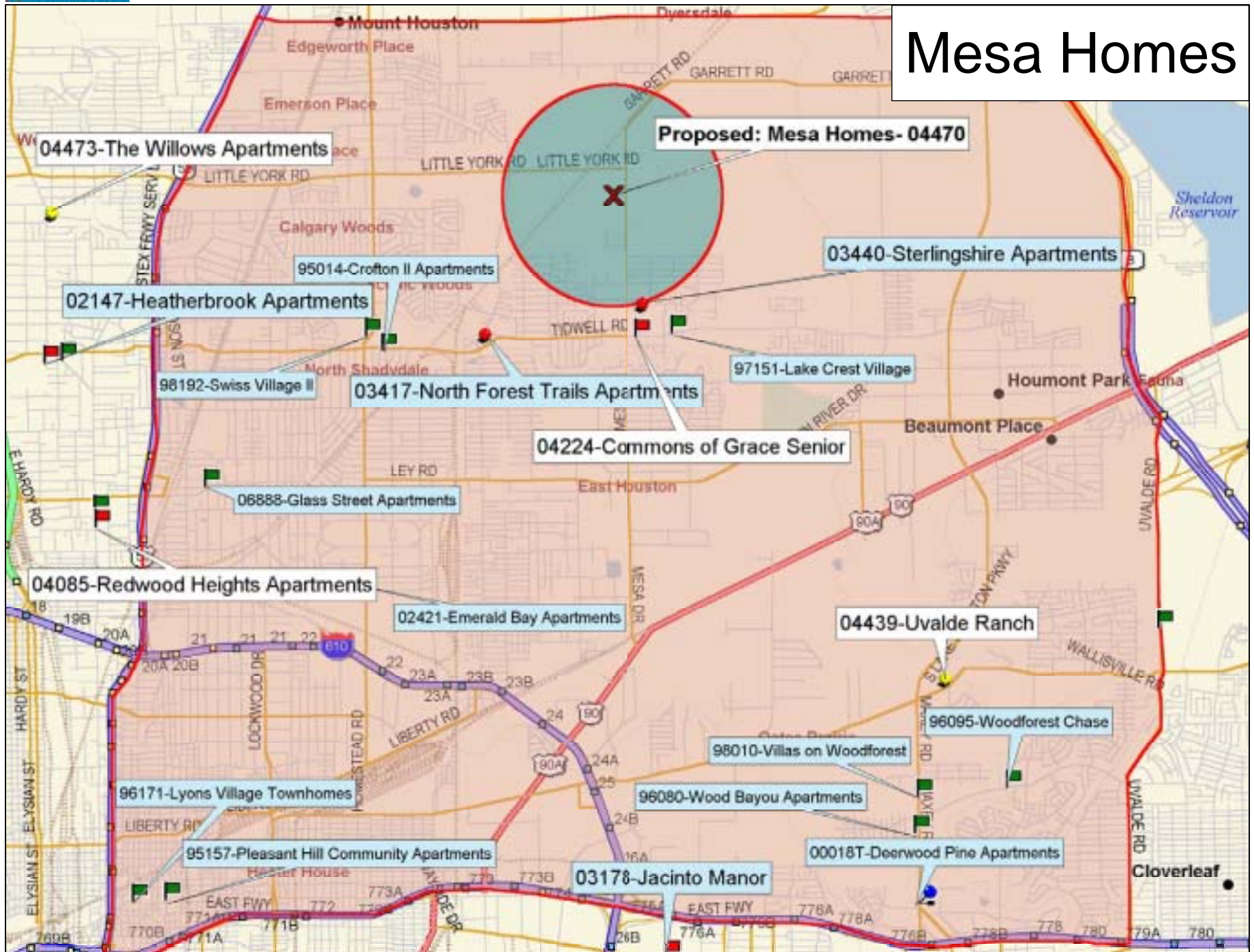
LIHTC Allocation Calculation - Mesa Homes, Houston, 4% HTC, #04470

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	\$750,000	\$625,541		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$3,125,000	\$3,125,000	\$3,125,000	\$3,125,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$15,485,447	\$16,317,547	\$15,485,447	\$16,317,547
(4) Contractor Fees & General Requirements				
Contractor overhead	\$372,209	\$372,209	\$372,209	\$372,209
Contractor profit	\$1,116,627	\$1,116,627	\$1,116,627	\$1,116,627
General requirements	\$1,116,627	\$1,116,627	\$1,116,627	\$1,116,627
(5) Contingencies	\$1,116,627	\$972,127	\$930,522	\$972,127
(6) Eligible Indirect Fees	\$779,750	\$779,750	\$779,750	\$779,750
(7) Eligible Financing Fees	\$1,198,000	\$1,198,000	\$1,198,000	\$1,198,000
(8) All Ineligible Costs	\$1,245,900	\$1,245,900		
(9) Developer Fees			\$3,618,627	
Developer overhead		\$400,515		\$400,515
Developer fee	\$3,650,240	\$3,249,725		\$3,249,725
(10) Development Reserves		\$509,978		
TOTAL DEVELOPMENT COSTS	\$29,956,427	\$31,029,547	\$27,742,809	\$28,648,128

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			\$27,742,809	\$28,648,128
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$36,065,652	\$37,242,566
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$36,065,652	\$37,242,566
Applicable Percentage			3.56%	3.56%
TOTAL AMOUNT OF TAX CREDITS			\$1,283,937	\$1,325,835

Syndication Proceeds	0.8499	\$10,912,375	\$11,268,474
Total Credits (Eligible Basis Method)		\$1,283,937	\$1,325,835
Syndication Proceeds		\$10,912,375	\$11,268,474
Requested Credits		\$1,273,325	
Syndication Proceeds		\$10,822,180	
Gap of Syndication Proceeds Needed		\$14,558,427	
Credit Amount		\$1,712,927	

Mesa Homes



MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for The Plaza at Willowchase.

Summary of the Transaction

The application was received on September 9, 2004. The Issuer for this transaction is Harris County HFC. The development is to be located at the Northwest corner of Willow Place Dr. South and Misty Willow Drive in Houston. The development will consist of 220 total units targeting the elderly population, with all affordable. The site is currently properly zoned for such a development. The Department received no letters in support and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI **and** Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI **and** Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for The Plaza at Willowchase.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Plaza at Willowchase Apartments**

TDHCA#: 04493

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: N DDA: N TTC: N
 Development Owner: Willowchase Park Apartments, LP
 General Partner(s): Unified Housing of Willowchase, LLC, 100%, Contact: Ken Joines
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Harris County HFC
 Development Type: Elderly

Annual Tax Credit Allocation Calculation

Applicant Request: \$573,522 Eligible Basis Amt: \$578,693 Equity/Gap Amt.: \$768,888
Annual Tax Credit Allocation Recommendation: \$573,522
 Total Tax Credit Allocation Over Ten Years: \$ 5,735,220

PROPERTY INFORMATION

Unit and Building Information

Total Units: 220 HTC Units: 220 % of HTC Units: 100
 Gross Square Footage: 196,908 Net Rentable Square Footage: 193,900
 Average Square Footage/Unit: 881
 Number of Buildings: 8
 Currently Occupied: N

Development Cost

Total Cost: \$19,761,117 Total Cost/Net Rentable Sq. Ft.: \$101.91

Income and Expenses

Effective Gross Income:¹ \$1,723,120 Ttl. Expenses: \$775,041 Net Operating Inc.: \$948,078
 Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: To Be Determined
 Attorney: To Be Determined Architect: To Be Determined
 Accountant: To Be Determined Engineer: To Be Determined
 Market Analyst: Apartment Market Data Lender: Collateral Mortgage Capital, LLC
 Contractor: TCR Willowchase Construction, LP Syndicator: PNC Multifamily Capital

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Jon Lindsay, District 7 - NC
# in Opposition: 0	Rep. Peggy Hamrick, District 126 - NC
	Mayor Bill White - NC
	Daisy Stiner, Director, Housing and Community Development Department - The proposed development of affordable multifamily rental housing for seniors is consistent with the City of Houston's Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Receipt, review, and acceptance of a commitment for the requested soft financing from the Harris County Housing Finance Corporation (HFC).
3. 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.
4. If the anticipated Harris County HFC soft financing is not received, receipt, review, and acceptance of a commitment from the general contractor to defer fees as necessary to fill a potential gap in permanent financing.
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.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.

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:

Date

Elizabeth Anderson,

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: December 29, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04493

DEVELOPMENT NAME

Plaza at Willowchase Apartments

APPLICANT

Name: Willowchase Park Apartments, L.P. **Type:** For-profit w/non-profit general partner
Address: 1755 Wittington Place, Suite 340 **City:** Dallas **State:** TX
Zip: 75234 **Contact:** Ted Stokely **Phone:** (214) 750-8857 **Fax:** (972) 488-9999

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: United Housing of Willowchase, LLC	(%): 0.01	Title: Managing General Partner
Name: Unified Housing Foundation, Inc. (UHF)	(%): N/A	Title: Nonprofit CHDO 100% owner of MGP & Developer
Name: Affiliate of PNC Bank, NA	(%): 0.01	Title: Special Limited Partner
Name: TCR 2004 Housing, Inc.	(%): 0.01	Title: Special Limited Partner
Name: Syntek West, Inc.	(%): N/A	Title: Guarantor (administrative service agent for UHF)
Name: Ken Joines	(%): N/A	Title: President of UHF
Name: Roundstone Development, LLC	(%): N/A	Title: Consultant/Co-Developer

PROPERTY LOCATION

Location: Northwest corner of intersection of Willow Place Drive South & Misty Willow Drive **QCT** **DDA**
City: Houston **County:** Harris **Zip:** 77070

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$573,522	N/A	N/A	N/A
Other Requested Terms: Annual ten-year allocation of housing tax credits			
Proposed Use of Funds: New construction		Property Type: Multifamily	
Special Purpose: Elderly			

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$573,522 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a commitment for the requested soft financing from the Harris County Housing Finance Corporation (HFC);
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;

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

3. If the anticipated Harris County HFC soft financing is not received, receipt, review, and acceptance of a commitment from the general contractor to defer fees as necessary to fill a potential gap in permanent financing;
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 220 **# Rental Buildings:** 8 **# Non-Res. Buildings:** 1 **# of Floors:** 3 **Age:** 0 yrs **Vacant:** N/A at / /
Net Rentable SF: 193,900 **Av Un SF:** 881 **Common Area SF:** 3,008 **Gross Bldg SF:** 196,908

STRUCTURAL MATERIALS

The structures will be wood frame on concrete slabs on grade. According to the plans provided in the application the exterior will be comprised as follows: 75% stucco & 25% cement fiber siding. The interior wall surfaces will be drywall & the pitched roofs will be finished with composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning, high-speed internet access, & 9-foot ceilings.

ON-SITE AMENITIES

A 3,008-square foot community building will include activity & media rooms, management offices, fitness, & maintenance facilities, a kitchen, restrooms, a library/tech center, & a beauty shop. Two laundry facilities will be located on each floor of the residential buildings (six total), along with 20 storage units (60 total). The community building & swimming pool are to be located at the entrance to the property. In addition, perimeter fencing with a limited access gate are planned for the site.

Uncovered Parking: 179 spaces **Carpools:** 50 spaces **Garages:** 40 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: the Plaza at Willowchase Apartments is a 20.7-unit per acre, new construction development of 220 units of affordable elderly housing located in northwest Houston. The development is comprised of eight medium and large, three-story, garden style, elevator-served residential buildings as follows:

- Two buildings with 24 one-bedroom/one-bath units and six two-bedroom/two-bath units;
- Two buildings with 15 one-bedroom/one-bath units and 18 two-bedroom/two-bath units;
- Two buildings with six one-bedroom/one-bath units and 26 two-bedroom/two-bath units; and
- Two buildings with nine one-bedroom/one-bath units and six two-bedroom/two-bath units.

The residential buildings are to be arranged in two squares of four around interior courtyards, with the community building placed between the two groups. The buildings present the appearance of a single large building as all are connected by enclosed breezeways on all floors. Four elevators are located in the breezeways to provide assisted access to the 150 upper floor units. This equates to an upper floor unit to elevator ratio of less than 40 to 1 and is typical for this type of development.

Development Plan: The buildings and parking areas are to occupy approximately the eastern three quarters of the site, and the western 2.18 acres will be reserved for a stormwater detention area.

Architectural Review: The building and unit plans are of good design, sufficient size, and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

elevations reflect attractive buildings with simple fenestration.

SITE ISSUES

SITE DESCRIPTION

Size: 10.58 acres 460,864 square feet **Zoning/ Permitted Uses:** No zoning in Houston
Flood Zone Designation: Zone X **Status of Off-Sites:** Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a rectangularly-shaped parcel located in the far northwest area of the city, approximately 20 miles from the central business district. The site is located within an isolated “island” of annexed land surrounding Willowbrook Mall, surrounded by unincorporated Harris County. The site is situated on the west side of Misty Willow Street and surrounded on the other three sides by Willow Place Drive.

Adjacent Land Uses:

- **North:** Willow Place Drive North immediately adjacent and vacant land followed by commercial beyond;
- **South:** Willow Place Drive South immediately adjacent and multifamily residential beyond;
- **East:** Misty Willow Street immediately adjacent and multifamily residential beyond; and
- **West:** Willow Place Drive West immediately adjacent and multifamily residential and a post office beyond.

Site Access: Access to the property is from the east from Willow Place Drive North or South, from the west along Bow Willow Street, or the north or south from Misty Willow Street, from which the development is to have a single entry. Access to State Highway 249 is one-third of a mile east, which provides connections to all other major roads serving the Houston area.

Public Transportation: Public transportation to the area is provided by the city bus system with the nearest stop on Highway 249 approximately 0.3 miles east.

Shopping & Services: The site is within two miles of two major grocery/pharmacies and a regional shopping center (Willowbrook 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.

Special Adverse Site Characteristics: The title commitment lists a vendor’s lien that must be cleared by the closing. 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, is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection on November 10, 2004 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 October 15, 2004 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations: “This assessment has revealed no evidence of recognized environmental conditions in connection with the site.” (p. 20)

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 1C private activity bond lottery development the Applicant has elected the 100% at 60% option.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

MARKET HIGHLIGHTS

A market feasibility study report dated October 8, 2004 was prepared by Apartment MarketData Research Services, LLC (“Market Analyst”). In the Underwriter’s view the study failed to document sufficient demand to yield an inclusive capture rate within the maximum TDHCA guideline of 100% for elderly developments, and the Analyst was requested to reanalyze the demand potential. The Analyst submitted a revised demand estimate on December 28, 2004, and this revised report is discussed here. The Analyst did not change the primary market area (PMA) and thus the revised report is considered a clarification rather than a new report for the purposes of the 60-day submission rule.

Definition of Primary Market Area: “For this analysis we utilized a primary market area comprising a custom boundary of 73 square miles surrounding the subject site” (p. 28). This area is equivalent to a circle with a radius of 4.8 miles. The boundaries of the area are Beltway 8 to the southeast, U.S. Highway 290 to the southwest, Spring-Cypress Road to the northwest, and Stuebner-Airline Road to the northeast.

Population: The estimated total 2003 population of the PMA was 209,339 and is expected to increase by 10.2% to approximately 230,787 by 2008. Within the primary market area there were estimated to be 74,043 households in 2003. The estimated 2003 *elderly* (age 55+) population of the PMA was 31,842 and is expected to increase by 33% to approximately 42,347 by 2008. Within the primary market area there were estimated to be 15,886 elderly households in 2003.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a revised total demand of 818 qualified households in the PMA, based on the current estimate of 15,886 elderly households, the projected annual household growth rate of 6.6%, renter households estimated at 27.4% of the population, income-qualified households estimated at 10.11%, and an annual renter turnover rate of 64.4 % (p. 47). The Market Analyst used an income band of \$20,580 to \$32,940. (NOTE: The Underwriter regards the Analyst’s turnover rate, which is based on the total Houston renter population, to be significantly overstated for elderly renters but has used this rate in the absence of age-specific turnover data. Also, the upper end of the Analyst’s income band is based on three-person households, which although permissible under TDHCA and IRS rules would appear to be atypical for elderly households. Both of these techniques have the effect of increasing the estimated demand.) In addition, the Analyst calculated a prorated share the Section 8 vouchers in the Houston area that would be, in theory, available for elderly households below the income band in the PMA. The Analyst overstated this estimate by understating the denominator in determining the percentage of households that are eligible for vouchers in the PMA compared to the entire Houston area. The Underwriter recalculated this percentage and therefore concluded a slightly lower demand as follows:

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	7	<1%	29	5%
Resident Turnover	291	36%	302	52%
Other Sources: Section 8 voucherholders	520	64%	248	43%
TOTAL ANNUAL DEMAND	818	100%	579	100%

Ref: Revision p. 49

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 40.6% based upon 818 units of demand and 332 unstabilized affordable housing in the PMA (the subject plus the 112 50% and 60% AMI rent-restricted units of the 200-unit Manor at Jersey Village (#03182)) (revision p. 49). The Underwriter calculated an inclusive capture rate of 57.3% based upon a lower demand estimate of 579 households.

Local Housing Authority Waiting List Information: No information provided. The Analyst did indicate that there were 5,000 housing vouchers added to the existing 17,013 vouchers for fiscal year 2004.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Market Rent Comparables: “The competitive submarket supply and demand analysis conducted by Apartment MarketData Research Services included 729 existing income-restricted ‘family’ units and 1,832 conventional units within the primary trade area...There were no ‘affordable’ senior units operating within the trade area.” (p. 113)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (60%)	\$632	\$628	+\$4	\$745	-\$113
2-Bedroom (60%)	\$754	\$751	+\$3	\$930	-\$176

(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 91%. However, newer ‘affordable’ projects have a significantly higher occupancy of 97.4%. Demand for new ‘affordable’ rental apartment units is considered to be growing.” (p. 92)

Absorption Projections: “We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy for construction [resulting in a 12-month lease-up period].” (p. 90)

Known Planned Development: The Analyst identified no properties in planning or in lease-up, and one 200-unit HTC elderly development under construction (Manor at Jersey Village Apartments, #03182) (p. 81). Outside of the PMA there are a large number of recently approved or pending approval developments targeting elderly households, including Primrose at Bammel Apartments (#04467, six miles south), Primrose at Aldine-Bender Apartments (#04405, ten miles southeast), and Village at Cornerstone Apartments (#04434, eight miles east).

Effect on Existing Housing Stock: “The subject should not have a detrimental effect on any existing ‘affordable’ projects, as occupancies are high throughout northwest Houston. Additionally, the closest ‘affordable’ senior project is 4.4 miles from this site.” (p. 91)

Other Relevant Information: “I believe the best indication of demand for Willowchase Senior Apartments is represented by existing affordable senior projects in the Houston area. The data available to us out of our database for ten of these projects shows an overall occupancy of 97.5%. This is significantly higher than occupancies reported for the market as a whole.” (December 14 supplemental letter)

Market Study Analysis/Conclusions: 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 HTC program guidelines, and are achievable according to the Market Analyst. The Applicant used Harris County utility allowances in computing net tenant-paid rents because of the site’s location within an “island” of annexed city land surrounded by unincorporated Harris County; due to the location within the Houston city limits the Underwriter has used Houston allowances which are \$4 and \$3 higher for the one- and two-bedroom units, respectively. This results in a \$9,216 reduction in potential gross rental income. The Applicant’s vacancy and collection loss estimate is in line with TDHCA underwriting guidelines, but the Applicant used a secondary income estimate of \$31.59/unit/month based on garage, carport, and storage unit rental in addition to normal secondary income sources. Although the Applicant provided follow-up for their estimate, the support was primarily for developments in other cities in central and north Texas and most were not tax credit or elderly developments. The one substantive piece of support was from an elderly development in Pasadena which reflects a 70% occupancy rate for 33 garages, at \$85 to \$90 per unit per month. A similar level of performance would amount to \$10.82 per unit per month and this is within the Department’s \$5 to \$15 range. The Underwriter therefore used the maximum TDHCA guideline of \$15. As a result of these

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

differences the Applicant's effective gross income estimate is \$49K or 2.8% greater than to the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of \$3,399 per unit is 3.5% lower than the Underwriter's database-derived estimate of \$3,523 per unit for comparably-sized developments in this area. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$24K lower), payroll (\$33.9K lower), repairs and maintenance (\$10K lower), utilities (\$12.6K lower), and property tax (\$43.8K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. The Applicant is applying for a 50% property tax exemption pursuant to the 501(c)(3) nonprofit status of the sole member of the General Partner, and provided a copy of an attorney's tax exemption request to the Cypress-Fairbanks Independent School District which opines that the Applicant is eligible for such an exemption. Based on this letter the Underwriter has assumed a 50% exemption in this analysis.

Conclusion: Although the Applicant's income and total estimated operating expense estimates are consistent with the Underwriter's expectations, the Applicant's net operating income (NOI) estimate 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 secondary income estimates, the Underwriter's estimated debt coverage ratio (DCR) of 1.09 is slightly less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to \$863,636 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					
ASSESSED VALUE					
Land: 10.5859 acres	\$787,830	Assessment for the Year of:	2004		
Building:	N/A	Valuation by:	Harris County Appraisal District		
Total Assessed Value:	\$787,830	Tax Rate:	3.20577		
EVIDENCE of SITE or PROPERTY CONTROL					
Type of Site Control:	Commercial contract – unimproved property				
Contract Expiration Date:	5/ 30/ 2005	Anticipated Closing Date:	2/ 7/ 2005		
Acquisition Cost:	\$1,428,680	Other Terms/Conditions:	\$6,000 earnest money		
Seller:	Revo II LP	Related to Development Team Member:	No		

CONSTRUCTION COST ESTIMATE EVALUATION	
Acquisition Value:	The site cost of \$1,379,719 (\$2.99/SF, \$130,408/acre, or \$6,271/unit) is assumed to be reasonable since the acquisition is an arm's-length transaction.
Sitework Cost:	The Applicant's claimed sitework costs of \$5,682 per unit are considered reasonable compared to historical sitework costs for multifamily developments.
Direct Construction Cost:	The Applicant's direct construction cost estimate is \$34K or 0.4% higher than the Underwriter's Marshall & Swift <i>Residential Cost Handbook</i> -derived estimate, and is therefore regarded as reasonable as submitted.
Ineligible Costs:	The Applicant excluded \$135K in carport and garage costs from eligible basis, and the Underwriter also excluded these costs.
Interim Financing Fees:	The Underwriter reduced the Applicant's eligible interim financing fees by \$124,500 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.
Fees:	The Applicant's contractor general requirements, contractor general and administrative fees, and

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

contractor profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines by \$38,485 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant's developer fees were set within the maximums allowed by TDHCA guidelines, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above the eligible basis portion of these fees now exceed the maximum by \$19,216 and have been reduced by the same amount in order to recalculate the appropriate requested credit amount.

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 by the Underwriter, is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$16,393,578 is used to determine a credit allocation of \$578,693 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE			
INTERIM CONSTRUCTION LETTER OF CREDIT FINANCING			
Source: PNC Bank			Contact: Nicole Flores
Principal Amount: \$12,450,000	Interest Rate:	Floating, estimated & underwritten at 5%	
Additional Information: 1.25% annual fee			
Amortization: N/A yrs	Term: Unk yrs	Commitment:	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional
PERMANENT BOND FINANCING			
Source: Collateral Mortgage Capital, LLC			Contact: Phillip Melton
Tax-Exempt Amount: \$12,450,000	Interest Rate:	Fixed, estimated & underwritten at 5.7%	
Additional Information: FNMA credit enhanced, public offering, multiple series, blended rate between 5.6% & 5.9%, underwritten at 5.7%			
Amortization: 30 yrs	Term: 30 yrs	Commitment:	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional
Annual Payment: \$867,118	Lien Priority: 1st	Commitment Date	11/ 2/ 2004
INTERIM to PERMANENT FINANCING			
Source: Harris County Housing Finance Corporation			Contact: Sal Esparza
Principal Amount: \$750,000	Interest Rate:	1%	
Additional Information: No commitment provided, award expected at 1/5/05 HFC board meeting			
Amortization: 40 yrs	Term: 40 yrs	Commitment:	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> None
Annual Payment: Cash flow loan	Lien Priority: 2nd	Commitment Date	N/A
TAX CREDIT SYNDICATION			
Source: PNC Multifamily Capital			Contact: Nicole Flores
Net Proceeds: \$4,932,289	Net Syndication Rate (per \$1.00 of 10-yr HTC)	86¢	
Commitment	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	Date:	11/ 10/ 2004
Additional Information: Commitment in amount of \$4,854,116 based on allocation of \$564,545			
APPLICANT EQUITY			
Amount: \$1,396,023	Source: Deferred developer fee		
FINANCING STRUCTURE ANALYSIS			
Bond Financing: The tax-exempt bonds are to be issued by the Harris County Housing Finance Corporation and will be publicly offered and enhanced by a FNMA guarantee. PNC Bank will provide a			

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

letter of credit during the construction phase, and Collateral Mortgage will make a 30-year term, first lien permanent mortgage loan. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

HTC Syndication: The tax credit syndication commitment is generally consistent with the terms reflected in the sources and uses of funds listed in the application, except that the commitment is for a lesser amount based on a smaller anticipated allocation.

Harris County HFC Loan: The Applicant has applied for a loan of \$750,000 from the Harris County Housing Finance Corporation, but did not provide any commitment or other documentation from the lender regarding this source of funds and stated that the award is expected to be made at the upcoming January 5, 2005 HFC board meeting. Debt service is reportedly to be paid from cash flow, and therefore no hard debt service is included in either the Applicant's or Underwriter's operating proformas. Receipt, review, and acceptance of a commitment for these funds is a condition of this report.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,396,023 amount to 65% of the total fees.

Other Financing: The Applicant included \$233,808 in anticipated income from investment of the bond proceeds in a guaranteed investment contract (GIC) during the construction stage and lease-up cash flow. These sources have been included with deferred developer fee in the analysis below.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation would not exceed \$578,693 annually for ten years, resulting in syndication proceeds of approximately \$4,975,767. However, due to the Applicant's use of a lower applicable percentage of 3.46% instead of the 3.53% underwriting rate used for applications received in November 2004, the Applicant's request of \$573,522 will determine the allocation, resulting in syndication proceeds of \$4,931,303. Due to the difference in estimated net operating income, the Underwriter's estimated debt coverage ratio (DCR) of 1.09 is less than the TDHCA minimum standard of 1.10. Therefore, the maximum debt for this development may be limited to \$12,400,000 at the stated loan terms. To compensate for the possible reduction in loan funds the Applicant's deferred developer fee will be increased to \$1,679,814, which amounts to approximately 79% of the total fee and which should be repayable in approximately ten years. If at least \$291,521 in soft financing is not received from the Harris County HFC or another source, insufficient developer fee will be available to substitute for these funds and deferral of a portion of the unidentified general contractor's fee will be required.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, and supportive services provider are all related entities. These are common relationships for HTC-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 nonprofit sole member of the General Partner, the Unified Housing Foundation, Inc., submitted an audited financial statement as of June 30, 2004 reporting total assets of \$348M and consisting of \$144K in cash, \$5.7M in deposits, \$2.4M in receivables, \$339M in real property, and \$699K in other assets. Liabilities totaled \$345M, resulting in net assets of \$2.5M.
- The designated guarantor, Syntek West, Inc., submitted an unaudited financial statement as of March 31, 2004 reporting total assets of \$103.5M and consisting of \$1K in cash, \$15.8M in receivables, \$30K in equipment, and \$87.6M in investments. Liabilities totaled \$18.2M, resulting in a net worth of \$85.3M.

Background & Experience: Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating proforma is more than 5% outside of the Underwriter's verifiable range.
- The anticipated but unconfirmed soft financing from the Harris County HFC may not be received, which could affect the financial feasibility of the development.
- The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 50%).
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- 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: December 29, 2004

Director of Real Estate Analysis:

Tom Gouris

Date: December 29, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Plaza at Willowchase Apartments, Houston, 4% HTC #04493

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%	108	1	1	777	\$686	\$628	\$67,824	\$0.81	\$58.00	\$37.31
TC 60%	112	2	2	982	823	\$751	84,112	0.76	72.00	43.31
TOTAL:	220		AVERAGE:	881	\$756	\$691	\$151,936	\$0.78	\$65.13	\$40.36

INCOME				Total Net Rentable Sq Ft: 193,900		Comptroller's Region 6	
POTENTIAL GROSS RENT				TDHCA	APPLICANT	IREM Region Houston	
Secondary Income	Per Unit Per Month:	\$15.00	\$1,823,232	\$1,832,448	\$31.59	Per Unit Per Month	
Other Support Income:			39,600	83,400			
			0	0			
POTENTIAL GROSS INCOME				\$1,862,832	\$1,915,848		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(139,712)	(143,689)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME				\$1,723,120	\$1,772,159		

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.22%	\$409	0.46	\$90,029	\$66,035	\$0.34	\$300	3.73%
Management	4.00%	313	0.36	68,925	71,503	0.37	325	4.03%
Payroll & Payroll Tax	12.12%	949	1.08	208,771	174,848	0.90	795	9.87%
Repairs & Maintenance	4.60%	361	0.41	79,334	69,285	0.36	315	3.91%
Utilities	2.49%	195	0.22	42,984	30,347	0.16	138	1.71%
Water, Sewer, & Trash	4.25%	333	0.38	73,314	80,432	0.41	366	4.54%
Property Insurance	2.81%	220	0.25	48,475	48,313	0.25	220	2.73%
Property Tax	3.20577	6.14%	481	105,790	149,600	0.77	680	8.44%
Reserve for Replacements	2.55%	200	0.23	44,000	44,000	0.23	200	2.48%
Other: compl fees, spt svcs	0.78%	61	0.07	13,420	13,420	0.07	61	0.76%
TOTAL EXPENSES	44.98%	\$3,523	\$4.00	\$775,041	\$747,783	\$3.86	\$3,399	42.20%
NET OPERATING INC	55.02%	\$4,309	\$4.89	\$948,078	\$1,024,376	\$5.28	\$4,656	57.80%

DEBT SERVICE	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
First Lien Mortgage (Collateral)	50.32%	\$3,941	\$4.47	\$867,118	\$867,118	\$4.47	\$3,941	48.93%
Harris Co. HFC Cash Flow Loan	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%
NET CASH FLOW	4.70%	\$368	\$0.42	\$80,960	\$157,258	\$0.81	\$715	8.87%
AGGREGATE DEBT COVERAGE RATIO				1.09	1.18			
RECOMMENDED DEBT COVERAGE RATIO				1.10				

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
ACQUISITION COST (site or bldg)	6.82%	\$6,271	\$7.12	\$1,379,718	\$1,379,718	\$7.12	\$6,271	6.98%	
Off-Sites	0.00%	0	0.00	0	0	0.00	0	0.00%	
Sitework	6.18%	5,682	6.45	1,249,985	1,249,985	6.45	5,682	6.33%	
Direct Construction	45.77%	42,094	47.76	9,260,595	9,294,761	47.94	42,249	47.04%	
Contingency	2.58%	1,235	1.40	271,688	271,688	1.40	1,235	1.37%	
General Req'ts	6.00%	2,867	3.25	630,635	649,178	3.35	2,951	3.29%	
Contractor's G & A	2.00%	956	1.08	210,212	216,393	1.12	984	1.10%	
Contractor's Profit	6.00%	2,867	3.25	630,635	649,178	3.35	2,951	3.29%	
Indirect Construction	4.37%	4,021	4.56	884,566	884,566	4.56	4,021	4.48%	
Ineligible Costs	10.51%	9,663	10.96	2,125,920	1,930,120	9.95	8,773	9.77%	
Developer's G & A	2.00%	1,292	1.47	284,327	287,668	1.48	1,308	1.46%	
Developer's Profit	13.00%	9,138	9.53	1,848,124	1,869,841	9.64	8,499	9.46%	
Interim Financing	5.33%	4,900	5.56	1,078,021	1,078,021	5.56	4,900	5.46%	
Reserves	1.87%	1,723	1.95	378,954	0	0.00	0	0.00%	
TOTAL COST	100.00%	\$91,970	\$104.35	\$20,233,378	\$19,761,117	\$101.91	\$89,823	100.00%	
Recap-Hard Construction Costs	60.56%	\$55,699	\$63.20	\$12,253,749	\$12,331,183	\$63.60	\$56,051	62.40%	

SOURCES OF FUNDS				RECOMMENDED			
First Lien Mortgage (Collateral)	61.53%	\$56,591	\$64.21	\$12,450,000	\$12,450,000	\$12,400,000	Developer Fee Available
Harris Co. HFC Cash Flow Loan	3.71%	\$3,409	\$3.87	750,000	750,000	750,000	\$2,138,293
HTC Syndication Proceeds (PNC)	24.38%	\$22,419	\$25.44	4,932,289	4,932,289	4,931,303	% of Dev. Fee Deferred
Deferred Developer Fees	8.05%	\$7,404	\$8.40	1,628,831	1,628,831	1,679,814	79%
Additional (excess) Funds Required	2.33%	\$2,147	\$2.44	472,258	(3)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$20,233,378	\$19,761,117	\$19,761,117	\$3,557,643

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Plaza at Willowchase Apartments, Houston, 4% HTC #04493

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$42.85	\$8,308,839
Adjustments				
Elderly & 9-Ft. Ceilings	6.00%		\$2.57	\$498,530
Elevators	\$51,550	4	1.06	206,200
Roofing			0.00	0
Subfloor			(0.68)	(131,206)
Floor Cover			2.00	387,800
Porches/Balconies	\$16.91	18,499	1.61	312,810
Plumbing	\$605	336	1.05	203,280
Built-In Appliances	\$1,650	220	1.87	363,000
Stairs	\$1,475	16	0.12	23,600
Interior Corridors	\$33.61	34,104	5.91	1,146,275
Heating/Cooling			1.53	296,667
Garages	\$14.25	8,000	0.59	114,000
Comm &/or Aux Bldgs	\$63.40	3,008	0.98	190,695
Carports	\$8.18	10,000	0.42	81,800
SUBTOTAL			61.90	12,002,290
Current Cost Multiplier	1.08		4.95	960,183
Local Multiplier	0.89		(6.81)	(1,320,252)
TOTAL DIRECT CONSTRUCTION COSTS			\$60.04	\$11,642,222
Plans, specs, survy, bld perm	3.90%		(82.34)	(5454,047)
Interim Construction Interes	3.38%		(2.03)	(392,925)
Contractor's OH & Profit	11.50%		(6.90)	(1,338,855)
NET DIRECT CONSTRUCTION COSTS			\$48.77	\$9,456,395

PAYMENT COMPUTATION

Primary	\$12,450,000	Term	360
Int Rate	5.70%	DCR	1.09
Secondary	\$750,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.09
Additional	\$4,932,289	Term	
Int Rate		Aggregate DCR	1.09

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$863,636
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$84,442

Primary	\$12,400,000	Term	360
Int Rate	5.70%	DCR	1.10
Secondary	\$750,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.10
Additional	\$4,932,289	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	\$1,823,232	\$1,877,929	\$1,934,267	\$1,992,295	\$2,052,064	\$2,378,904	\$2,757,802	\$3,197,048	\$4,296,566
Secondary Income	39,600	40,788	42,012	43,272	44,570	51,669	59,899	69,439	93,320
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,862,832	1,918,717	1,976,278	2,035,567	2,096,634	2,430,573	2,817,701	3,266,487	4,389,886
Vacancy & Collection Loss	(139,712)	(143,904)	(148,221)	(152,668)	(157,248)	(182,293)	(211,328)	(244,987)	(329,241)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,723,120	\$1,774,813	\$1,828,058	\$1,882,899	\$1,939,386	\$2,248,280	\$2,606,373	\$3,021,501	\$4,060,644
EXPENSES at 4.00%									
General & Administrative	\$90,029	\$93,630	\$97,376	\$101,271	\$105,321	\$128,140	\$155,902	\$189,678	\$280,770
Management	68,925	70,993	73,122	75,316	77,575	89,931	104,255	120,860	162,426
Payroll & Payroll Tax	208,771	217,122	225,807	234,839	244,232	297,146	361,524	439,849	651,084
Repairs & Maintenance	79,334	82,507	85,807	89,240	92,809	112,916	137,380	167,144	247,414
Utilities	42,984	44,703	46,491	48,351	50,285	61,180	74,434	90,561	134,052
Water, Sewer & Trash	73,314	76,246	79,296	82,468	85,767	104,348	126,955	154,461	228,639
Insurance	48,475	50,414	52,431	54,528	56,709	68,995	83,943	102,130	151,177
Property Tax	105,790	110,022	114,423	119,000	123,760	150,573	183,195	222,884	329,923
Reserve for Replacements	44,000	45,760	47,590	49,494	51,474	62,626	76,194	92,701	137,221
Other	13,420	13,957	14,515	15,096	15,700	19,101	23,239	28,274	41,852
TOTAL EXPENSES	\$775,041	\$805,354	\$836,858	\$869,601	\$903,632	\$1,094,955	\$1,327,021	\$1,608,541	\$2,364,558
NET OPERATING INCOME	\$948,078	\$969,459	\$991,199	\$1,013,298	\$1,035,754	\$1,153,325	\$1,279,352	\$1,412,959	\$1,696,087
DEBT SERVICE									
First Lien Financing	\$863,636	\$863,636	\$863,636	\$863,636	\$863,636	\$863,636	\$863,636	\$863,636	\$863,636
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	\$84,442	\$105,823	\$127,564	\$149,662	\$172,118	\$289,689	\$415,717	\$549,323	\$832,451
DEBT COVERAGE RATIO	1.10	1.12	1.15	1.17	1.20	1.34	1.48	1.64	1.96

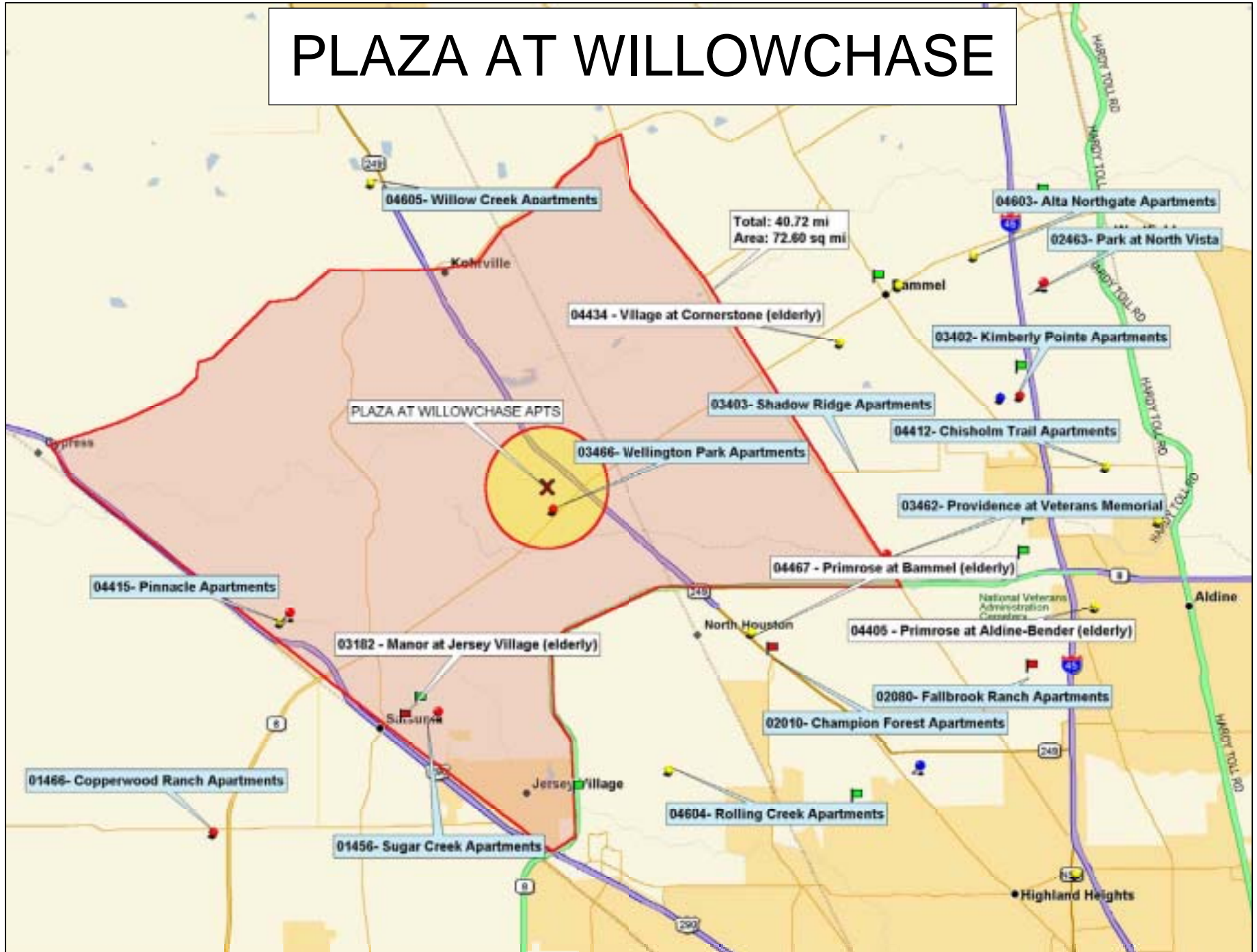
LIHTC Allocation Calculation - Plaza at Willowchase Apartments, Houston, 4% HTC #04493

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	\$1,379,718	\$1,379,718		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,249,985	\$1,249,985	\$1,249,985	\$1,249,985
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$9,294,761	\$9,260,595	\$9,294,761	\$9,260,595
(4) Contractor Fees & General Requirements				
Contractor overhead	\$216,393	\$210,212	\$210,895	\$210,212
Contractor profit	\$649,178	\$630,635	\$632,685	\$630,635
General requirements	\$649,178	\$630,635	\$632,685	\$630,635
(5) Contingencies				
	\$271,688	\$271,688	\$271,688	\$271,688
(6) Eligible Indirect Fees				
	\$884,566	\$884,566	\$884,566	\$884,566
(7) Eligible Financing Fees				
	\$1,078,021	\$1,078,021	\$1,078,021	\$1,078,021
(8) All Ineligible Costs				
	\$1,930,120	\$2,125,920		
(9) Developer Fees				
			\$2,138,293	
Developer overhead	\$287,668	\$284,327		\$284,327
Developer fee	\$1,869,841	\$1,848,124		\$1,848,124
(10) Development Reserves				
		\$378,954		
TOTAL DEVELOPMENT COSTS	\$19,761,117	\$20,233,378	\$16,393,578	\$16,348,786

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			\$16,393,578	\$16,348,786
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$16,393,578	\$16,348,786
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$16,393,578	\$16,348,786
Applicable Percentage			3.53%	3.53%
TOTAL AMOUNT OF TAX CREDITS			\$578,693	\$577,112

Syndication Proceeds	0.8598	\$4,975,767	\$4,962,172
Total Credits (Eligible Basis Method)		\$578,693	\$577,112
Syndication Proceeds		\$4,975,767	\$4,962,172
Requested Credits		\$573,522	
Syndication Proceeds		\$4,931,303	
Gap of Syndication Proceeds Needed		\$6,611,117	
Credit Amount		\$768,888	

PLAZA AT WILLOWCHASE



MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Villas at Winkler Senior Homes.

Summary of the Transaction

The application was received on August 24, 2004. The Issuer for this transaction is Victory Street Public Facility Corporation. The development is to be located at the southeast corner of Winkler and Julia Bora in Houston. The development will consist of 234 total units targeting the elderly population, with all affordable. The site is currently properly zoned for such a development. The Department has received no letters of support and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI and Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI and Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for The Villas at Winkler Senior Homes.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Villas at Winkler Senior Homes**

TDHCA#: 04478

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: Y DDA: N TTC: N
 Development Owner: Winkler Senior Housing LP
 General Partner(s): Winkler Senior Housing, LLC, 100%, Contact: Saleem Jafar
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Victory Street Public Facility Corp.
 Development Type: Elderly

Annual Tax Credit Allocation Calculation

Applicant Request: \$689,833 Eligible Basis Amt: \$689,215 Equity/Gap Amt.: \$724,801
Annual Tax Credit Allocation Recommendation: \$689,215
 Total Tax Credit Allocation Over Ten Years: \$ 6,892,150

PROPERTY INFORMATION

Unit and Building Information

Total Units: 234 HTC Units: 234 % of HTC Units: 100
 Gross Square Footage: 172,974 Net Rentable Square Footage: 168,054
 Average Square Footage/Unit: 718
 Number of Buildings: 4
 Currently Occupied: N

Development Cost

Total Cost: \$17,610,190 Total Cost/Net Rentable Sq. Ft.: \$104.79

Income and Expenses

Effective Gross Income:¹ \$1,675,368 Ttl. Expenses: \$749,023 Net Operating Inc.: \$926,345
 Estimated 1st Year DCR: 1.15

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: To Be Determined
 Attorney: Shackelford, Melton & McKinley Architect: To Be Determined
 Accountant: Novogradac & Company Engineer: Carter Burgess
 Market Analyst: Butler Burgher Lender: Charter Mac Capital Solutions
 Contractor: Odyssey Residential Construction, LP Syndicator: Related Capital Company

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Mario Gallegos, District 6 - NC Rep. Rick Noriega, District 145 - NC Mayor Bill White - NC Daisy A. Stiner, Director of Housing & Community Development, City of Houston; The proposed development of affordable multifamily senior rental housing is consistent with the City of Houston's Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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. Board waiver of its QAP rule under Section 50.12 (a)(2) regarding the submission of all documentation (including the market study) at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made.
3. Receipt, review, and acceptance of a third party engineer's certification that the planned construction over existing easements is permissible and specific consideration of same via a new or revised ESA.
4. Receipt, review, and acceptance of a revised site plan reflecting at least one parking space per unit or documentation from the City that reflects the acceptance of less parking per unit, to be consistent with the plan or revised plan.
5. Receipt, review, and acceptance of documentation from all local taxing authorities confirming the development will be 100% tax exempt or other documentation as to how the property tax exemption will be secured.
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.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.

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:

Date

Elizabeth Anderson,

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: December 29, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04478

DEVELOPMENT NAME

Villas at Winkler Senior Homes

APPLICANT

Name: Winkler Senior Housing, LP **Type:** For-profit
Address: 1200 Three Lincoln Centre, 5430 LBJ Freeway **City:** Dallas **State:** TX
Zip: 75240 **Contact:** Saleem Jafar **Phone:** (972) 455-9299 **Fax:** (972) 455-9297

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: <u>Winkler Senior Housing</u>	(%): <u>0.01</u>	Title: <u>Managing General Partner</u>
Name: <u>Housing Authority of the City of Houston</u>	(%): <u>N/A</u>	Title: <u>Affiliate of MGP</u>
Name: <u>Odyssey Property Holdings</u>	(%): <u>N/A</u>	Title: <u>Developer</u>
Name: <u>Saleem Jafar</u>	(%): <u>N/A</u>	Title: <u>Owner of Developer</u>

PROPERTY LOCATION

Location: SE corner of Winkler and Julia Bora **QCT** **DDA**
City: Houston **County:** Harris **Zip:** 77017

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$689,833	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of housing tax credits</u>			
Proposed Use of Funds: <u>New construction</u>		Property Type: <u>Multifamily (Seniors)</u>	

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$689,215 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

- Board waiver of its QAP rule under Section 50.12(a)(2) regarding the submission of all documentation (including the market study) at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made;
- Receipt review and acceptance of a third party engineer's certification that the planned construction over existing easements is permissible and specific consideration of same via a new or revised ESA;
- Receipt, review, and acceptance of a revised site plan reflecting at least one parking space per unit or documentation from the City that reflects the acceptance of less parking per unit, to be consistent with plan or revised plan;
- Receipt, review and acceptance of documentation from all local taxing authorities confirming the development will be 100% tax exempt or other documentation as to how the property tax exemption will be secured;
- Should the terms and rates of the proposed debt or syndication change, the transaction should be re-

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	<u>234</u>	# Rental Buildings	<u>4</u>	# Non-Res. Buildings	<u>1</u>	# of Floors	<u>3</u>	Age:	<u>N/A</u> yrs	Vacant:	<u>N/A</u> at / /
Net Rentable SF:		<u>168,054</u>		Av Un SF:	<u>718</u>	Common Area SF:	<u>4,920</u>	Gross Bldg SF:	<u>172,974</u>		

STRUCTURAL MATERIALS

The structure will be wood frame on a slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 20% stone/brick veneer, 65% stucco, and 15% cement fiber siding, and wood trim. The interior wall surfaces will be drywall and the pitched roof will be finished with composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer with connections, cable, laminated counter tops, individual water heaters, individual heating and air conditioning, and 9-foot ceilings. The residential units on the upper floors will be accessed by two elevators in each building.

ON-SITE AMENITIES

A 4,920-square foot community building will include an activity room, community room, management offices, maintenance, a library, restrooms, a laundry facility, & a central mailroom. The community building and swimming pool are located at the center of the property. In addition, perimeter fencing is planned for the site and a gazebo with seating will be located at the entrance.

Uncovered Parking: 183 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Villas at Winkler Senior Homes is a very dense (35 units per acre) new construction development of affordable housing targeting senior households. The proposed site is located in southeast Houston. The development is comprised of 4 evenly distributed garden style residential buildings as follows:

- € One building with 15 one-bedroom and 21 two-bedroom units; and
- € Three buildings with 27 one-bedroom and 39 two-bedroom units.

Architectural Review: The unit plans appear to offer adequate storage and living space. Each unit will have a private balcony and exterior storage closet. The building exteriors are typical of current construction with stucco, hardboard and stone veneer accents. The community building will be similar in design and offers many tenant-accessible areas.

The title commitment lists several pipeline easements across the property. The submitted site plan indicates that no buildings will be located on a pipeline easement. However, the majority of the drives are constructed over pipelines. Receipt review and acceptance of a third party engineers certification that the planned construction over existing easements is permissible and specific consideration of same via a new or revised ESA is a condition of this report.

Only 183 parking spaces will be provided for a development with 234 proposed units. While the Department does not have a specific rule regulating the number of parking spaces, the typical minimum has been one per unit unless otherwise justified and allowed by the local government. Receipt, review, and acceptance of a revised site plan reflecting at least one parking space per unit or documentation from the City that reflects the acceptance of less parking per unit, to be consistent with plan or revised plan is a condition of this report.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

SITE ISSUES					
SITE DESCRIPTION					
Size:	7	acres	304,920	square feet	Zoning/ Permitted Uses: No zoning
Flood Zone Designation:	Zone X		Status of Off-Sites:	Fully improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject property is located along the east side of Winkler just northeast of the intersection of Monroe and Interstate 45.

Adjacent Land Uses:

- € **North:** Juliabora Street immediately adjacent and multifamily and single family beyond;
- € **South:** Winkler Road immediately adjacent and medical service center and vacant commercial beyond;
- € **East:** single family and Harris County Flood Control; and
- € **West:** Winkler Road immediately adjacent and retail beyond;

Site Access: Access to the property is from the east or west along Winkler. Access to Interstate Highway 45 is one mile east, which provides connections to all other major roads serving the Houston area.

Public Transportation: Public transportation to the area is provided by Houston Area Rapid Transit (METRO) and a bus stop is located within 0.1 mile at Howard and Winkler.

Shopping & Services: Support facilities are centrally located in the Primary Market Area. (PMA) The Texas Medical center is located just to the west of the boundaries of the subject PMA.

Site Inspection Findings: TDHCA staff performed a site inspection on October 7, 2004 and found the location to be acceptable for the proposed development. However, staff noted there is an older apartment complex across Winkler and I-45 is visible from the property. The view of the rear of businesses and the condition of the single family homes in the neighborhood contribute to staff's opinion that the location may not be the most suitable for a development targeting seniors.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated September 10, 2004 was prepared by MAS-D Environmental & Associates, Inc. The report indicated no recognized environmental conditions were found either on or adjacent to the subject property and recommended no further investigation. The ESA did not specifically address the pipeline easements traversing the site.

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 development the Applicant has elected the 50% at 50% / 50% at 60% option.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$34,150	\$39,050	\$43,900	\$48,800	\$52,700	\$56,600

MARKET HIGHLIGHTS

A market feasibility study dated October 11, 2004 was prepared by Butler Burgher ("Market Analyst"). The date of the report indicates that the market study was not provided more than 60 days prior to the January 13, 2005 originally scheduled TDHCA Board meeting, and therefore Board waiver of its QAP rule under Section 50.12(a)(2) is required. Highlights of the market study are as follows:

Definition of Primary Market Area (PMA): "The subject PMA is located in the southeast part of Houston and for the purposes of this report, the PMA is defined as that area bounded by Interstate 10 to the north, State Highway 288 to the east, South Beltway 8 to the south, and West Beltway 8 to the west" (p. 53). This

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

area encompasses approximately 155.35 square miles and is equivalent to a circle with a radius of seven miles.

Population: The estimated 2004 population of the PMA is 534,824 and is expected to increase to approximately 549,264 by 2009. This is an extremely large PMA in both size and population and presumably was specifically chosen to be this large due to the targeted senior population of the development. Within the primary market area there were estimated to be 56,656 senior households in 2004.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand in the PMA, based on the current estimate of 56,656 senior households, the projected annual growth rate of 10%, renter households estimated at 48.43% of the population, income-qualified households estimated at 17.67%, and an annual renter turnover rate of 30% (p. 71). The Market Analyst used an income band of \$19,577 to \$32,940.

ANNUAL INCOME-ELIGIBLE SENIOR RENTER DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	95	6%	108	7%
Resident Turnover	1,454	94%	1,455	93%
TOTAL ANNUAL DEMAND	1,576	100%	1,563	100%

Ref: p. 71

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 52.85% based upon 1,576 units of demand and 833 unstabilized affordable housing units in the PMA (including the subject) (p. 71). The Underwriter concluded a slightly higher capture rate of 53.3% based on the same supply but a slightly smaller demand. An inclusive capture rate of 100% for a development targeting senior households is acceptable as long the defined PMA meets current Department guidelines.

Market Rent Comparables: The Market Analyst surveyed six comparable apartment projects totaling 1,118 units in the market area. "Leasing concessions are being offered in the subject area as the properties compete for new residents and attempt to increase occupancy" (p. 74). However, only two of the six comparables are offering concessions.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (50%)	\$513	\$513	\$0	\$725	-\$212
1-Bedroom (60%)	\$628	\$628	\$0	\$725	-\$97
2-Bedroom (50%)	\$614	\$614	\$0	\$850	-\$236
2-Bedroom (60%)	\$751	\$751	\$0	\$850	-\$99

(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 senior apartment projects surveyed as competition had stabilized occupancies ranging from 98% to 99%...The Gulfgate/Alameda Mall submarket is averaging 87.3% occupancy" (p. 80).

Absorption Projections: Based on the absorption rate of five comparable developments, the Market Analyst has projected an absorption rate of 20 units per month for the subject. "This rate is reasonable and would result in a nine-month absorption period to obtain stabilized occupancy" (p. 73).

Known Planned Development: "There are also (excluding the subject) 599 SENIOR LIHTC units proposed or under construction" (p. 64). The Market Analyst identified Primrose at Pasadena (248 HTC units), Jacinto Manor (160 HTC units), Parkway Seniors (91 HTC units), and South Union Place(100 HTC units).

Market Study Analysis/Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation. Due to a change in the proposed unit mix, the Market Analyst was asked to re-examine the market data. The Market Analyst found the change in unit mix did not affect the final conclusions of the Market Study.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

OPERATING PROFORMA ANALYSIS

Income: The Applicant's potential gross rent and secondary income projections are in line with Department guidelines. However, the Applicant anticipates a 7.00% vacancy and collection loss rather than the current underwriting guideline of 7.50%. Because additional support for a lower vacancy and collection loss percentage was not provided, the underwriting analysis includes the full 7.50%. Despite this difference, the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expenses: The Applicant's operating expense projection is \$12K, or 2% lower than the Underwriter's estimate. The Applicant's line-item projection for general and administrative (\$34K lower) and repairs and maintenance (\$26K higher) expenses varied significantly when compared to the Underwriter's estimates.

The Applicant's expense schedule indicates the development will likely be exempt from property taxes. It is likely that the proposed partnership with the City's housing authority will assist in securing this exemption either through negotiations with the other taxing jurisdictions or through a lease structure on the land. The underwriting analysis also makes this assumption; however, receipt, review, and acceptance of documentation from all local taxing authorities confirming the development will be 100% tax exempt or other documentation as to how the property tax exemption will be secured is a condition of this report.

Conclusion: The Applicant's effective gross income, operating expense, and net operating income figures are each within 5% of the Underwriter's estimates; therefore, the Applicant's proforma is used to determine the development's debt service capacity. Both the Applicant's and the Underwriter's proformas indicate the proposed financing structure can be supported with an initial debt coverage ratio within the Department's current guideline of 1.10 to 1.30.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 6.940 acres	\$1,280,000	Date of Valuation:	11/ 06/ 2004
Completed Development: "encumbered/stabilized"	\$12,470,000	Date of Valuation:	11/ 06/ 2004
Completed Development: "unencumbered/stabilized"	\$12,800,000	Date of Valuation:	11/ 06/ 2004
Appraiser: <u>Butler Burgher</u>	City: <u>Dallas</u>	Phone:	<u>(214) 739-0700</u>

APPRAISAL ANALYSIS/CONCLUSIONS

Although not required by program rules for this specific development, an appraisal was provided by the Applicant. It should be noted, the building configuration and unit mix presented in the appraisal are no longer consistent with the development as proposed as of the date of this underwriting report.

ASSESSED VALUE

Land: 6.9405 acres	\$453,490	Assessment for the Year of:	<u>2004</u>
Building:	<u>N/A</u>	Valuation by:	<u>Harris County Appraisal District</u>
Total Assessed Value:	\$453,490	Tax Rate:	<u>N/A (proposed to be exempt)</u>

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	<u>Unimproved Property Contract</u>					
Contract Expiration Date:	<u>01/ 15/ 2005</u>	Anticipated Closing Date:	<u>12/ 31/ 2004</u>			
Acquisition Cost:	<u>\$1,209,312.72</u>	Other Terms/Conditions:				
Seller:	<u>Prime Capital Corporation</u>	Related to Development Team Member:	<u>No</u>			

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of \$3.97/SF, \$172,857/acre, or \$5,171/unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$7,495 per unit are within the Department's

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

allowable guidelines for multifamily developments without requiring additional justifying documentation.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$584K, or 7%, lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$11.6K to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Fees: The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis by \$1,741 and, therefore, the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion: The Applicant's total development cost is slightly less than 5% lower than the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to estimate eligible basis and determine the development's need for permanent funds. An eligible basis of \$14,892,295 results in annual tax credits of \$689,215, which will be compared to the Applicant's request and the tax credits resulting from the development's gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

INTERIM TO PERMANENT BOND FINANCING

Source: Charter Mac **Contact:** Marnie Miller
Tax-Exempt Amount: \$11,450,000 **Interest Rate:** 6.50% (excluding annual trustee fee, issuer fee & other trust indenture expenses)
Additional Information: Issuer: Victory Street Public Facility Corporation; 5.0% interim interest rate
Amortization: 40 yrs **Term:** 40 yrs **Commitment:** LOI Firm Conditional
Annual Payment: \$804,418 **Lien Priority:** 1st **Commitment Date** 11/ 21/ 2004*
 *Commitment received by TDHCA on 12/01/2004

TAX CREDIT SYNDICATION

Source: Related Capital Company **Contact:** Justin Ginsberg
Net Proceeds: \$5,302,000 **Net Syndication Rate (per \$1.00 of 10-yr HTC)** 85¢
Commitment LOI Firm Conditional **Date:** 09/ 24/ 2004
Additional Information: Based on a lower credit amount

APPLICANT EQUITY

Amount: \$297,192 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by Victory Street Public Facility Corporation and purchased by Charter Mac. The most current permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application though the amount of anticipated credit is less.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$297,192 amount to 15% of the total proposed fees.

Financing Conclusions: As stated above, the Applicant's cost schedule is used to estimate eligible basis and determine the development's need for permanent funds. The resulting tax credits of \$689,215 are less than the Applicant's request; therefore, the recalculated amount is the recommended allocation. Based on the syndication commitment to contribute \$0.85 per tax credit dollar available to the limited partner, syndication proceeds in the amount of \$5,857,745 are anticipated. It is likely the developer will defer \$302,445 or 16% of eligible developer fees. This amount appears to be repayable from development cashflow within three years of stabilized operation.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

**DEVELOPMENT TEAM
IDENTITIES of INTEREST**

The Applicant, Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments. The Applicant and issuer are also related and while this is not very common I HTC transactions it is not specifically prohibited.

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 Housing Authority of the City of Houston, affiliate of the General Partner, submitted an audited financial statement as of December 31, 2003 reporting total assets of \$180M and consisting of \$7.2M in cash, \$19.2M in investments, \$1.4M in receivables, \$710K due from other governments, \$217K in prepaid expenses, \$4M in restricted assets, \$1.4M in notes receivable, \$2.5M in other assets, and \$144M in capital assets less depreciation. Liabilities totaled \$17M, resulting net assets of \$163M.
- € Saleem Jafar, guarantor, submitted financial statements and a credit release form.

Background & Experience: Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

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 anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.

Underwriter:

Lisa Vecchietti

Date: December 29, 2004

Director of Real Estate Analysis:

Tom Gouris

Date: December 29, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Villas at Winkler Senior Homes, Houston, 4% HTC 04478

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 50%	48	1	1	616	\$571	\$513	\$24,624	\$0.83	\$58.00	\$37.31
TC 60%	48	1	1	616	686	\$628	30,144	1.02	58.00	37.31
TC 50%	63	2	1	787	686	\$614	38,682	0.78	72.00	43.31
TC 60%	63	2	1	787	823	\$751	47,313	0.95	72.00	43.31
TC 50%	6	2	1	813	686	\$614	3,684	0.76	72.00	43.31
TC 60%	6	2	1	813	823	\$751	4,506	0.92	72.00	43.31
TOTAL:	234		AVERAGE:	718	\$703	\$637	\$148,953	\$0.89	\$66.26	\$40.85

INCOME

Total Net Rentable Sq Ft: **168,054**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$5.00
 Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%
 Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	5.19%	\$370	0.51
Management	5.00%	356	0.50
Payroll & Payroll Tax	13.46%	958	1.33
Repairs & Maintenance	5.78%	411	0.57
Utilities	2.79%	199	0.28
Water, Sewer, & Trash	4.25%	302	0.42
Property Insurance	3.03%	215	0.30
Property Tax	0.00%	0	0.00
Reserve for Replacements	2.81%	200	0.28
Other: compl fees	3.38%	241	0.34

TOTAL EXPENSES

NET OPERATING INC

DEBT SERVICE

	% OF EGI	PER UNIT	PER SQ FT
First Lien Mortgage	48.27%	\$3,438	\$4.79
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	6.05%	\$431	\$0.60

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		6.99%	\$5,481	\$7.63
Off-Sites		0.00%	0	0.00
Sitework		9.56%	7,500	10.44
Direct Construction		45.54%	35,712	49.73
Contingency	4.71%	2.60%	2,036	2.83
General Req'ts	5.65%	3.12%	2,443	3.40
Contractor's G & A	1.88%	1.04%	814	1.13
Contractor's Profit	5.65%	3.12%	2,443	3.40
Indirect Construction		5.28%	4,144	5.77
Ineligible Costs		6.78%	5,314	7.40
Developer's G & A	1.37%	1.01%	790	1.10
Developer's Profit	13.00%	9.59%	7,519	10.47
Interim Financing		3.50%	2,746	3.82
Reserves		1.88%	1,473	2.05
TOTAL COST		100.00%	\$78,415	\$109.19

Recap-Hard Construction Costs

SOURCES OF FUNDS

	% OF EGI	PER UNIT	PER SQ FT
First Lien Mortgage	62.40%	\$48,932	\$68.13
Additional Financing	0.00%	\$0	\$0.00
HTC Syndication Proceeds	31.95%	\$25,056	\$34.89
Deferred Developer Fees	1.62%	\$1,270	\$1.77
Additional (excess) Funds Required	4.03%	\$3,158	\$4.40
TOTAL SOURCES			

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$1,787,436	\$1,787,436
Secondary Income	14,040	14,040
Other Support Income	0	0
POTENTIAL GROSS INCOME	\$1,801,476	\$1,801,476
Vacancy & Collection Loss	(135,111)	(126,108)
Employee or Other Non-Rental Units or Concessions	0	0
EFFECTIVE GROSS INCOME	\$1,666,365	\$1,675,368
General & Administrative	\$86,471	\$52,268
Management	83,318	71,203
Payroll & Payroll Tax	224,268	213,993
Repairs & Maintenance	96,256	121,891
Utilities	46,512	39,312
Water, Sewer, & Trash	70,739	85,410
Property Insurance	50,416	58,032
Property Tax	0	234
Reserve for Replacements	46,800	46,800
Other: compl fees	56,370	59,880
TOTAL EXPENSES	\$761,151	\$749,023
NET OPERATING INC	\$905,214	\$926,345
First Lien Mortgage	\$804,418	\$814,253
Additional Financing	0	0
Additional Financing	0	0
NET CASH FLOW	\$100,797	\$112,091
AGGREGATE DEBT COVERAGE RATIO	1.13	1.14
RECOMMENDED DEBT COVERAGE RATIO		1.15

	PER SQ FT	PER UNIT	% OF EGI
Comptroller's Region			6
IREM Region			Houston
Secondary Income	\$5.00	Per Unit Per Month	
Other Support Income	\$0.00	Per Unit Per Month	
Vacancy & Collection Loss	-7.00%	of Potential Gross Rent	
General & Administrative	\$0.31	\$223	3.12%
Management	0.42	304	4.25%
Payroll & Payroll Tax	1.27	915	12.77%
Repairs & Maintenance	0.73	521	7.28%
Utilities	0.23	168	2.35%
Water, Sewer, & Trash	0.51	365	5.10%
Property Insurance	0.35	248	3.46%
Property Tax	0.00	1	0.01%
Reserve for Replacements	0.28	200	2.79%
Other: compl fees	0.36	256	3.57%
TOTAL EXPENSES	\$4.46	\$3,201	44.71%
NET OPERATING INC	\$5.51	\$3,959	55.29%
First Lien Mortgage	\$4.85	\$3,480	48.60%
Additional Financing	\$0.00	\$0	0.00%
Additional Financing	\$0.00	\$0	0.00%
NET CASH FLOW	\$0.67	\$479	6.69%

	TDHCA	APPLICANT
Acquisition Cost (site or bldg)	\$1,282,600	\$1,282,600
Off-Sites	0	0
Sitework	1,755,002	1,755,002
Direct Construction	8,356,675	7,772,430
Contingency	476,372	476,372
General Req'ts	571,646	571,646
Contractor's G & A	190,549	190,549
Contractor's Profit	571,646	571,646
Indirect Construction	969,678	969,678
Ineligible Costs	1,243,553	1,243,553
Developer's G & A	184,785	0
Developer's Profit	1,759,429	1,944,214
Interim Financing	642,500	642,500
Reserves	344,770	190,000
TOTAL COST	\$18,349,205	\$17,610,190
Recap-Hard Construction Costs	\$11,921,890	\$11,337,645

	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$7.63	\$5,481	7.28%
Off-Sites	0.00	0	0.00%
Sitework	10.44	7,500	9.97%
Direct Construction	46.25	33,216	44.14%
Contingency	2.83	2,036	2.71%
General Req'ts	3.40	2,443	3.25%
Contractor's G & A	1.13	814	1.08%
Contractor's Profit	3.40	2,443	3.25%
Indirect Construction	5.77	4,144	5.51%
Ineligible Costs	7.40	5,314	7.06%
Developer's G & A	0.00	0	0.00%
Developer's Profit	11.57	8,309	11.04%
Interim Financing	3.82	2,746	3.65%
Reserves	1.13	812	1.08%
TOTAL COST	\$104.79	\$75,257	100.00%
Recap-Hard Construction Costs	\$67.46	\$48,451	64.38%

RECOMMENDED

	TDHCA	APPLICANT
First Lien Mortgage	\$11,450,000	\$11,450,000
Additional Financing	0	0
HTC Syndication Proceeds	5,862,995	5,862,995
Deferred Developer Fees	297,192	297,192
Additional (excess) Funds Required	739,018	3
TOTAL SOURCES	\$18,349,205	\$17,610,190

	RECOMMENDED	
First Lien Mortgage	\$11,450,000	Developer Fee Available
Additional Financing	0	\$1,942,473
HTC Syndication Proceeds	5,857,745	% of Dev. Fee Deferred
Deferred Developer Fees	302,445	16%
Additional (excess) Funds Required	(0)	15-Yr Cumulative Cash Flow
TOTAL SOURCES	\$17,610,190	\$3,933,613

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Villas at Winkler Senior Homes, Houston, 4% HTC 04478

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$45.53	\$7,651,187
Adjustments				
Exterior Wall Finish	1.60%		\$0.73	\$122,419
Elderly	3.00%		1.37	229,536
9-Ft. Ceilings	3.20%		1.46	244,838
Subfloor			(0.68)	(113,717)
Floor Cover			2.00	336,108
Porches/Balconies	\$15.57	51,038	4.73	794,461
Plumbing	\$605	0	0.00	0
Built-In Appliances	\$1,650	234	2.30	386,100
Exterior Stairs	\$1,450	16	0.14	23,200
Floor Insulation			0.00	0
Heating/Cooling			1.53	257,123
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	\$61.64	4,920	1.80	303,244
Elevator	\$46,500	8	2.21	372,000
SUBTOTAL			63.11	10,606,499
Current Cost Multiplier	1.08		5.05	848,520
Local Multiplier	0.89		(6.94)	(1,166,715)
TOTAL DIRECT CONSTRUCTION COSTS			\$61.22	\$10,288,304
Plans, specs, survy, bld prm	3.90%		(\$2.39)	(\$401,244)
Interim Construction Interest	3.38%		(2.07)	(347,230)
Contractor's OH & Profit	11.50%		(7.04)	(1,183,155)
NET DIRECT CONSTRUCTION COSTS			\$49.73	\$8,356,675

PAYMENT COMPUTATION

Primary	\$11,450,000	Term	480
Int Rate	6.50%	DCR	1.13

Secondary	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.13

Additional	\$5,862,995	Term	
Int Rate		Aggregate DCR	1.13

RECOMMENDED FINANCING STRUCTURE APPLICANT'S

Primary Debt Service	\$804,418
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$121,927

Primary	\$11,450,000	Term	480
Int Rate	6.50%	DCR	1.15

Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$5,862,995	Term	0
Int Rate	0.00%	Aggregate DCR	1.15

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

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,787,436	\$1,841,059	\$1,896,291	\$1,953,180	\$2,011,775	\$2,332,199	\$2,703,657	\$3,134,280	\$4,212,210
Secondary Income	14,040	14,461	14,895	15,342	15,802	18,319	21,237	24,619	33,086
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,801,476	1,855,520	1,911,186	1,968,521	2,027,577	2,350,518	2,724,894	3,158,899	4,245,296
Vacancy & Collection Loss	(126,108)	(139,164)	(143,339)	(147,639)	(152,068)	(176,289)	(204,367)	(236,917)	(318,397)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,675,368	\$1,716,356	\$1,767,847	\$1,820,882	\$1,875,509	\$2,174,229	\$2,520,527	\$2,921,982	\$3,926,899
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$52,268	\$54,359	\$56,533	\$58,794	\$61,146	\$74,394	\$90,511	\$110,121	\$163,006
Management	71,203	72,945,3459	75,133,70628	77,387,71747	79,709,34899	92,404,98176	107,122,6997	124,184,5685	166,893,6757
Payroll & Payroll Tax	213,993	222,553	231,455	240,713	250,342	304,579	370,567	450,851	667,370
Repairs & Maintenance	121,891	126,767	131,837	137,111	142,595	173,489	211,076	256,806	380,136
Utilities	39,312	40,884	42,520	44,221	45,989	55,953	68,076	82,824	122,600
Water, Sewer & Trash	85,410	88,826	92,379	96,075	99,918	121,565	147,902	179,946	266,364
Insurance	58,032	60,353	62,767	65,278	67,889	82,598	100,493	122,265	180,982
Property Tax	234	243	253	263	274	333	405	493	730
Reserve for Replacements	46,800	48,672	50,619	52,644	54,749	66,611	81,042	98,601	145,953
Other	59,880	62,275	64,766	67,357	70,051	85,228	103,693	126,158	186,745
TOTAL EXPENSES	\$749,023	\$777,878	\$808,264	\$839,843	\$872,663	\$1,057,154	\$1,280,888	\$1,552,249	\$2,280,778
NET OPERATING INCOME	\$926,345	\$938,478	\$959,583	\$981,039	\$1,002,846	\$1,117,075	\$1,239,639	\$1,369,733	\$1,646,121
DEBT SERVICE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
First Lien Financing	\$804,418	\$804,418	\$804,418	\$804,418	\$804,418	\$804,418	\$804,418	\$804,418	\$804,418
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	\$121,927	\$134,060	\$155,165	\$176,622	\$198,428	\$312,657	\$435,222	\$565,315	\$841,703
DEBT COVERAGE RATIO	1.15	1.17	1.19	1.22	1.25	1.39	1.54	1.70	2.05

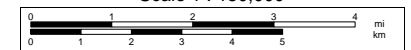
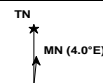
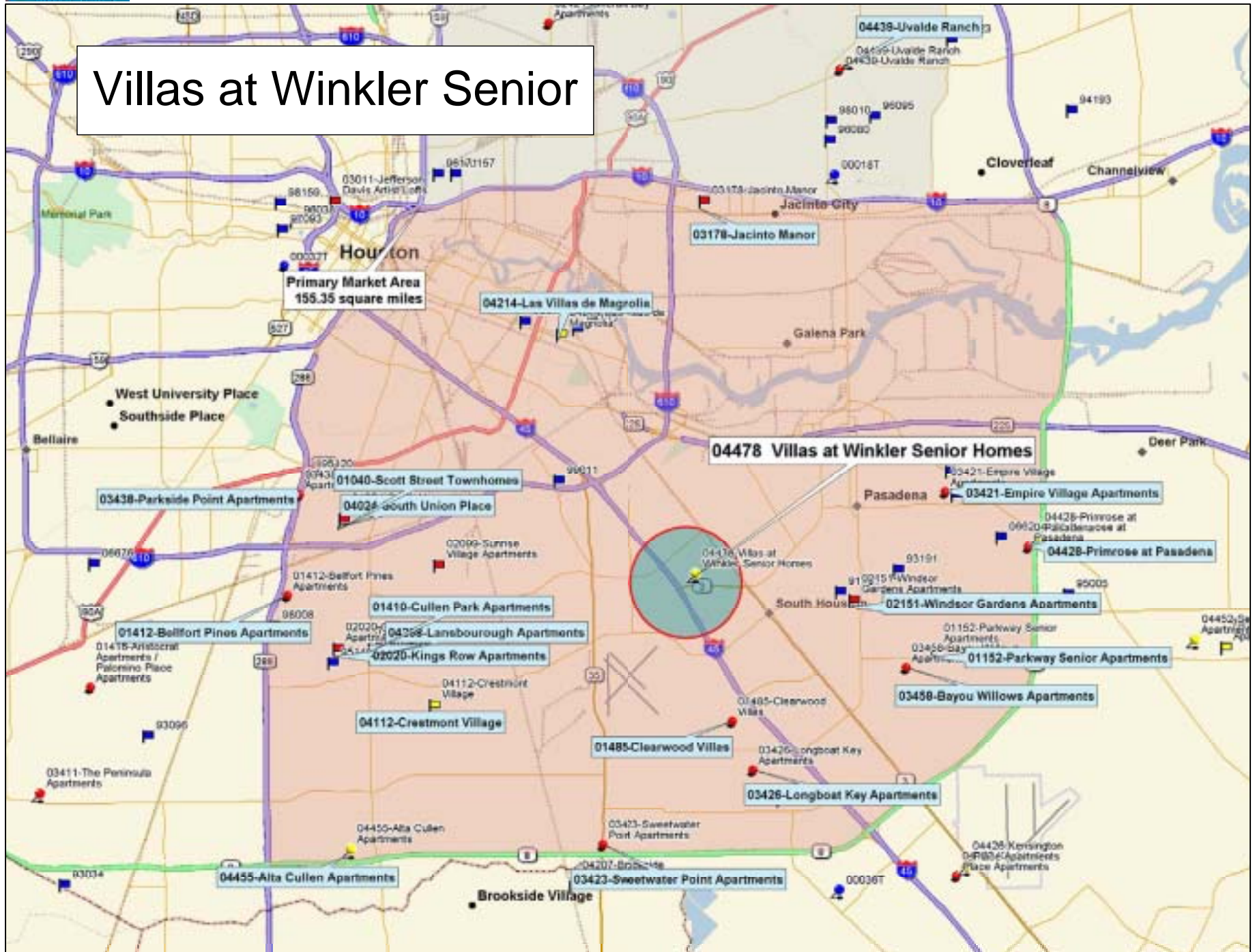
LIHTC Allocation Calculation - Villas at Winkler Senior Homes, Houston, 4% HTC 04478

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	\$1,282,600	\$1,282,600		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,755,002	\$1,755,002	\$1,755,002	\$1,755,002
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$7,772,430	\$8,356,675	\$7,772,430	\$8,356,675
(4) Contractor Fees & General Requirements				
Contractor overhead	\$190,549	\$190,549	\$190,549	\$190,549
Contractor profit	\$571,646	\$571,646	\$571,646	\$571,646
General requirements	\$571,646	\$571,646	\$571,646	\$571,646
(5) Contingencies				
	\$476,372	\$476,372	\$476,372	\$476,372
(6) Eligible Indirect Fees				
	\$969,678	\$969,678	\$969,678	\$969,678
(7) Eligible Financing Fees				
	\$642,500	\$642,500	\$642,500	\$642,500
(8) All Ineligible Costs				
	\$1,243,553	\$1,243,553		
(9) Developer Fees				
			\$1,942,473	
Developer overhead		\$184,785		\$184,785
Developer fee	\$1,944,214	\$1,759,429		\$1,759,429
(10) Development Reserves				
	\$190,000	\$344,770		
TOTAL DEVELOPMENT COSTS	\$17,610,190	\$18,349,205	\$14,892,295	\$15,478,282

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$14,892,295	\$15,478,282
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$19,359,984	\$20,121,767
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$19,359,984	\$20,121,767
Applicable Percentage		3.56%	3.56%
TOTAL AMOUNT OF TAX CREDITS		\$689,215	\$716,335

Syndication Proceeds	0.8499	\$5,857,745	\$6,088,238
Total Credits (Eligible Basis Method)		\$689,215	\$716,335
Syndication Proceeds		\$5,857,745	\$6,088,238
Requested Credits		\$689,833	
Syndication Proceeds		\$5,862,994	
Gap of Syndication Proceeds Needed		\$6,160,190	
Credit Amount		\$724,801	

Villas at Winkler Senior



MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Park at Woodline Townhomes.

Summary of the Transaction

The application was received on September 15, 2004. The Issuer for this transaction is Montgomery County HFC. The development is to be located at 24011 Richard Road in Conroe. The development will consist of 250 total units targeting the general population, with all affordable. The site is currently properly zoned for such a development. The Department received no letters in support and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI **and** Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI **and** Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Park at Woodline Townhomes.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Park at Woodline Townhomes**

TDHCA#: 04498

DEVELOPMENT AND OWNER INFORMATION

Development Location: Conroe QCT: N DDA: N TTC: N
 Development Owner: Woodline Park Apartments, LP
 General Partner(s): TCR 2004 Housing, Inc., 100%, Contact: J. Ronald Terwilliger
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Montgomery County HFC
 Development Type: General
 Population

Annual Tax Credit Allocation Calculation

Applicant Request: \$677,743 Eligible Basis Amt: \$675,950 Equity/Gap Amt.: \$835,340

Annual Tax Credit Allocation Recommendation: \$675,950

Total Tax Credit Allocation Over Ten Years: \$6,759,500

PROPERTY INFORMATION

Unit and Building Information

Total Units: 250 HTC Units: 250 % of HTC Units: 100
 Gross Square Footage: 268,661 Net Rentable Square Footage: 262,708
 Average Square Footage/Unit: 1051
 Number of Buildings: 23
 Currently Occupied: N

Development Cost

Total Cost: \$22,510,538 Total Cost/Net Rentable Sq. Ft.: \$85.69

Income and Expenses

Effective Gross Income:¹ \$2,205,228 Ttl. Expenses: \$1,009,555 Net Operating Inc.: \$1,195,673
 Estimated 1st Year DCR: 1.14

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: South Central RS, Inc.
 Attorney: Jones, Day Architect: HLR Architects
 Accountant: Reznick, Fedder & Silverman Engineer: Sterling Engineering & Design Group
 Market Analyst: O'Connoer & Associates Lender: Citibank West
 Contractor: TCR Woodline Park Construction LP Syndicator: PNC Multifamily Capital

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Tommy Williams, District 4 - NC
# in Opposition: 0	Rep. Rob Eissler, District 15 - NC
	County Judge Alan B. Sadler - NC
	Nancy S. Mikeska, Director of Community Development; This development is consistent with Montgomery County Community Development's Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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 documentation 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 of circumstance that warrants further investigation or analysis, prior to the initial closing on the property;
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/allocation 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:
Chairman of the Board

Date

Elizabeth Anderson,

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: December 29, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04498

DEVELOPMENT NAME

Park at Woodline Townhomes

APPLICANT

Name: Woodline Park Apartments Limited Partnership **Type:** For-profit
Address: 3101 Bee Caves Road, Suite 270 **City:** Austin **State:** TX
Zip: 78746 **Contact:** R. Brent Stewart **Phone:** (512) 477-9900 x15 **Fax:** (512) 480-9424

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	TCR Woodline Park Partners L.P.	(%):	.01	Title:	Managing General Partner
Name:	TCR Woodline Developer L.P.	(%):	N/A	Title:	Developer
Name:	TCR 2004 Housing, Inc. (TCR 2004)	(%):	N/A	Title:	Corporate 1% GP of MGP & Developer
Name:	Terwilliger Partners LLLP	(%):	N/A	Title:	99% LP of TCR 2004
Name:	J. Ronald Terwilliger	(%):	N/A	Title:	51% owner & Director/VP of TCR 2004 and 39.5% of Terwilliger Partners LLLP
Name:	Kenneth J. Valach	(%):	N/A	Title:	49% owner & Director/ President/ Secretary/ Treasurer of TCR 2004 and 39.5% of Terwilliger Partners LLLP
Name:	Christopher J. Bergman	(%):	N/A	Title:	20% Limited Partner in Terwilliger Partners LLLP

PROPERTY LOCATION

Location: 24011 Richard Road (formerly Woodline Drive) QCT DDA
City: Houston ETJ **County:** Montgomery **Zip:** 77386

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$677,743	N/A	N/A	N/A
Other Requested Terms: Annual ten-year allocation of housing tax credits			
Proposed Use of Funds: New construction		Property Type: Multifamily	
Special Purpose (s): General population			

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$675,950 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of documentation 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, prior to the initial closing on the property;

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

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 allocation amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORT

The subject was submitted and underwritten as a 252-unit development named Woodline Park Apartments in the 2003 MFB/4% HTC cycle. The underwriting analysis recommended the development be approved subject to the following conditions:

- Receipt, review, and acceptance of documentation indicating the recommendations of the Phase I Environmental Site Assessment and all subsequent environmental reports have been satisfactorily completed, prior to cost certification.
- Receipt, review, and acceptance, prior to closing, of a commitment from the related party general contractor indicating their fees will be deferred as needed, or acknowledgement from the general partner of the potential for additional general partner contribution should the GIC income and/or interim NOI not materialize to the levels projected; and
- 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.

The proposal received a bond award and a tax credit allocation but the Applicant elected not to proceed with the development at that time. The prior development intentionally had a low debt structure and larger anticipated deferred developer fees. The current proposal has a more typical debt load and new lenders and syndicator but the same development team.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	<u>250</u>	# Rental Buildings	<u>23</u>	# Non-Res. Buildings	<u>3</u>	# of Floors	<u>2</u>	Age:	<u>0</u> yrs	Vacant:	<u>N/A</u>	at / /
Net Rentable SF:	<u>262,708</u>	Av Un SF:	<u>1,051</u>	Common Area SF:	<u>5,953</u>	Gross Bldg SF:	<u>268,661</u>					

STRUCTURAL MATERIALS

The structures will be wood framed on post-tensioned concrete slabs on grade. According to the plans provided in the application the exteriors will be comprised as follows: 35% brick veneer & 65% cement fiber siding. The interior wall surfaces will be drywall & the pitched roofs will be finished with composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl tile. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating & air conditioning, & 9-foot ceilings.

ONSITE AMENITIES

A 4,710-square foot community building will include activity rooms, management offices, fitness & maintenance facilities, & restrooms. The community building & swimming pool are located near the entrance to the property. In addition, a 306-SF mail/laundry building & a 937-SF maintenance/laundry building are to be located near the middle of the site. Perimeter fencing with a limited access gate is planned for the site.

Uncovered Parking:	<u>424</u>	spaces	Carpports:	<u>24</u>	spaces	Garages:	<u>0</u>	spaces
---------------------------	------------	--------	-------------------	-----------	--------	-----------------	----------	--------

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Park at Woodline Townhomes is a 13.5-unit per acre, new construction development of 250 units of affordable housing located in Houston's extraterritorial jurisdiction in Montgomery County. The development will be comprised of 23 evenly distributed, medium-sized, garden style, walk-up residential

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

buildings as follows:

- Four Building Type I with ten two-bedroom/one-bath townhomes and two one-bedroom/one-bath townhomes;
- Nine Building Type II with four three-bedroom/two-bath townhomes and eight two-bedroom/two-bath townhomes;
- Two Building Type III with 12 one-bedroom/one-bath townhomes;
- Six Building Type IV with eight three-bedroom/two-bath townhomes;
- One Building Type V with ten one-bedroom/one-bath townhomes; and
- One Building Type VI with ten one-bedroom/one-bath townhomes and two three-bedroom/two-bath townhomes.

Architectural Review: The building and unit plans are of good design, sufficient size, and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect modest buildings with nice fenestration.

236 of the units are two-story “townhouse-style” units but are not designated as such by the Applicant nor costed accordingly by the Underwriter because the units back up to each other and therefore have more than two walls in common. The 1,194-SF, two-bedroom townhouse design is unusual in that the downstairs space is very small and limited to an entryway, utility room, and understairs storage while all the living areas are upstairs, requiring a significantly larger layout. Other units have larger first than second floors.

SITE ISSUES						
SITE DESCRIPTION						
Size:	18.49	acres	805,424	square feet	Zoning/ Permitted Uses:	No zoning in Montgomery County or Houston ETJ
Flood Zone Designation:	Zone X		Status of Off-Sites:	Partially improved		

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Montgomery County is located in southeastern portion of the state, approximately 25 miles north of downtown Houston. The site is a trapezoidally-shaped parcel located in Houston’s ETJ, outside of the city limits of neighboring The Woodlands. The site is situated at the east end of Woodline Drive.

Adjacent Land Uses:

- **North:** a county drainage ditch immediately adjacent with a Walgreen’s pharmacy, land undergoing development, and multifamily residential beyond;
- **South:** vacant wooded land;
- **East:** a county drainage ditch immediately adjacent and vacant wooded land beyond; and
- **West:** an oil and gas facility and vacant wooded land.

Site Access: Access to the property is currently from the west from Woodline Drive, from which the development is to have a secondary entry. The main entry is to be from the north from an extension of Richard Road across the county drainage ditch. Access to Interstate Highway 45 is one mile west, which provides connections to all other major roads serving the Montgomery County area.

Public Transportation: The site is approximately five miles north of the closest park and ride facility for the Houston public transportation system.

Shopping & Services: The site is within three miles of major grocery/pharmacies, a regional 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.

Special Adverse Site Characteristics/Site Inspection Findings: TDHCA staff performed a site inspection on December 1, 2004, and found the location to be questionable for the proposed development. The inspector noted that air seemed to be flowing from the ground, and that “...the air flow had no odor but oozed through soil, approximately 60 yards from the Woodline Street entrance.” The inspector further states

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

that “The oil company abandoned site that was fenced off has the possibility of soil contamination.” (NOTE: This phenomenon may be related to the multiple pipelines which traverse the property; see the condition in the following section regarding the required resolution of environmental concerns.)

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated October 6, 2004 was prepared by Envirotest, Ltd. and contained the following findings and recommendations:

Findings:

- **Asbestos-Containing Materials (ACM):** “Minor dumping has occurred on the subject property. Suspect asbestos-containing materials were observed in the debris piles during the original site inspection conducted by Envirotest personnel on November 6, 2003. ... Polarized Light Microscopy indicated that the Transite pipe was found to contain 10% Chrysotile asbestos.” (p. 3)
- **Pipelines:** “Unmarked active and inactive pipelines traverse portions of the subject property. The pipelines appear to be related to several decades of oil and gas exploration in the immediate area of the subject property. No evidence of stained soils, stressed vegetation, and/or uncontrolled releases in relation to the pipelines was identified at the subject property during the site visit.” (p. 8)

Recommendations:

- “Envirotest recommends that prior to development of the property, the location, ownership, and operational status of each pipeline be identified. Pipelines that are no longer in use should be decommissioned and removed from the ground to avoid future utility encumbrances or abandoned in place where appropriate.
- “Envirotest recommends the removal and proper disposal of all miscellaneous non-hazardous debris located on the subject property prior to development. Envirotest further recommends the removal of the asbestos-containing Transite piping by an accredited abatement contractor.” (p. 8)

Receipt, review, and acceptance of documentation 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, prior to the initial closing on the property; is a condition of this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET HIGHLIGHTS

A market feasibility study dated September 24, 2004 was prepared by Patrick O’Connor & Associates, LP (“Market Analyst”) and highlighted the following findings:

Definition of Primary Market Area (PMA): “The subject’s primary market is defined as that area within zip codes 77380, 77381, 77382, 77384, 77385, 77386, 77389” (p. 10). This area encompasses approximately 136 square miles and is equivalent to a circle with a radius of 6.6 miles.

Population: The estimated 2004 population of the PMA was 133,433 and is expected to increase by 21.82% to approximately 162,542 by 2009. Within the primary market area there were estimated to be 46,311 households in 2004.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 1,890 qualified households in the PMA, based on the current estimate of 46,311 households, the projected annual

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

growth rate of 4.32%, renter households estimated at 19.02% of the population, income-qualified households estimated at 5.79%, and an annual renter turnover rate of 60 %. (p. 5). The Market Analyst used an income band of \$21,566 to \$39,540.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	167	9%	112	6%
Resident Turnover	1,551	82%	1,664	94%
Other Sources	172	9%	0	0%
TOTAL ANNUAL DEMAND	1,890	100%	1,776	100%

Ref: p. 69

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 13.23% based upon 1,890 units of demand and 250 unstabilized affordable housing in the PMA (the subject) (p. 69). The Underwriter calculated an inclusive capture rate of 14.4% based upon a lower demand estimate of 1,776 households.

Local Housing Authority Waiting List Information: “There are thousands of families in Harris County currently on 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 has been closed for most of the past several years. Recently the Harris County Housing Authority opened their waiting list for a short time. In one week, over 9,000 families applied for assistance. The waiting list is well over 10,000 families with a minimum waiting time of over two years.” (p. 44)

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 1,358 units in the market area. (p. 47)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom/ 1 BA (60%)	\$629	\$629	-\$0	\$740	-\$111
1-Bedroom/ 1.5 BA (60%)	\$629	\$629	-\$0	\$850	-\$221
2-Bedroom/ 2.5 BA (60%)	\$754	\$754	-\$0	\$975	-\$221
2-Bedroom/ 2 BA (60%)	\$754	\$754	-\$0	\$1,015	-\$261
3-Bedroom/ 2.5 BA (60%)	\$875	\$875	-\$0	\$1,085	-\$210
3-Bedroom/ 2 BA (60%)	\$875	\$875	-\$0	\$1,155	-\$280

(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 overall occupancy rate for projects in this primary market area was 89.78% as of June 2004. Occupancy rates for Class B projects was higher at 90.05%.” (p. 36)

Absorption Projections: “Absorption in the subject’s primary market area over the past twelve quarters ending June 2004 totals a positive 670 units. Absorption has been positive in nine of the past fourteen quarters. Absorption over the past three and one half years has averaged ± 56 units per quarter, mainly due to limited construction and the high average occupancy. The limited amount of new product that entered the market in 2000 through 2004 was readily absorbed. Based on our research, most projects that are constructed in the Greater Houston area typically leased up within 12 months. Pre-leasing should commence prior to the completion of the construction.” (p. 12)

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)

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Market Study Analysis/Conclusions: 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 program guidelines, and are achievable according to the Market Analyst. The Applicant used a secondary income estimate of \$25/unit/month and provided sufficient additional substantiation, in the form of operating data from other Houston area affordable housing developments, for their estimate. The Applicant's vacancy and collection loss rate is in line with the TDHCA underwriting guideline of 7.5%. As a result, the Applicant's effective gross income estimate is comparable to the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of \$4,038 per unit is 4% lower than the Underwriter's database-derived estimate of \$4,205 per unit for comparably-sized developments in this area, an acceptable deviation. The Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly payroll (\$16.9K lower) and water, sewer, and trash (\$13.8K lower).

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

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 18.49 acres	\$292,240	Assessment for the Year of:	2004
Building:	N/A	Valuation by:	Montgomery County Appraisal District
Total Assessed Value:	\$292,240	Tax Rate:	3.028%

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest money contract (18.4926 acres)					
Contract Expiration Date:	7/	1/	2005	Anticipated Closing Date:	2/	12/ 2005
Acquisition Cost:	\$1,409,699			Other Terms/Conditions:	\$10,000 earnest money	
Seller:	Preston Realty Resources, Inc. & Carsam Realty Nine, Ltd.			Related to Development Team Member:	No	

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of \$1,409,699 (\$1.75/SF, \$76,230/acre, or \$5,639/unit), although almost five times the tax assessed value of \$292,240, is assumed to be reasonable since the acquisition is an arm's-length transaction. The site acquisition cost is \$120,832 more than in the prior application 11 months ago.

Off-Site Costs: The Applicant claimed off-site costs of \$340,852 for a crossing of the county drainage ditch by the north access road and an extension of Woodline Drive and a water line, and provided sufficient third party certification by an engineer to justify these costs.

Sitework Cost: The Applicant's claimed sitework costs of \$7,500 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

Direct Construction Cost: The Applicant's costs are \$845K or 7.4% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate after all of the Applicant's additional justifications

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

were considered. This would suggest that the Applicant's direct construction costs are understated. Both the Applicant and the Underwriter's costs are \$2 to \$3 more per foot than they were 11 months ago.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$44,166 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer's fees are set at the maximum 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 \$6,625.

Conclusion: Although the Underwriter regards direct construction cost to be understated, 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 estimate the HTC allocation. As a result an eligible basis of \$19,148,729 is used to determine a credit allocation of \$675,950 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE			
INTERIM TO PERMANENT BOND FINANCING			
Source:	Citibank West	Contact:	John Denton
Construction Amount:	\$15,000,000	Interest Rate:	Variable, estimated & underwritten at 3.365%
Permanent Amount:	\$15,000,000	Interest Rate:	Variable but fixed via forward swap agreement, estimated & underwritten at 5.765%
Amortization:	30 yrs	Term:	30 yrs
Annual Payment:	\$1,056,848	Commitment:	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional
		Lien Priority:	1
		Date:	11/ 10/ 2004
TAX CREDIT SYNDICATION			
Source:	PNC Multifamily Capital	Contact:	K. Nicole Flores
Net Proceeds:	\$6,093,587	Net Syndication Rate (per \$1.00 of 10-yr HTC)	90¢
Commitment:	<input type="checkbox"/> LOI <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	Date:	11/ 10/ 2004
Additional Information:	Commitment in amount of \$5,886,444 based on allocation of \$654,704		
APPLICANT EQUITY			
Amount:	\$1,125,332	Source:	Deferred developer fee
FINANCING STRUCTURE ANALYSIS			

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by the Montgomery County Housing Finance Corporation and publicly offered. Credit enhancement will be provided in the form of a letter of credit from Citibank. The bonds will be issued on a variable rate basis (BMA-based) and will have a term of 33 years (a three-year interim construction/lease-up period with interest-only payments followed by a 30-year permanent period with interest and principal repayment based on a 30-year amortization). The bond rate will float during the interim period and approximate a BMA rate; the Applicant estimated the all-in rate at 3.365%. A three-year forward interest rate swap agreement to be entered into at closing will provide for a fixed interest rate during the permanent period, with an expected all-in rate of 5.765%. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

HTC Syndication: The tax credit syndication commitment is in the lesser amount of \$5,886,444 based on a lesser allocation of \$654,704, but is otherwise consistent with the terms reflected in the application.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,125,332 amount to approximately 45% of the total eligible fees.

Other Financing: The Applicant included \$291,617 in anticipated income from investment of the bond proceeds in a guaranteed investment contract (GIC), operating income during the interim phase, and general partner equity contributions. The Underwriter has included these sources in developer fee in the following analysis.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed \$675,950 annually for ten years, resulting in syndication proceeds of approximately \$6,077,468. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$1,433,070, which represents approximately 57% of the eligible fee and which should be repayable from cash flow within ten years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager are all related entities. These are common relationships for HTC-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.
- TCR 2004 Housing, Inc., the general partner of the General Partner, submitted an unaudited financial statement as of September 30, 2004, reporting total assets of \$264,140, and consisting of \$1K in cash, \$249K in receivables, and \$14K in real property deposit. Liabilities totaled \$14K, resulting in a net worth of \$250K.
- The principals of the General Partner, J. Ronald Terwilliger, Kenneth J. Valach, and Christopher J. Bergmann, submitted unaudited financial statements as of June 30, 2004 and are anticipated to be guarantors of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

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 environmental/location risks exist regarding asbestos-containing materials located on the site and multiple underground pipelines traversing the site.

Underwriter:	_____	Date:	December 29, 2004
	<i>Phillip Drake</i>		
Underwriter:	_____	Date:	December 29, 2004
	<i>Jim Anderson</i>		
Director of Real Estate Analysis:	_____	Date:	December 29, 2004
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS

Park at Woodline Townhomes, Montgomery County, 4% HTC #04498

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Int-Pd Util	Wtr, Swr, Trsh
TC 60%	14	1	1	696	\$686	\$629	\$8,806	\$0.90	\$57.00	\$34.00
TC 60%	30	1	1.5	809	686	629	18,870	0.78	57.00	34.00
TC 60%	8	1	1.5	839	686	629	5,032	0.75	57.00	34.00
TC 60%	72	2	2.5	1,050	823	754	54,288	0.72	69.00	35.00
TC 60%	32	2	2	1,116	823	754	24,128	0.68	69.00	35.00
TC 60%	8	2	2	1,194	823	754	6,032	0.63	69.00	35.00
TC 60%	62	3	2.5	1,149	951	875	54,250	0.76	76.00	36.00
TC 60%	24	3	2	1,245	951	\$875	21,000	0.70	76.00	36.00
TOTAL:	250		AVERAGE:	1,051	\$839	\$770	\$192,406	\$0.73	\$68.91	\$35.14

INCOME

Total Net Rentable Sq Ft: 262,708

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$25.00
 Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%
 Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.42%	\$390	0.37
Management	5.00%	441	0.42
Payroll & Payroll Tax	10.46%	922	0.88
Repairs & Maintenance	4.49%	396	0.38
Utilities	2.34%	207	0.20
Water, Sewer, & Trash	4.14%	365	0.35
Property Insurance	2.98%	263	0.25
Property Tax 3.028	10.30%	908	0.86
Reserve for Replacements	2.27%	200	0.19
Other: spt svcs, compliance fees	1.28%	113	0.11
TOTAL EXPENSES	47.68%	\$4,205	\$4.00
NET OPERATING INC	52.32%	\$4,615	\$4.39

DEBT SERVICE

First Lien Mortgage (Citibank)	47.71%	\$4,209	\$4.01
GIC income, interim NOI, GP equity	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
NET CASH FLOW	4.61%	\$407	\$0.39

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
ACQUISITION COST (site or bldg)		5.98%	\$5,639	\$5.37
Off-Sites		1.45%	1,363	1.30
Sitework		7.96%	7,500	7.14
Direct Construction		48.75%	45,963	43.74
Contingency	3.17%	1.80%	1,693	1.61
General Req'ts	5.62%	3.19%	3,005	2.86
Contractor's G & A	1.87%	1.06%	1,002	0.95
Contractor's Profit	5.62%	3.19%	3,005	2.86
Indirect Construction		4.65%	4,384	4.17
Ineligible Costs		5.68%	5,359	5.10
Developer's G & A	1.31%	0.97%	919	0.87
Developer's Profit	13.00%	9.65%	9,098	8.66
Interim Financing		3.64%	3,436	3.27
Reserves		2.03%	1,915	1.82
TOTAL COST		100.00%	\$94,280	\$89.72
Recap-Hard Construction Costs		65.94%	\$62,166	\$59.16

SOURCES OF FUNDS

First Lien Mortgage (Citibank)	63.64%	\$60,000	\$57.10
GIC income, interim NOI, GP equity	1.24%	\$1,166	\$1.11
HTC Syndication Proceeds (PNC)	25.85%	\$24,374	\$23.20
Deferred Developer Fees	4.77%	\$4,501	\$4.28
Additional (excess) Funds Required	4.49%	\$4,238	\$4.03
TOTAL SOURCES			

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$2,308,872	\$2,309,028
Secondary Income	75,000	75,000
Other Support Income	0	0
POTENTIAL GROSS INCOME	\$2,383,872	\$2,384,028
Vacancy & Collection Loss	(178,790)	(178,800)
Employee or Other Non-Rental Units or Concessions	0	0
EFFECTIVE GROSS INCOME	\$2,205,082	\$2,205,228
General & Administrative	\$97,430	\$94,930
Management	110,254	110,275
Payroll & Payroll Tax	230,602	213,750
Repairs & Maintenance	99,015	93,000
Utilities	51,684	47,500
Water, Sewer, & Trash	91,344	77,500
Property Insurance	65,677	69,420
Property Tax 3.028	227,100	225,000
Reserve for Replacements	50,000	50,000
Other: spt svcs, compliance fees	28,180	28,180
TOTAL EXPENSES	\$1,051,286	\$1,009,555
NET OPERATING INC	\$1,153,796	\$1,195,673
First Lien Mortgage (Citibank)	\$1,052,147	\$1,056,848
GIC income, interim NOI, GP equity	0	0
Additional Financing	0	0
NET CASH FLOW	\$101,649	\$138,825
AGGREGATE DEBT COVERAGE RATIO	1.10	1.13
RECOMMENDED DEBT COVERAGE RATIO		1.14

Comptroller's Region	6	
IREM Region	Houston	
Per Unit Per Month	\$25.00	
% of Potential Gross Rent	-7.50%	
PER SQ FT		
PER UNIT		
% OF EGI		
\$0.36	\$380	4.30%
0.42	441	5.00%
0.81	855	9.69%
0.35	372	4.22%
0.18	190	2.15%
0.30	310	3.51%
0.26	278	3.15%
0.86	900	10.20%
0.19	200	2.27%
0.11	113	1.28%
\$3.84	\$4,038	45.78%
\$4.55	\$4,783	54.22%
\$4.02	\$4,227	47.92%
\$0.00	\$0	0.00%
\$0.00	\$0	0.00%
\$0.53	\$555	6.30%

	TDHCA	APPLICANT
ACQUISITION COST (site or bldg)	\$1,409,691	\$1,409,699
Off-Sites	340,852	340,852
Sitework	1,875,001	1,875,001
Direct Construction	11,490,641	10,645,169
Contingency	423,141	423,141
General Req'ts	751,210	751,210
Contractor's G & A	250,403	250,403
Contractor's Profit	751,210	751,210
Indirect Construction	1,096,015	1,096,015
Ineligible Costs	1,339,811	1,339,811
Developer's G & A	229,735	0
Developer's Profit	2,274,550	2,504,285
Interim Financing	858,920	858,920
Reserves	478,750	264,822
TOTAL COST	\$23,569,929	\$22,510,538
Recap-Hard Construction Costs	\$15,541,606	\$14,696,134

\$15,000,000	\$15,000,000
291,617	291,617
6,093,587	6,093,587
1,125,332	1,125,332
1,059,393	2
\$23,569,929	\$22,510,538

	PER SQ FT	PER UNIT	% of TOTAL
ACQUISITION COST (site or bldg)	\$5.37	\$5,639	6.26%
Off-Sites	1.30	1,363	1.51%
Sitework	7.14	7,500	8.33%
Direct Construction	40.52	42,581	47.29%
Contingency	1.61	1,693	1.88%
General Req'ts	2.86	3,005	3.34%
Contractor's G & A	0.95	1,002	1.11%
Contractor's Profit	2.86	3,005	3.34%
Indirect Construction	4.17	4,384	4.87%
Ineligible Costs	5.10	5,359	5.95%
Developer's G & A	0.00	0	0.00%
Developer's Profit	9.53	10,017	11.12%
Interim Financing	3.27	3,436	3.82%
Reserves	1.01	1,059	1.18%
TOTAL COST	\$85.69	\$90,042	100.00%
Recap-Hard Construction Costs	\$55.94	\$58,785	65.29%

	RECOMMENDED	
\$15,000,000	\$15,000,000	Developer Fee Available
0	291,617	\$2,497,660
6,077,468	6,093,587	% of Dev. Fee Deferred
1,433,070	1,125,332	57%
(0)	1,059,393	15-Yr Cumulative Cash Flow
\$22,510,538	\$23,569,929	\$5,030,273

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Park at Woodline Townhomes, Montgomery County, 4% HTC #04498

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.85	\$11,519,999
Adjustments				
Exterior Wall Finish	2.45%		\$ 1.07	\$282,240
9-Ft. Ceilings	3.35%		1.47	385,920
Roofing			0.00	0
Subfloor			(1.07)	(280,683)
Floor Cover			2.00	525,416
Porches/Balconies	\$9.15	10,239	0.36	93,686
Plumbing	\$605	662	1.52	400,510
Built-In Appliances	\$1,650	250	1.57	412,500
Stairs	\$1,350	236	1.21	318,600
Enclosed Corridors	\$33.93		0.00	0
Heating/Cooling			1.53	401,943
Garages/Carports	\$8.20	3,600	0.11	29,520
Comm &/or Aux Bldgs	\$60.17	4,710	1.08	283,389
Mail Bldgs	\$50.16	1,243	0.24	62,346
SUBTOTAL			54.95	14,435,387
Current Cost Multiplier	1.10		5.49	1,443,539
Local Multiplier	0.88		(6.59)	(1,732,246)
TOTAL DIRECT CONSTRUCTION COSTS			\$53.85	\$14,146,680
Plans, specs, survy, bld prmt	3.90%		(\$2.10)	(\$551,721)
Interim Construction Interest	3.38%		(1.82)	(477,450)
Contractor's OH & Profit	11.50%		(6.19)	(1,626,868)
NET DIRECT CONSTRUCTION COSTS			\$43.74	\$11,490,641

PAYMENT COMPUTATION

Primary	\$15,000,000	Term	360
Int Rate	5.765%	DCR	1.10

Secondary	\$291,617	Term	
Int Rate	0.00%	Subtotal DCR	1.10

Additional	\$6,093,587	Term	
Int Rate		Aggregate DCR	1.10

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

438

Primary Debt Service	\$1,052,147
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$143,526

Primary	\$15,000,000	Term	360
Int Rate	5.7650%	DCR	1.14

Secondary	\$291,617	Term	0
Int Rate	0.00%	Subtotal DCR	1.14

Additional	\$6,093,587	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	\$2,309,028	\$2,378,299	\$2,449,648	\$2,523,137	\$2,598,831	\$3,012,758	\$3,492,612	\$4,048,895	\$5,441,376
Secondary Income	75,000	77,250	79,568	81,955	84,413	97,858	113,444	131,513	176,742
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,384,028	2,455,549	2,529,215	2,605,092	2,683,245	3,110,616	3,606,056	4,180,408	5,618,118
Vacancy & Collection Loss	(178,800)	(184,166)	(189,691)	(195,382)	(201,243)	(233,296)	(270,454)	(313,531)	(421,359)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,205,228	\$2,271,383	\$2,339,524	\$2,409,710	\$2,482,001	\$2,877,320	\$3,335,602	\$3,866,877	\$5,196,759
EXPENSES at 4.00%									
General & Administrative	\$94,930	\$98,727	\$102,676	\$106,783	\$111,055	\$135,115	\$164,388	\$200,003	\$296,054
Management	110,275	113,583	116,991	120,500	124,115	143,884	166,801	193,368	259,870
Payroll & Payroll Tax	213,750	222,300	231,192	240,440	250,057	304,233	370,146	450,339	666,612
Repairs & Maintenance	93,000	96,720	100,589	104,612	108,797	132,368	161,046	195,937	290,035
Utilities	47,500	49,400	51,376	53,431	55,568	67,607	82,255	100,075	148,136
Water, Sewer & Trash	77,500	80,600	83,824	87,177	90,664	110,307	134,205	163,281	241,695
Insurance	69,420	72,197	75,085	78,088	81,212	98,806	120,213	146,257	216,497
Property Tax	225,000	234,000	243,360	253,094	263,218	320,245	389,627	474,041	701,697
Reserve for Replacements	50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other	28,180	29,307	30,479	31,699	32,967	40,109	48,799	59,371	87,884
TOTAL EXPENSES	\$1,009,555	\$1,048,834	\$1,089,652	\$1,132,068	\$1,176,146	\$1,423,840	\$1,724,063	\$2,088,015	\$3,064,411
NET OPERATING INCOME	\$1,195,673	\$1,222,548	\$1,249,872	\$1,277,642	\$1,305,855	\$1,453,480	\$1,611,539	\$1,778,862	\$2,132,348
DEBT SERVICE									
First Lien Financing	\$1,052,147	\$1,052,147	\$1,052,147	\$1,052,147	\$1,052,147	\$1,052,147	\$1,052,147	\$1,052,147	\$1,052,147
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	\$143,526	\$170,401	\$197,725	\$225,495	\$253,708	\$401,333	\$559,392	\$726,715	\$1,080,201
DEBT COVERAGE RATIO	1.14	1.16	1.19	1.21	1.24	1.38	1.53	1.69	2.03

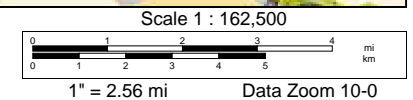
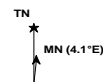
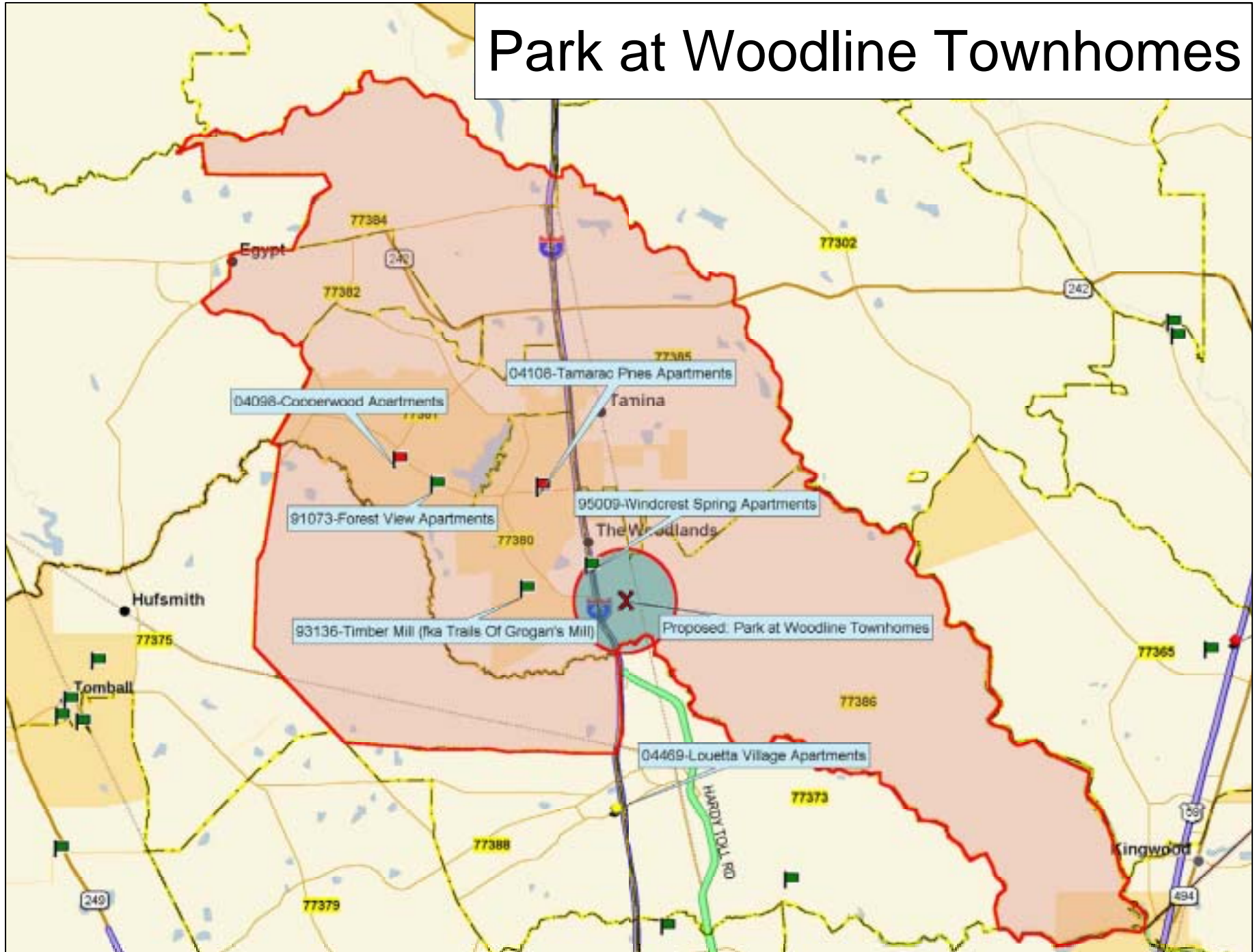
LIHTC Allocation Calculation - Park at Woodline Townhomes, Montgomery County, 4% HTC #0449

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	\$1,409,699	\$1,409,691		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,875,001	\$1,875,001	\$1,875,001	\$1,875,001
Off-site improvements	\$340,852	\$340,852		
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$10,645,169	\$11,490,641	\$10,645,169	\$11,490,641
(4) Contractor Fees & General Requirements				
Contractor overhead	\$250,403	\$250,403	\$250,403	\$250,403
Contractor profit	\$751,210	\$751,210	\$751,210	\$751,210
General requirements	\$751,210	\$751,210	\$751,210	\$751,210
(5) Contingencies				
	\$423,141	\$423,141	\$423,141	\$423,141
(6) Eligible Indirect Fees				
	\$1,096,015	\$1,096,015	\$1,096,015	\$1,096,015
(7) Eligible Financing Fees				
	\$858,920	\$858,920	\$858,920	\$858,920
(8) All Ineligible Costs				
	\$1,339,811	\$1,339,811		
(9) Developer Fees				
			\$2,497,660	
Developer overhead		\$229,735		\$229,735
Developer fee	\$2,504,285	\$2,274,550		\$2,274,550
(10) Development Reserves				
	\$264,822	\$478,750		
TOTAL DEVELOPMENT COSTS	\$22,510,538	\$23,569,929	\$19,148,729	\$20,000,826

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$19,148,729	\$20,000,826
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$19,148,729	\$20,000,826
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$19,148,729	\$20,000,826
Applicable Percentage			3.53%	3.53%
TOTAL AMOUNT OF TAX CREDITS			\$675,950	\$706,029

Syndication Proceeds	0.8991	\$6,077,468	\$6,347,908
Total Credits (Eligible Basis Method)		\$675,950	\$706,029
Syndication Proceeds		\$6,077,468	\$6,347,908
Requested Credits		\$677,743	
Syndication Proceeds		\$6,093,588	
Gap of Syndication Proceeds Needed		\$7,510,538	
Credit Amount		\$835,340	

Park at Woodline Townhomes



MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Louetta Village Apartments.

Summary of the Transaction

The application was received on August 19, 2004. The Issuer for this transaction is Harris County HFC. The development is to be located at the 1500 Block of Louetta Road in Spring. The development will consist of 116 total units targeting the elderly population, with all affordable. The site is currently properly zoned for such a development. The Department has received no letters of support and no letters in opposition. The bond priority for this transaction is:

- Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI and Set aside **50%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI and Set aside **85%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in. (MUST receive 4% Housing Tax Credits)
- Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (MUST receive 4% Housing Tax Credits)
- Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Louetta Village Apartments.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Louetta Village Apartments**

TDHCA#: 04469

DEVELOPMENT AND OWNER INFORMATION

Development Location: Spring QCT: N DDA: N TTC: N
 Development Owner: Louetta Village Apartments 45, LP
 General Partner(s): H. C. H. A. Louetta, LLC, 100%, Contact: Guy Rankin
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Harris County HFC
 Development Type: Elderly

Annual Tax Credit Allocation Calculation

Applicant Request: \$314,202 Eligible Basis Amt: \$316,311 Equity/Gap Amt.: \$325,920
Annual Tax Credit Allocation Recommendation: \$314,202
 Total Tax Credit Allocation Over Ten Years: \$3,142,020

PROPERTY INFORMATION

Unit and Building Information

Total Units: 116 HTC Units: 116 % of HTC Units: 100
 Gross Square Footage: 120,003 Net Rentable Square Footage: 116,292
 Average Square Footage/Unit: 1003
 Number of Buildings: 17
 Currently Occupied: N

Development Cost

Total Cost: \$10,355,137 Total Cost/Net Rentable Sq. Ft.: \$89.04

Income and Expenses

Effective Gross Income:¹ \$980,474 Ttl. Expenses: \$399,556 Net Operating Inc.: \$580,918
 Estimated 1st Year DCR: 1.15

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: Coach Realty Services, Inc.
 Attorney: Coats, Rose, Yale, Ryman & Lee PC Architect: The Clerkley Watkins Group
 Accountant: Reznick, Fedder & Silverman Engineer: To Be Determined
 Market Analyst: Novogradac & Company, LLC Lender: GMAC
 Contractor: To Be Determined Syndicator: Paramount Financial Group, Inc.

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Jon Lindsay, District 7 - NC
# in Opposition: 0	Rep. Debbie Riddle, District 150 - NC
	Judge Robert Eckels - NC
	Robert Eckels, County Judge; Proposed Development is consistent with the HUD approved 2003 Consolidated plan for Harris County which establishes the need for affordable, rental housing in the county.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

- 1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
- 2. Receipt, review and acceptance of a complete market feasibility study report which demonstrates sufficient demand to allow a projected inclusive capture rate of less than 100%;
- 3. Board waiver of the QAP rule under §50.12(a)(2) requiring the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice will be made;
- 4. Receipt, review and acceptance of evidence of compliance with the issues and recommendations addressed in the Phase I ESA, by cost certification;
- 5. Receipt, review and acceptance of an executed lease agreement to document the likelihood of the 100% property tax exemption;
- 6. Receipt, review and acceptance of updated statements form Harris County Housing Authority showing evidence of financial soundness must be received prior to issuance of a determination notice;
- 7. 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: _____ Date _____ Elizabeth Anderson,
Chairman of the Board

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM**

DATE: December 30, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04469

DEVELOPMENT NAME

Louetta Village Apartments

APPLICANT

Name: Louetta Village Apartments 45, L.P.	Type: For-profit
Address: 6919 Portwest, Suite 150	City: Houston State: TX
Zip: 77024 Contact: Thomas H. Scott	Phone: (713) 785-1005 Fax: (713) 785-0050

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: HCHA Louetta, LLC	(%): .01	Title: Managing General Partner
Name: Harris County Housing Authority	(%): N/A	Title: Sole Member of the GP
Name: JV Developers, LLC	(%): N/A	Title: Developer
Name: Thomas H. Scott	(%): N/A	Title: Sole Member of Developer

PROPERTY LOCATION

Location: 1500 block of Louetta Road **QCT** **DDA**
City: Spring **County:** Harris **Zip:** 77388

REQUEST

Amount	Interest Rate	Amortization	Term
\$314,202	N/A	N/A	N/A
Other Requested Terms: Annual ten-year allocation of housing tax credits			
Proposed Use of Funds: New construction		Property Type: Multifamily	
Special Purpose (s): Elderly			

RECOMMENDATION

RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$314,202 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS:

CONDITIONS

1. Receipt, review, and acceptance of a complete market feasibility study report which demonstrates sufficient demand to allow a projected inclusive capture rate of less than 100%;
2. Board waiver of the QAP rule under Section 50.12(a)(2) requiring the submission of all documentation at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice will be made;
3. Receipt, review, and acceptance of evidence of compliance with the issues and recommendations addressed in the Phase I ESA, by cost certification.
4. Receipt, review, and acceptance of an executed lease agreement to document the likelihood of the 100% property tax exemption.
5. Receipt, review, and acceptance of updated statements from Harris County Housing Authority showing evidence of financial soundness must be received prior to issuance of a determination notice.
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.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM**

ADDENDUM

Background: The subject development was originally underwritten in preparation for the December 2004 TDHCA Board meeting and was not recommended due to the Underwriter's conclusion that, based on the market information provided in the original market study report, insufficient demand was demonstrated to allow a projected inclusive capture rate of less than 100% (the maximum TDHCA guideline for elderly developments). The Applicant asked that the application be withdrawn from consideration at the December Board meeting and the applicant commissioned a new study from a second analyst to be supplied to the Department in the first week of January. Due to the change in the scheduled Board meeting date a partial new market report was submitted to TDHCA on December 29, 2004, which is the subject of this addendum. The receipt date of the report indicates that the new market study was not provided more than 60 days prior to the January 13, 2005 originally scheduled TDHCA Board meeting, and therefore Board waiver of its QAP rule under Section 50.12(a)(2) is required. In addition, this addendum is conditioned upon the receipt review and acceptance of the full report prior to the January Board meeting. The original underwriting report, attached, remains valid except for the areas covered under this addendum.

Analysis: An undated portion (Chapter 3 only) of the market feasibility study report was prepared by Apartment MarketData Research Services, LLC which highlighted the following findings:

- € **Definition of Primary Market Area (PMA):** For this analysis we utilized a primary market area comprising a five-mile radius surrounding the subject site. In all, this trade area encompasses 78.53 square miles." (p. 31)
- € **Population:** Within the PMA there are estimated to be 13,147 elderly (age 55+) households in 2004. No projected population or household data was included in the limited information provided to test this conclusion.
- € **Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 401 qualified households in the PMA, based on the current estimate of 13,147 elderly households, the projected annual senior rental household growth of 136 units, renter households estimated at 27.4% of the population, income-qualified households estimated at 10.85%, and a proration of the number of income-underqualified senior households in the PMA eligible for Section 8 vouchers (p. 52). The Market Analyst used an income band of \$20,370 to \$32,940. (NOTE: Although the upper end of the Analyst's income band is the three-person household income, the Analyst states that, "...with senior households, it is likely that most all of the households will be comprised of one or two persons." (p. 48))

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	19	5%	15	5%
Resident Turnover	252	63%	252	63%
Other Sources: Section 8 voucherholders	130	32%	130	32%
TOTAL ANNUAL DEMAND	401	100%	397	100%

Ref: p. 52

- € **Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 28.9% based upon 401 units of demand and 116 unstabilized affordable housing units in the PMA (the subject) (p. 52). The Underwriter calculated an inclusive capture rate of 28.6% based upon a slightly lower demand estimate of 397 households. These are acceptable rates for an elderly development.
- € **Absorption Projections:** "...we believe that the last of the subject's units would be delivered and occupied in 18 to 24 months from today." (p. 49)

Conclusion: The Analyst's demand calculation methodology appears to be reasonable and within TDHCA

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS ADDENDUM**

guidelines, but the lack of a complete report containing the required demographic information makes it impossible to independently verify the Analyst's demand estimates and conclusions. Due to the timing issues surrounding the January meeting and the likelihood that the full report will support the the conclusions of the portion presented an affirmative recommendation is being made subject to receipt, review, and acceptance of a complete market feasibility study report which demonstrates sufficient demand to allow a projected inclusive capture rate of less than 100% is a condition of this report.

SUMMARY OF SALIENT RISKS AND ISSUES

- € The estimated demand for and inclusive capture rate of the proposed development is difficult to verifiable in the absence of a complete market feasibility study report supporting that conclusion.
- € The proposed targeted population may be further limited based on 100%, two-bedroom units.
- € The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- € The Applicant's operating expense estimate is more than 5% outside of the Underwriter's verifiable range.

Underwriter:

Jim Anderson

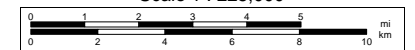
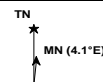
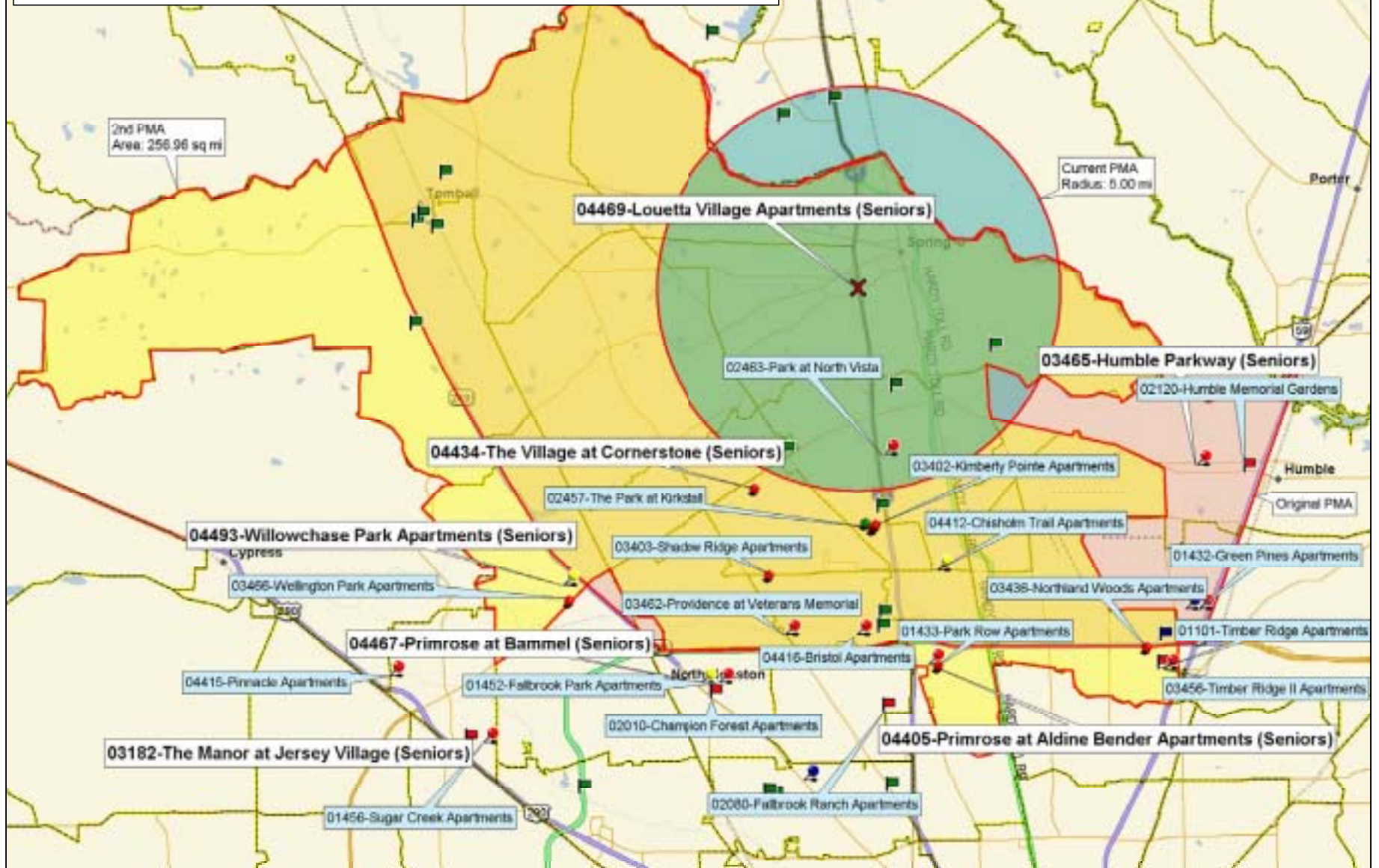
Date: December 30, 2004

Director of Real Estate Analysis:

Tom Gouris

Date: December 30, 2004

Louetta Village Apartments Harris County



**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: November 30, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04469

DEVELOPMENT NAME

Louetta Village Apartments

APPLICANT

Name:	<u>Louetta Village Apartments 45, L.P.</u>	Type:	<u>For-profit</u>
Address:	<u>6919 Portwest, Suite 150</u>	City:	<u>Houston</u> State: <u>TX</u>
Zip:	<u>77024</u>	Contact:	<u>Thomas H. Scott</u>
		Phone:	<u>(713) 785-1005</u> Fax: <u>(713) 785-0050</u>

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	<u>HCHA Louetta, LLC</u>	(%):	<u>.01</u>	Title:	<u>Managing General Partner</u>
Name:	<u>Harris County Housing Authority</u>	(%):	<u>N/A</u>	Title:	<u>Sole Member of the GP</u>
Name:	<u>JV Developers, LLC</u>	(%):	<u>N/A</u>	Title:	<u>Developer</u>
Name:	<u>Thomas H Scott</u>	(%):	<u>N/A</u>	Title:	<u>Sole Member of Developer</u>

PROPERTY LOCATION

Location: 1500 Block of Louetta Road **QCT** **DDA**
City: Spring **County:** Harris **Zip:** 77388

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$314,202	N/A	N/A	N/A
Other Requested Terms: <u>Annual ten-year allocation of housing tax credits</u>			
Proposed Use of Funds: <u>New construction</u>		Property Type: <u>Multifamily</u>	
Special Purpose (s): <u>Elderly</u>			

RECOMMENDATION

NOT RECOMMENDED DUE TO THE FOLLOWING:
 - Primary Market inclusive capture rate exceeds 100%

CONDITIONS

SHOULD THE BOARD APPROVE THIS AWARD, THE TAX CREDIT ALLOCATION SHOULD NOT EXCEED \$314,202 AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- ⊘ Board waiver of its inclusive capture rate limit or waiver of the 60 day prior to Board meeting rule
- ⊘ Receipt review and acceptance of evidence of compliance with the issues and recommendations addressed in the Phase I ESA by cost certification.
- ⊘ Receipt review and acceptance of an executed lease agreement to document the likelihood of the 100% property tax exemption.
- ⊘ Receipt review and acceptance of updated statements from Harris County Housing Authority showing evidence of financial soundness must be received prior to issuance of a determination notice.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 116 **# Rental Buildings:** 17 **# Non-Res. Buildings:** 1 **# of Floors:** 1 **Age:** N/A yrs **Vacant:** N/A at / /
Net Rentable SF: 116,292 **Av Un SF:** 1,003 **Common Area SF:** 3,711 **Gross Bldg SF:** 120,003

STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned concrete slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 30% brick veneer/ 70% cement fiber siding, and wood trim. The interior wall surfaces will be drywall and the pitched roof will be finished with composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl tile. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning, high-speed internet access, & 9-foot ceilings.

ON-SITE AMENITIES

A 3,711-square foot community building will include an activity room, management offices, fitness, maintenance, & laundry facilities, a kitchen, restrooms, and a card room. The community building and swimming pool are located at the entrance to the property. In addition perimeter fencing with limited access gates are planned for the site.

Uncovered Parking: 207 spaces **Carports:** 0 spaces **Garages:** 0 Spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Louetta Village Apartments is a 10.73 units per acre new construction development of 116 units of affordable housing located in northern Harris County. The development is comprised of 17 evenly distributed small garden style one-story residential buildings as follows:

- € Four Building Type 1 with four two-bedroom/one-bath units;
- € One Building Type 2 with four two- bedroom/two-bath units;
- € Eight Building Type 3 with eight two- bedroom/one-bath units; and
- € Four Building Type 4 with eight two- bedroom/two-bath units.

Architectural Review: The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. All are two bedroom units which limits the marketability to single seniors that are below the maximum income limit. The units appear to provide acceptable access and storage. The elevations reflect attractive buildings with nice fenestration.

SITE ISSUES

SITE DESCRIPTION

Size: 10.81 acres 470,884 square feet **Zoning/ Permitted Uses:** No Zoning
Flood Zone Designation: Zone X **Status of Off-Sites:** Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Louetta Village is in northern Harris County located in the southeast region of the state, approximately 8 miles north from Houston's central business district. The site is an irregularly-shaped parcel, situated on the south side of Louetta Road.

Adjacent Land Uses:

- € **North:** Louetta Road immediately adjacent and commercial timber beyond;

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

- € **South:** Developed shopping center immediately adjacent;
- € **East:** Office complex immediately adjacent and mobile home sales lot beyond; and
- € **West:** Mobile home community immediately adjacent and timberland beyond.

Site Access: Access to the property is from the east or west along Louetta Road. The development is to have one main entry from the north from Louetta Road. Louetta Road is a four-lane heavily traveled roadway. Access to Interstate Highway- 45, is less than 0.1 mile east of the subject site, which provides connections to all other major roads serving the area.

Public Transportation: Public transportation to the area is provided by Houston Metro Bus Transit System. The availability of the closest bus stop was not identified in the application materials.

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

Special Adverse Site Characteristics:

“A former homeless shelter encampment is on the northern edge of the Tract” and
 “The tract joins a mobile home community with a private water well.” The recommendation to deal with these characteristics is to “properly post the Tract against trespass under the new trespass laws found at TAC Section 30.06.”

Site Inspection Findings: TDHCA staff performed a site inspection on Louetta Village 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 9, 2004, was prepared by Phase One Technologies, L.L.C., and contained the following findings and recommendations:

Findings:

- € **Asbestos-Containing Materials (ACM):** no information, no existing buildings on the site
- € **Lead-Based Paint (LBP):** no information, no existing buildings on the site
- € **Radon:** “Radon is not considered a concern for this Tract.” (Appendix 9a)
- € **Floodplain:** “The Tract does not lie within a flood hazard area.” (Appendix 5)
- € **Drainage:** “Drainage on the Tract is entirely obstructed.”
- € **Dumping:** “Illegal dumping of household trash is scattered throughout the Tract.”

Recommendations:

- € **Drainage:** “Restore all drainage on the Tract. Drain or fill all pits.”
- € **Dumping:** “Remove household trash to a proper landfill.”

These items are a normal part of development of raw land and are customarily performed during the construction phase. Receipt review and acceptance of evidence of compliance with the issues addressed in the Phase I ESA by cost certification are a condition of the 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 development the Applicant has elected the 100% at 60% option. However, the development is also anticipating receiving HOME Funds from the county and as such will have 55 HOME restricted units. Nine of these will be LOW HOME units and 36 will be HIGH HOME restricted.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,620	\$29,280	\$32,940	\$36,600	\$39,540	\$42,480

MARKET HIGHLIGHTS

A market feasibility study dated October 5, 2004 and amended on November 29th, was prepared by Novogradac & Company, LLP (“Market Analyst”) and the following are highlights from its findings:

Definition of Primary Market Area (PMA): “For the purpose of this Study, Novogradac has defined the Subject’s Primary Market Area (PMA) to be approximately bound by the Harris County border to the north, U.S. Highway 59 to the east, Beltway 8 to the south and State Highway 249 to the west. The size of the PMA is approximately 50 square miles. It is important to note that approximately 20 percent of this area is occupied by the George Bush Intercontinental Airport. The PMA boundaries are outlined on the map presented...” (p. 9). This is a large area containing roughly 221 square miles and is equivalent to a circle with a 8.4 mile radius.

Population: The estimated 2004 senior population of the PMA was 53,345 and is expected to increase by 31.8% to approximately 70,308 by 2009. Within the primary market area there were estimated to be 29,545 senior households in 2004.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 313 qualified households in the PMA, based on the current estimate of 29,545 households, the projected annual growth rate of 29.3% and 19 months of growth, renter households estimated at 20% of the population, income-qualified households estimated at 11%, and a rent overburdened household estimate (as a proxy for turnover) of 27%. (p. 47). The Market Analyst used an income band of \$20,370 to \$32,940.

The Market Analyst also indicated that 30% to 50% of senior tenants in other developments come from outside of a typical PMA and provided a summary of a survey conducted of existing tax credit developments targeting seniors that reflected an average of 53% of residents that relocated from beyond 10 miles from the apartment in which they live. While details of how this study was conducted were not provided, it seems reasonable to assume that some larger portion of the seniors tenants would come from outside the PMA than a typical general population development. The Department attempts to compensate for this by allowing larger PMA’s for senior developments and allowing an inclusive capture rate of up to 100% of the PMA demand. In addition, the Department would consider demand from a secondary market if such evidence provided a review of the size of the secondary market and identified the supply and demand in that total market. In this case no such numerical support of such a secondary market was provided through correspondence with the Market Analyst. The Market Analyst indicated that such a determination would be difficult to define. As such, the Underwriter excluded it from the TDHCA demand calculation.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth (19 months)	61	18%	39	18%
Resident Turnover (via overburdened)	177	52%	173	82%
Other Sources: “Outside PMA”	101	30%	0	0%
TOTAL ANNUAL DEMAND	339	100%	212	100%

Ref: p. 44, summary

Inclusive Capture Rate: The Market Analyst initially calculated an inclusive capture rate of 86.78% based upon 313 units of demand and 272 unstabilized affordable housing in the PMA (including the subject) (p. 47). The Underwriter calculated an inclusive capture rate of 147% based upon a revised supply of unstabilized comparable affordable units of 312 divided by a revised demand of 212. The Underwriter included 40 units of unstabilized supply from Humble Memorial Gardens (a 75 unit seniors development at the far eastern edge of the PMA and allocated in 2003). The Underwriter excluded the units from Humble Memorial that would not compete in the same income bands with the subject. The Underwriter discussed these additional units with the Market Analyst who revised the conclusions of the study to include them. This increased the capture rate to 92%, but this includes 30% of demand from outside the PMA. Without the additional 30% demand from outside the PMA, the capture rate clearly rises above 100% and therefore the

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

application is not recommended. The Underwriter estimates that a revised PMA or documentation of supply and demand from the secondary market could support an acceptable capture rate, but such information has not been timely provided to be fully considered prior to the completion of this report.

Market Rent Comparables: The Market Analyst surveyed eight comparable apartment projects in the market area (p. 32).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
2-Bedroom/ 1 BA (50%)	\$607	\$614	-\$7	\$925	-\$318
2-Bedroom (60%)	\$744	\$751	-\$7	\$1000	-\$256

(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: “Six of the eight properties included in this analysis are operating at stabilized occupancy. ... The property-wide occupancy rates at the stabilized comparables ranged from 91 to 95 percent, and the overall average was 93.6 percent. Thus, we anticipate the Subject property will likely also experience a stabilized occupancy rate of approximately 95 percent” (p. 31).

Only “one comparable age-restricted property, Villas in the Pines, reported an occupancy rate of 92.8 percent. ... The historical occupancy rate for Villas in the Pines is 95 percent or greater, with the greatest demand for the LIHTC units” (p. 31).

Absorption Projections: “Considering all ... absorption data and the Subject’s proposed unit mix and rents, we conservatively estimate an absorption pace of 12 months for the Subject to reach a stabilized occupancy of 95 percent, or an average absorption rate of approximately 10 units per month due to the considerable amount of new supply of comparable units in the PMA including the proposed Cornerstone Village Apartments (AKA the village at cornerstone 156 units)” (p. 30).

Known Planned Development: “Based on a review of building permit data, it appears a large supply of comparable multifamily properties have been introduced during the past four years in Houston. It should be noted, however, that the majority of this new activity is located outside of the Subject’s PMA and most of the properties do not target seniors” (p. 25).

Existing Housing Stock: “The largest category of structures in Houston are 1-unit, detached representing 46.6 percent of the housing stock. Structures with 20 units or more, like the Subject, comprise a relatively large 26.4 percent of existing housing units. However, most of these structures do not have age restrictions or comparable amenities designed to cater to seniors are 55 years or greater. ... Based on the anticipated quality of the Subject, it will be in superior condition relative to most of the existing housing stock in Houston” (p. 24).

Market Study Analysis/Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation, however that recommendation is that the inclusive capture rate exceeds the Department’s guidelines.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are slightly lower than the maximum rents allowed under program guidelines, however the Applicant did not identify the lower High HOME rents for which the property will be restricted. The High HOME rents are driven by the Fair Market Rent (FMR) for the area which are currently lower than the HTC rents. HUD recently published new FMR’s which increases the gross two bedroom FMR for Houston to \$801, but this is still less than the \$823 gross rent for 60% HTC units. The maximum tax credit rents are otherwise achievable according to the Market Analyst and therefore the Underwriter used the maximum rent limit in this analysis.

Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Despite the difference in potential gross rents the Applicant’s effective gross income estimate is only \$240 less than the Underwriter’s estimate.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Expenses: The Applicant's total expense estimate of \$3,267 per unit is just over 5% less than the Underwriter's database-derived estimate of \$3,444 per unit for comparably-sized developments. The Applicant's budget shows only one line item estimate that deviates significantly when compared to the database averages, general and administrative (\$23K lower). The Applicant is also anticipating a 100% property tax exemption resulting from a lease of the land which will be owned by the tax-exempt Harris County Housing Authority, or a subsidiary thereof. While some documentation regarding the lease arrangement was provided, a final lease was not since one has not been executed. Receipt, review, and acceptance of an executed lease agreement is a condition of this report.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations, and the Applicant's net operating income (NOI) estimate is within 5% of the Underwriter's estimate. However, operating expenses fall just outside of this tolerance range, and therefore the Underwriter's NOI should be used to evaluate debt service capacity.

In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage, as the terms are reflected in the commitment, at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30. The Applicant showed a debt service calculation of \$394,286, which is significantly lower than the Underwriter's calculation of \$506,989. The Underwriter's debt service calculation was used for DCR purposes.

ASSESSED VALUE

Land: 10.81 acres	\$231,990	Assessment for the Year of:	2004
Building:	\$0	Valuation by:	Harris County Appraisal District
Total Assessed Value:	\$231,990	Tax Rate:	3.23%

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest Money Contract					
Contract Expiration Date:	9/	17/	2003	Anticipated Closing Date:	12/	31/ 2004
Acquisition Cost:	\$1,575,000 (\$3.35/ sq ft)			Other Terms/Conditions:	\$65K hard earnest money	
Seller:	Courtney Land, Ltd (William Pohl, GP)			Related to Development Team Member:	No	

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The Applicant will have control of the property through a land lease. The land will be purchased by Harris County Housing Authority for \$1.575M and leased back to the Applicant. The first year's lease will be \$375,000, and each subsequent year's lease will be \$1,000 per year so long as the property remains affordable. Only the initial lease payment was included in the cost of the development.

Sitework Cost: The Applicant's claimed sitework costs of \$6,936 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$42K 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 general requirements, contractor general and administrative fees, and contractor profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines by \$82,790 based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant's contingency also exceeds the 5% maximum by \$43,875 and this amount was moved out of eligible basis.

The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis by \$19,000 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

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

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

projected costs to a reasonable margin, the Applicant's total cost breakdown as adjusted by the Underwriter, is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$8,935,330 is used to determine a credit allocation of \$316,311 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

INTERIM TO PERMANENT BOND FINANCING

Source: GMAC **Contact:** Lloyd H Griffin
Tax-Exempt Amount: \$7,100,000 **Interest Rate:** 5.93%
Amortization: 30 yrs **Term:** 30 yrs **Commitment:** LOI Firm Conditional
Annual Payment: \$394,286 **Lien Priority:** 1 **Commitment Date** 10/ 1/ 2004

PERMANENT FINANCING

Source: Harris County Housing Authority **Contact:** Guy Rankin
Principal Amount: \$550,000 **Interest Rate:** AFR
Additional Information: Interest and principal will be paid back after maturity of loan (20 years), at which time HCHA will have the option to own development.
Annual Payment: \$0 **Lien Priority:** 2nd **Commitment Date** 10/ 4/ 2004

TAX CREDIT SYNDICATION

Source: Paramount Financial Group **Contact:** Dale Cook
Net Proceeds: \$2,607,354 **Net Syndication Rate (per \$1.00 of 10-yr HTC)** 83¢
Commitment LOI Firm Conditional **Date:** 10/ 7/ 2004

APPLICANT EQUITY

Amount: \$97,782 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by the Harris County Housing Finance Corporation and purchased by GMAC. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

A letter was provided from Harris County Housing Authority that mentions the amount of \$550,000 in HOME funds. It does not however mention the terms of the financing, although the Applicant expressed that the funds would be in the form of a 20-year loan, with principal and interest repaid at maturity.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$97,782 amount to 1% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed \$816,311 annually for ten years; however, the Applicant only requested \$314,202 resulting in syndication proceeds of approximately \$2,607,877. Based on the underwriting analysis, the Applicant's deferred developer fee will be reduced slightly to \$97,260, which represents approximately 8% of the eligible fee and which should be repayable from cash flow within two years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, and Property Manager firm are all related entities. These are common

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

relationships for HTC-funded developments. The land lease between the Applicant and the parent of the General Partner is less common but not prohibited.

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, Harris County Housing Authority, did not submit current financial statements.

Receipt review and acceptance of updated statements from Harris County Housing Authority is a condition of this report.

Background & Experience: Multifamily Production Finance Staff have verified the Department's experience requirements and Portfolio Management have been met and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

SUMMARY OF SALIENT RISKS AND ISSUES

- € The development would need to capture a majority of the projected market area demand (i.e., capture rate exceeds 100%).
- € The proposed targeted population may be further limited based on 100%, two-bedroom units.
- € The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.
- € The Applicant's operating expenses is more than 5% outside of the Underwriter's verifiable range.

Underwriter:

Phillip Drake

Date: November 30, 2004

Director of Real Estate Analysis:

Tom Gouris

Date: November 30, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

(Louetta Village Apts, Spring, 4% HTC, #04469)

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	Owner-Pd Util
TC 50%	9	2	1	885	\$686	\$614	\$5,526	\$0.69	\$72.00	\$31.31
TC 60%	36	2	1	885	801	729	26,244	0.82	72.00	31.31
TC 60%	71	2	2	1,077	823	751	53,321	0.70	72.00	31.31
TOTAL:	116		AVERAGE:	1,003	\$806	\$734	\$85,091	\$0.73	\$72.00	\$31.31

INCOME				TDHCA		APPLICANT		Comptroller's Region 6			
Total Net Rentable Sq Ft 116,292								IREM Region Houston			
POTENTIAL GROSS RENT								Per Unit Per Month			
Secondary Income	Per Unit Per Month:	\$15.00		\$1,021,092	\$1,020,852	\$15.00					
Other Support Income: (describe)				20,880	20,880						
POTENTIAL GROSS INCOME											
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		18,000	18,000						
Employee or Other Non-Rental Units or Concessions				\$1,059,972	\$1,059,732						
EFFECTIVE GROSS INCOME								of Potential Gross Rent			
				(79,498)	(79,476)	-7.50%					
				0	0						
				\$980,474	\$980,256						
EXPENSES				% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.61%	\$390	0.39	\$45,208	\$22,600	\$0.19	\$195	2.31%			
Management	5.00%	423	0.42	49,024	49,013	0.42	423	5.00%			
Payroll & Payroll Tax	11.99%	1,014	1.01	117,570	116,000	1.00	1,000	11.83%			
Repairs & Maintenance	5.72%	484	0.48	56,113	55,200	0.47	476	5.63%			
Utilities	2.56%	216	0.22	25,056	25,056	0.22	216	2.56%			
Water, Sewer, & Trash	4.21%	356	0.36	41,321	49,416	0.42	426	5.04%			
Property Insurance	2.97%	251	0.25	29,073	25,520	0.22	220	2.60%			
Property Tax	3.22868	0	0.00	0	0	0.00	0	0.00%			
Reserve for Replacements	2.37%	200	0.20	23,200	23,200	0.20	200	2.37%			
Other: compl fees, supp serv	1.33%	112	0.11	12,992	12,992	0.11	112	1.33%			
TOTAL EXPENSES	40.75%	\$3,444	\$3.44	\$399,556	\$378,997	\$3.26	\$3,267	38.66%			
NET OPERATING INC	59.25%	\$5,008	\$5.00	\$580,918	\$601,259	\$5.17	\$5,183	61.34%			
DEBT SERVICE				% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
GMAC	51.71%	\$4,371	\$4.36	\$506,989	\$394,286	\$3.39	\$3,399	40.22%			
Harris County HOME	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%			
Additional Financing	0.00%	\$0	\$0.00	0	0	\$0.00	\$0	0.00%			
NET CASH FLOW	7.54%	\$637	\$0.64	\$73,929	\$206,973	\$1.78	\$1,784	21.11%			
AGGREGATE DEBT COVERAGE RATIO				1.15	1.52						
RECOMMENDED DEBT COVERAGE RATIO				1.15							

CONSTRUCTION COST				% OF TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
Acquisition Cost (site or bldg)	Factor	3.60%	\$3,233	\$3.22	\$375,000	\$375,000	\$3.22	\$3,233	3.62%		
Off-Sites	0.00%	0	0.00	0	0	0.00	0	0.00%			
Sitework	7.73%	6,936	6.92	804,584	804,584	6.92	6,936	7.77%			
Direct Construction	48.35%	43,402	43.29	5,034,604	4,871,916	41.89	41,999	47.05%			
Contingency	5.00%	2,800	2.51	291,959	327,700	2.82	2,825	3.16%			
General Req'ts	5.84%	3,270	2.93	341,000	341,000	2.93	2,940	3.29%			
Contractor's G & A	2.00%	1,120	1.00	116,784	183,750	1.58	1,584	1.77%			
Contractor's Prof:	6.00%	3,360	3.01	350,351	352,750	3.03	3,041	3.41%			
Indirect Construction	4.88%	4,377	4.37	507,770	507,770	4.37	4,377	4.90%			
Ineligible Costs	6.36%	5,708	5.69	662,142	662,142	5.69	5,708	6.39%			
Developer's G & A	2.98%	2,042	2.04	236,896	236,896	2.04	2,042	2.29%			
Developer's Profit	11.91%	9,160	8.15	947,582	947,582	8.15	8,169	9.15%			
Interim Financing	4.87%	4,371	4.36	507,047	507,047	4.36	4,371	4.90%			
Reserves	2.28%	2,043	2.04	237,000	237,000	2.04	2,043	2.29%			
TOTAL COST	100.00%	\$89,765	\$89.54	\$10,412,719	\$10,355,137	\$89.04	\$89,268	100.00%			
Recap-Hard Construction Costs	66.64%	\$59,821	\$59.67	\$6,939,282	\$6,881,700	\$59.18	\$59,325	66.46%			

SOURCES OF FUNDS				% OF TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF TOTAL
GMAC	68.19%	\$61,207	\$61.05	\$7,100,000	\$7,100,000	\$7,100,000					
Harris County HOME	5.28%	\$4,741	\$4.73	550,000	550,000	550,000				Developer Fee Available	
HTC Syndication Proceeds	25.04%	\$22,477	\$22.42	2,607,355	2,607,355	2,607,877				\$1,165,478	
Deferred Developer Fees	0.94%	\$843	\$0.84	97,782	97,782	97,260				% of Dev. Fee Deferred	
Additional (excess) Funds Requ	0.55%	\$496	\$0.50	57,582	0	0				8%	
TOTAL SOURCES				\$10,412,719	\$10,355,137	\$10,355,137				15-Yr Cumulative Cash Flow	\$2,624,276

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
 (Louetta Village Apts, Spring, 4% HTC, #04469)

DIRECT CONSTRUCTION COST ESTIMATE
 Residential Cost Handbook
 Average Quality Multiple Residence Basis

PAYMENT COMPUTATION

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.95	\$5,110,711
Adjustments				
Exterior Wall Fini	2.40%		\$1.05	\$122,657
Elderly/9-Ft. Ceil	6.30%		2.77	321,975
Roofing			0.00	0
Subfloor			(2.03)	(236,073)
Floor Cover			2.00	232,584
Porches/Balconies	\$16.71	10,396	1.49	173,706
Plumbing	\$605	108	0.56	65,340
Built-In Appliance	\$1,650	116	1.65	191,400
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.53	177,927
Garages/Carports		0	0.00	0
Comm &/or Aux Bldg	\$61.93	3,711	1.98	229,817
Other:			0.00	0
SUBTOTAL			54.95	6,390,044
Current Cost Multiplier	1.08		4.40	511,204
Local Multiplier	0.89		(6.04)	(702,905)
TOTAL DIRECT CONSTRUCTION COSTS			\$53.30	\$6,198,343
Plans, specs, survy, b	3.90%		(\$2.08)	(\$241,735)
Interim Construction I	3.38%		(1.80)	(209,194)
Contractor's OH & Prof	11.50%		(6.13)	(712,809)
NET DIRECT CONSTRUCTION COSTS			\$43.29	\$5,034,604

Primary	\$7,100,000	Term	360
Int Rate	5.93%	DCR	1.15

Secondary	\$550,000	Term	
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$2,607,355	Term	
Int Rate		Aggregate DCR	1.15

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$506,989
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$73,929

Primary	\$7,100,000	Term	360
Int Rate	5.93%	DCR	1.15

Secondary	\$550,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	\$2,607,355	Term	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,021,092	\$1,051,725	\$1,083,277	\$1,115,775	\$1,149,248	\$1,332,293	\$1,544,493	\$1,790,491	\$2,406,270
Secondary Income	20,880	21,506	22,152	22,816	23,501	27,244	31,583	36,613	49,205
Other Support Income: (d)	18,000	18,540	19,096	19,669	20,259	23,486	27,227	31,563	42,418
POTENTIAL GROSS INCOME	1,059,972	1,091,771	1,124,524	1,158,260	1,193,008	1,383,023	1,603,303	1,858,667	2,497,893
Vacancy & Collection Los	(79,498)	(81,883)	(84,339)	(86,870)	(89,476)	(103,727)	(120,248)	(139,400)	(187,342)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$980,474	\$1,009,888	\$1,040,185	\$1,071,391	\$1,103,532	\$1,279,296	\$1,483,055	\$1,719,267	\$2,310,551
EXPENSES at 4.00%									
General & Administrative	\$45,208	\$47,016	\$48,897	\$50,853	\$52,887	\$64,345	\$78,285	\$95,246	\$140,987
Management	49,024	50,494	52,009	53,570	55,177	63,965	74,153	85,963	115,528
Payroll & Payroll Tax	117,570	122,272	127,163	132,250	137,540	167,338	203,593	247,702	366,659
Repairs & Maintenance	56,113	58,358	60,692	63,120	65,645	79,867	97,170	118,222	174,998
Utilities	25,056	26,058	27,101	28,185	29,312	35,663	43,389	52,789	78,141
Water, Sewer & Trash	41,321	42,974	44,693	46,480	48,340	58,813	71,554	87,057	128,865
Insurance	29,073	30,236	31,445	32,703	34,011	41,380	50,345	61,252	90,669
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	23,200	24,128	25,093	26,097	27,141	33,021	40,175	48,879	72,353
Other	12,992	13,512	14,052	14,614	15,199	18,492	22,498	27,372	40,518
TOTAL EXPENSES	\$399,556	\$415,048	\$431,145	\$447,871	\$465,250	\$562,882	\$681,162	\$824,482	\$1,208,716
NET OPERATING INCOME	\$580,918	\$594,840	\$609,040	\$623,520	\$638,282	\$716,414	\$801,893	\$894,785	\$1,101,835
DEBT SERVICE									
First Lien Financing	\$506,989	\$506,989	\$506,989	\$506,989	\$506,989	\$506,989	\$506,989	\$506,989	\$506,989
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	\$73,929	\$87,851	\$102,051	\$116,531	\$131,293	\$209,425	\$294,904	\$387,796	\$594,846
DEBT COVERAGE RATIO	1.15	1.17	1.20	1.23	1.26	1.41	1.58	1.76	2.17

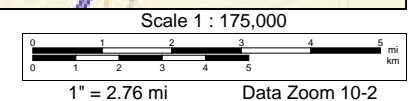
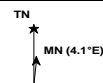
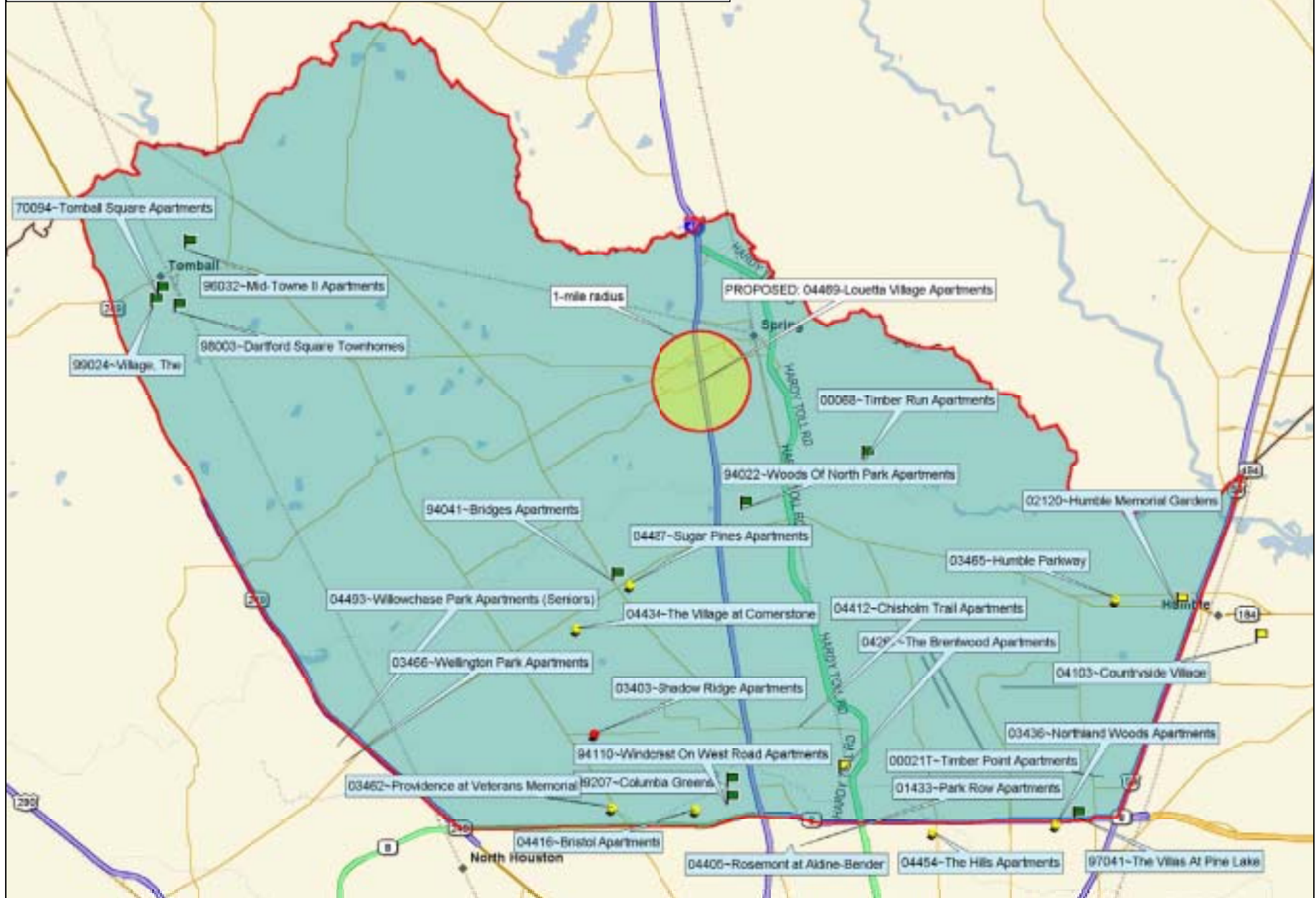
LIHTC Allocation Calculation - (Louetta Village Apts, Spring, 4% HTC, #04469)

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	\$375,000	\$375,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$804,584	\$804,584	\$804,584	\$804,584
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$4,871,916	\$5,034,604	\$4,871,916	\$5,034,604
(4) Contractor Fees & General Requirements				
Contractor overhead	\$183,750	\$116,784	\$113,530	\$116,784
Contractor profit	\$352,750	\$350,351	\$340,590	\$350,351
General requirements	\$341,000	\$341,000	\$340,590	\$341,000
(5) Contingencies				
	\$327,700	\$291,959	\$283,825	\$291,959
(6) Eligible Indirect Fees				
	\$507,770	\$507,770	\$507,770	\$507,770
(7) Eligible Financing Fees				
	\$507,047	\$507,047	\$507,047	\$507,047
(8) All Ineligible Costs				
	\$662,142	\$662,142		
(9) Developer Fees			\$1,165,478	
Developer overhead	\$236,896	\$236,896		\$236,896
Developer fee	\$947,582	\$947,582		\$947,582
(10) Development Reserves				
	\$237,000	\$237,000		
TOTAL DEVELOPMENT COSTS	\$10,355,137	\$10,412,719	\$8,935,330	\$9,138,577

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			\$8,935,330	\$9,138,577
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$8,935,330	\$9,138,577
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$8,935,330	\$9,138,577
Applicable Percentage			3.54%	3.54%
TOTAL AMOUNT OF TAX CREDITS			\$316,311	\$323,506

Syndication Proceeds	0.8300	\$2,625,379	\$2,685,097
Total Credits (Eligible Basis Method)		\$316,311	\$323,506
Syndication Proceeds		\$2,625,379	\$2,685,097
Requested Credits		\$314,202	
Syndication Proceeds		\$2,607,877	
Gap of Syndication Proceeds Needed		\$2,705,137	
Credit Amount		\$325,920	

Louetta Village Apartments



Applicant Evaluation

Project ID # **04460**

Name: **Primrose @ Crist Apartments**

City: **Garland**

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 0

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 0
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 0

Projects not reported Yes
in application No

not yet monitored or pending review: 0

of projects not reported 0

Portfolio Monitoring

Single Audit

Contract Administration

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewed by Patricia Murphy

Date 11/30/2004

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer R Meyer
Date 12/28/2004

Single Family Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF
Date 12/28/2004

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Stephanie A. D'Couto
Date 12/2 /2004

Executive Director: Edwina Carrington

Executed: day, December 29, 2004

Applicant Evaluation

Project ID # **04476-REV** Name: **Rosemont @ Laureland** City: **Dallas**

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

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: <u>5</u>	Projects in Material Noncompliance Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	# in noncompliance: 0
Projects zero to nine: <u>5</u>	# monitored with a score less than thirty: <u>5</u>	Projects not reported Yes <input type="checkbox"/>
grouped ten to nineteen: <u>0</u>	# not yet monitored or pending review: <u>2</u>	in application No <input checked="" type="checkbox"/>
by score twenty to twenty-nine: <u>0</u>		# of projects not reported 0

Portfolio Monitoring

Not applicable

Review pending

No unresolved issues

Unresolved issues found

Unresolved issues found that warrant disqualification

(Comments attached)

Single Audit

Not applicable

Review pending

No unresolved issues

Issues found regarding late cert

Issues found regarding late audit

Unresolved issues found that warrant disqualification

(Comments attached)

Contract Administration

Not applicable

Review pending

No unresolved issues

Unresolved issues found

Unresolved issues found that warrant disqualification

(Comments attached)

Reviewed by Patricia Murphy

Date 12/29/2004

Multifamily Finance Production

Not applicable

Review pending

No unresolved issues

Unresolved issues found

Unresolved issues found that warrant disqualification

(Comments attached)

Reviewer R Meyer

Date 12/28/2004

Single Family Finance Production

Not applicable

Review pending

No unresolved issues

Unresolved issues found

Unresolved issues found that warrant disqualification

(Comments attached)

Reviewer _____

Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable

Review pending

No unresolved issues

Unresolved issues found

Unresolved issues found that warrant disqualification

(Comments attached)

Reviewer _____

Date _____

Community Affairs

No relationship

Review pending

No unresolved issues

Unresolved issues found

Unresolved issues found that warrant disqualification

(Comments attached)

Reviewer EEF

Date 12/28/2004

Office of Colonia Initiatives

Not applicable

Review pending

No unresolved issues

Unresolved issues found

Unresolved issues found that warrant disqualification

(Comments attached)

Reviewer _____

Date _____

Financial Administration

No delinquencies found

Delinquencies found

Reviewer Stephanie A. D'Couto

Date 12/28/2004

Executive Director: Edwina Carrington

Executed: day, December 29, 2004

Applicant Evaluation

Project ID # **04482-REV** Name: **Rosemont @ Scyene** City: **Dallas**

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

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: <u>5</u>	Projects in Material Noncompliance Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	# in noncompliance: 0
Projects zero to nine: <u>5</u>	# monitored with a score less than thirty: <u>5</u>	Projects not reported Yes <input type="checkbox"/>
grouped ten to nineteen: <u>0</u>	# not yet monitored or pending review: <u>2</u>	in application No <input checked="" type="checkbox"/>
by score twenty to twenty-nine: <u>0</u>		# of projects not reported 0

Portfolio Monitoring

Not applicable

Review pending

No unresolved issues

Unresolved issues found

Unresolved issues found that warrant disqualification

(Comments attached)

Single Audit

Not applicable

Review pending

No unresolved issues

Issues found regarding late cert

Issues found regarding late audit

Unresolved issues found that warrant disqualification

(Comments attached)

Contract Administration

Not applicable

Review pending

No unresolved issues

Unresolved issues found

Unresolved issues found that warrant disqualification

(Comments attached)

Reviewed by Patricia Murphy

Date 12/29/2004

Multifamily Finance Production

Not applicable

Review pending

No unresolved issues

Unresolved issues found

Unresolved issues found that warrant disqualification

(Comments attached)

Reviewer R Meyer

Date 12/28/2004

Single Family Finance Production

Not applicable

Review pending

No unresolved issues

Unresolved issues found

Unresolved issues found that warrant disqualification

(Comments attached)

Reviewer _____

Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable

Review pending

No unresolved issues

Unresolved issues found

Unresolved issues found that warrant disqualification

(Comments attached)

Reviewer _____

Date _____

Community Affairs

No relationship

Review pending

No unresolved issues

Unresolved issues found

Unresolved issues found that warrant disqualification

(Comments attached)

Reviewer EEF

Date 12/28/2004

Office of Colonia Initiatives

Not applicable

Review pending

No unresolved issues

Unresolved issues found

Unresolved issues found that warrant disqualification

(Comments attached)

Reviewer _____

Date _____

Financial Administration

No delinquencies found

Delinquencies found

Reviewer Stephanie A. D'Couto

Date 12/28/2004

Executive Director: Edwina Carrington

Executed: day, December 29, 2004

Applicant Evaluation

Project ID # **04490**

Name: **Cherrycrest Villas**

City: **Dallas**

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

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 0

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 0

Yes No

Projects not reported Yes

grouped ten to nineteen: 0

monitored with a score less than thirty: 0

in application No

by score twenty to twenty-nine: 0

not yet monitored or pending review: 2

of projects not reported 0

Portfolio Monitoring

Single Audit

Contract Administration

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewed by Patricia Murphy

Date 12/29/2004

Multifamily Finance Production

Single Family Finance Production

Real Estate Analysis (Cost Certification and Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer R Meyer
 Date 12/28/2004

Reviewer _____
 Date _____

Reviewer _____
 Date _____

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

No delinquencies found
 Delinquencies found

Reviewer EEF
 Date 12/28/2004

Reviewer _____
 Date _____

Reviewer Stephanie A. D'Couto
 Date 12/28/2004

Executive Director: Edwina Carrington

Executed: day, December 29, 2004

Applicant Evaluation

Project ID # **04465**

Name: **Rosemont @ Garth**

City: **Baytown**

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 1

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 1
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 1

Projects not reported Yes
in application No

not yet monitored or pending review: 2

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification (Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that warrant disqualification (Comments attached)

Contract Administration

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification (Comments attached)

Reviewed by Patricia Murphy

Date 12/29/2004

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification (Comments attached)

Reviewer R Meyer

Date 12/28/2004

Single Family Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification (Comments attached)

Reviewer _____

Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification (Comments attached)

Reviewer _____

Date _____

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF

Date 12/28/2004

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification (Comments attached)

Reviewer _____

Date _____

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Stephanie A. D'Couto

Date 12/28/2004

Executive Director: Edwina Carrington

Executed: day, December 29, 2004

Applicant Evaluation

Project ID # **04467**

Name: **Primrose @ Bammel**

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 0

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 0

Projects not reported Yes
 in application No

not yet monitored or pending review: 0

of projects not reported 0

Portfolio Monitoring

Single Audit

Contract Administration

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewed by Patricia Murphy

Date 11/30/2004

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer R Meyer
 Date 12/28/2004

Single Family Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer _____
 Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer _____
 Date _____

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer EEF
 Date 12/28/2004

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer _____
 Date _____

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Stephanie A. D'Couto
 Date 12/2 /2004

Executive Director: Edwina Carrington

Executed: day, December 29, 2004

Applicant Evaluation

Project ID # **04470**

Name: **Mesa Homes**

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 0

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 0
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 0

Projects not reported Yes
in application No

not yet monitored or pending review: 3

of projects not reported 1

Portfolio Monitoring

Single Audit

Contract Administration

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewed by Patricia Murphy

Date 11/24/2004

Multifamily Finance Production

Single Family Finance Production

Real Estate Analysis (Cost Certification and Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer R Meyer

Reviewer _____

Reviewer _____

Date 11/22/2004

Date _____

Date _____

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

No delinquencies found
Delinquencies found

Reviewer EEF

Reviewer _____

Reviewer Stephanie A. D'Couto

Date 11/29/2004

Date _____

Date 11/29/2004

Executive Director: Edwina Carrington

Executed: day, December 29, 2004

Applicant Evaluation

Project ID # **04493**

Name: **Willochase Park Townhomes**

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 2

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 1
grouped ten to nineteen: 0
by score twenty to twenty-nine: 1

Yes No

monitored with a score less than thirty: 2

Projects not reported Yes
in application No

not yet monitored or pending review: 1

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that warrant disqualification
(Comments attached)

Contract Administration

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewed by Patricia Murphy

Date 12/29/2004

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer R Meyer
Date 12/28/2004

Single Family Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer EEF
Date 12/28/2004

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Stephanie A. D'Couto
Date 12/28/2004

Executive Director: Edwina Carrington

Executed: day, December 29, 2004

Applicant Evaluation

Project ID # **04478**

Name: **Villas @ Winkler Senior Homes**

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 4

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 4
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 4

Projects not reported Yes
in application No

not yet monitored or pending review: 5

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Contract Administration

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewed by Patricia Murphy

Date 11/24/2004

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer R Meyer
Date 11/22/2004

Single Family Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF
Date 11/29/2004

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Stephanie A. D'Couto
Date 11/29/2004

Executive Director: Edwina Carrington

Executed: day, December 29, 2004

Applicant Evaluation

Project ID # **04498**

Name: **Park at Woodline Townhomes**

City: **Conroe**

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 8

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 7
grouped ten to nineteen: 1
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 8

Projects not reported Yes
in application No

not yet monitored or pending review: 6

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Contract Administration

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewed by Patricia Murphy

Date 12/29/2004

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer R Meyer
Date 12/28/2004

Single Family Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF
Date 12/28/2004

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Stephanie A. D'Couto
Date 12/28/2004

Executive Director: Edwina Carrington

Executed: day, December 29, 2004

Applicant Evaluation

Project ID # **04469**

Name: **Loetta Village Apartments**

City: **Spring**

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 0

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 0
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 0

Projects not reported Yes
in application No

not yet monitored or pending review: 0

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that
warrant disqualification
(Comments attached)

Contract Administration

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewed by Patricia Murphy

Date 11/24/2004

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer R Meyer
Date 11/22/2004

Single Family Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer EEF
Date 11/29/2004

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that
warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Stephanie A. D'Couto
Date 11/29/2004

Executive Director: Edwina Carrington

Executed: day, December 07, 2004

REAL ESTATE ANALYSIS

BOARD ACTION REQUEST

January 7, 2005

Action Item

Request approval of an increase in the tax credit allocation amount for a transaction with 4% Housing Tax Credits (HTC) associated with private activity tax exempt mortgage revenue bonds for the following development: 00011T Fairway Village Apartments (American Housing Foundation), acquisition/rehabilitation, asking for \$30,656 in additional credits and staff is recommending \$21,257.

Recommendation and Requested Action

Approve the increase in credits as follows: 00011T Fairway Village Apartments: \$21,257, for a total of \$237,590

Background

The requested action requires the Board to act upon one case which involved the acquisition and rehabilitation of a 128-unit development located in Austin. The original applicant was previously approved for credits in the amount of \$216,333, which was based on the Underwriter's construction cost estimate. With the current request the owner cited increased acquisition costs for the development as well as additional rehabilitation costs not originally anticipated in the original budget. The underwriting addendum has confirmed that rehabilitation cost increase is the primary reason for the increase, however, the increased acquisition cost for the property was not sufficiently supported to warrant the entire additional tax credit request by the owner.

Since 2001, the Qualified Action Plan (QAP) has included a specific provision for tax credits associated with private activity bonds. The provision 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.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ADDENDUM**

DATE: December 31, 2004 PROGRAM: 4% HTC

FILE NUMBER: 00011T

DEVELOPMENT NAME

Fairway Village Apartments

APPLICANT

Name: Austin Fairway Village, Ltd. **Type:** For Profit Non-Profit Municipal Other
Address: 1800 S. Washington, #311 **City:** Amarillo **State:** TX
Zip: 79102 **Contact:** Lana J. Peterson **Phone:** (806) 372-7500 **Fax:** (806) 372-7508

PRINCIPALS of the APPLICANT

Name: American Housing Foundation **(%):** 0.1 **Title:** Managing general partner
Name: Boston Financial **(%):** 99.9 **Title:** Proposed limited partner
Name: James I. Fletcher **(%):** N/A **Title:** President of G.P.
Name: Vicki S. Sterquell **(%):** N/A **Title:** Vice president of G.P.

GENERAL PARTNER

Name: American Housing Foundation **Type:** For Profit Non-Profit Municipal Other
Address: 1800 S. Washington, #311 **City:** Amarillo **State:** TX
Zip: 79102 **Contact:** Lana J. Peterson **Phone:** (806) 372-7500 **Fax:** (806) 372-7508

PROPERTY LOCATION

Location: 6118 Fairway Drive QCT DDA

City: Austin **County:** TX **Zip:** 78741

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$30,656	N/A	N/A	N/A
Other Requested Terms: <u>4% tax credits in addition to 2000 award of \$216,333, for a total allocation of \$246,989 annually</u>			
Proposed Use of Funds: <u>Acquisition & rehabilitation</u> Set-Aside: <input type="checkbox"/> General <input type="checkbox"/> Rural <input type="checkbox"/> Non-Profit			

RECOMMENDATION

K RECOMMEND APPROVAL OF A TOTAL HTC ALLOCATION NOT TO EXCEED A TOTAL OF \$237,590 increase of (\$21,257) ANNUALLY FOR TEN YEARS.

ADDENDUM

Fairway Village was originally underwritten during the 2000 4% HTC cycle and requested a total annual allocation of \$219,739. The tax-exempt private activity mortgage revenue bonds in the amount of \$3,383,000 and the taxable bonds in the amount of \$140,000 were to be issued by the Austin Housing

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS ADDENDUM

Finance Corporation and purchased by Miller & Schroeder Financial, Inc. for subsequent public placement. Due to the Applicant's miscalculation of the amount of tax credits based on using an applicable percentage of 4% instead of the then-current applicable percentage of 3.76%, the tax credit request was overstated by \$15,323. Based on the Underwriter's analysis, the calculated total qualified eligible basis of \$5,753,542 resulted in a recommended HTC allocation of \$216,333.

In conjunction with the submission of the cost certification for Fairway Village Apartments, Austin Fairway Village, Ltd. requested an additional allocation of tax credits in the amount of \$36,357 annually in addition to the allocation of \$216,333 received in 2000, for a total allocation of \$252,690. The request was based upon an increase in eligible basis which was attributed to an increase in the total acquisition cost for the subject property and extraordinary rehabilitation costs in excess of the costs estimated at application. A letter dated December 11, 2003 from the owner explained that Austin Fairway Village Apartments was part of a five-property portfolio purchased from Raintree Corporation in early 2000. At the time of closing on the five-property portfolio, Raintree Corporation required additional funds to be delivered in the form of promissory notes. Unless this occurred the seller was prepared to terminate the sale. According to the owner, the large amount of funds spent to facilitate this transaction would be forfeited along with the bond reservation and the HTC allocation for each property if the owner did not comply with the seller's request. Additionally, the owner explained that Fairway Village Apartments had a physical condition assessment (PCA) performed by the seller's representative, Todd and Associates, and after closing the transaction it became clear that the PCA performed by the seller was inadequate to address even basic rehabilitation that was necessary to make this safe and sanitary housing. American Housing Foundation (AHF) commissioned a new PCA from JPS and Associates to identify all of the rehabilitation necessary for this property and is currently working to complete each line item recommended by JPS and Associates. The owner submitted a copy of the JPS and Associates PCA as well as an itemized list of the cost overruns as supporting documentation for the increase in credits.

While the Underwriter's review of the cost certification documentation revealed several administrative deficiencies which required further clarification, there were two specific issues with regard to the owner's request for an increase in the tax credit allocation which required further dialogue with the owner. The first of those issues was the increased acquisition cost for the Fairway Village Apartments. The owner provided a letter dated December 9, 2003 from Wayne Moore, Esq. of Sprouse Shrader Smith P.C. which explained that the total purchase price paid by Austin Fairway Village, Ltd for the Fairway Village Apartments was \$4,202,250. This amount is composed of the \$3,700,000 purchase price as shown on the settlement statement, which is a required cost certification exhibit, and two unsecured promissory notes payable to Raintree Corporation in the amounts of \$305,250 and \$200,000. While the Underwriter was provided with copies of the unsecured notes for the additional \$500K attached to the \$3.7M purchase price, there was little additional information provided. The Underwriter did not know whether these notes were recourse or not, or what recourse there was should these notes not get paid to the seller. Because the notes are attached to the property and have not been paid in full to the Seller, the Seller now has an interest in whether this property operates successfully or not and the transaction can now be characterized as an identity of interest sale. As required by TDHCA Underwriting Rules for identity of interest transactions, documentation of the original acquisition cost to the seller and any other holding costs related to the property is required to support the increased transfer price for Fairway Village Apartments. Additionally, the owner must provide an appraisal that meets the Department's Appraisal Rules and Guidelines in order for the Underwriter to make a determination of the appropriate building acquisition value. As part of the requirement for filing a request for IRS Forms 8609, an appraisal was submitted with the cost certification for Fairway Village Apartments. It should be noted that at the time of application an appraisal performed by Pyles-Whatley Corporation and dated December 22, 1999 concluded an as-is market value of \$2,700,000. This market value was less than the amount of the original contracted sales price for Fairway Village Apartments of \$3,580,000. The Underwriter also noted several errors and inconsistencies in the original appraisal submitted and contacted American Housing Foundation about these issues. As a result, AHF commissioned a separate appraisal firm, Kilpatrick & Associates, to conduct a review of the original Pyles-Whatley appraisal and determine the correct valuation. As agreed upon by the Applicant and the Underwriter, the Kilpatrick review appraisal would be used for purposes of the original underwriting analysis and staff's recommendation to the Board. The Kilpatrick review appraisal, dated December 26, 1999, concluded an as-is market value for Fairway

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS ADDENDUM

Village Apartments of \$3,730,000, which supported the original contracted sales price for the property at application. Upon further review of the revised Pyles-Whatley appraisal submitted at cost certification, it became apparent to the Underwriter that the revised appraisal still contained some of the same inconsistencies and errors found in the original appraisal. The Underwriter discussed with the owner the difficulty in accepting the revised Pyles-Whatley appraisal to support the increased sales price for Fairway Village Apartments, noting that the original underwriting analysis used a different valuation as concluded by a separate appraisal firm and noting that the revised appraisal by Pyles-Whatley still had errors.

TDHCA staff met with American Housing Foundation on two separate occasions to discuss the identity of interest issue for this transaction. At the second meeting held on December 10, 2004 with representatives from American Housing Foundation, the owner's accountant, and a representative from the investor limited partner, AHF explained that the two additional promissory notes required by Raintree Corporation are recourse notes. The \$302,250 note is tied to the property and comes out of cashflow from operations of the property, while the \$200,000 note is tied to the partnership. Further, AHF indicated that copies of audited financials for the entire five-property portfolio at the time of closing could be provided to the Department to show that the Seller's basis in the five properties would support the basis for the increased sales price for Fairway Village Apartments. As agreed upon, AHF supplied the Underwriter with 1998 audited financials for all properties in the portfolio including Fairway Village Apartments. A note from AHF indicated that the audited basis for the five-property portfolio totaled \$24,093,683, which should support the increased sales price. While this is true for the entire portfolio, the 1998 asset value for Fairway Village Apartments alone was a total of \$3,985,279 (\$340,000 for land and \$3,645,279 for the buildings), which indicates that at the time of closing the value was no more than this amount. As a result, this does not support the increased sales price of \$4,145,000 for Fairway Village Apartments. In a response to the Department, dated December 23, 2004, American Housing Foundation responded that they disagreed with this conclusion because the properties were purchased as a portfolio and all purchased at once. Further, AHF emphasized that the Seller's basis in the five properties is \$24M and since this was a portfolio purchase, the portfolio value should be allowed to be allocated among the properties as opposed to each individual property. However, because of the need to finish the cost certification process and receive tax credits for this property in a timely manner, AHF would agree to the Underwriter's value of not more than \$3,985,279 for Fairway Village Apartments. Also discussed at the second meeting were the issues related to the revised appraisal submitted by Pyles-Whatley. The Underwriter followed up the meeting with a letter to AHF which detailed the exact discrepancies of the revised appraisal. American Housing Foundation responded that Pyles-Whatley performed a very fast appraisal originally which contained several errors. AHF asked them to update the appraisal equally as quickly and it is obvious that additional errors were still present in the second appraisal. Due to the time constraints of getting Fairway Village Apartments before the January Board meeting, AHF agreed to the Department's position and accepted the December 26, 1999 market value as concluded by Kilpatrick & Associates, and as used in the original underwriting analysis.

The second issue with regard to the owner's request for additional tax credits was related to the additional rehabilitation costs that were included in the eligible basis calculation but not originally anticipated in the budget at application. At cost certification the owner included an additional \$400,000 in rehabilitation costs which were not clearly documented. Additionally, the additional \$400K was not certified by the contractor in the cost certification Exhibit 18B, Final Work Write-Up for Rehabilitation Projects. The contractor, PDW Construction, LLC, certified to total construction costs of \$1,218,351 (\$250,176 in sitework costs and \$968,175 in direct costs). When asked about the additional \$400K included in the cost schedule, the owner indicated that these were costs paid outside of the original contract and paid to different subcontractors for additional work which was required per the revised physical condition assessment performed by JPS and Associates. TDHCA staff requested additional documentation to detail these additional costs and suggested that the owner use Exhibit 18B as a guide to break down the additional costs. The owner also included \$235,530 for "Vacancy % of Utilities and Repair" and indicated that the LIHTC program allowed them to capture electricity costs for vacant units during rehabilitation, which is also included in the eligible basis calculation. However, upon further review by the Underwriter, it appears that part of the costs included in the \$400K additional rehab cost line item was double-counted and included in the "Vacancy % of Utilities and Repair" calculation. The Underwriter asked the owner's CPA to confirm that the portion of the additional \$400K cost attributed to "Repairs Expense" and "Heating/Cooling Expense" were not also

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS ADDENDUM**

expensed. In response to the Underwriter's request, the owner provided a revised project cost schedule identifying a revised total of \$94,329 for the "Vacancy % of Utilities and Repair" and also listed each of the invoice amounts that make up the \$400K additional rehab costs. The owner noted that the costs itemized in the supporting documentation for the cost overruns were also included in computing the vacancy calculation and this error was corrected in the revised cost schedule. The owner's CPA, Thomas Katopody, also confirmed that the additional \$400K in extra rehabilitation costs are true costs to the project and that AHF capitalized the repairs expense and heating/cooling expense costs. It should be noted that also included in the owner's letter identifying the error in the vacancy calculation was a request to amend the owner's previous request for additional low income housing tax credits for Fairway Village Apartments. The letter, dated October 7, 2004, amended AHF's request for additional tax credits to \$30,656 as opposed to the original additional amount of \$36,357, for a total allocation of \$246,989 as opposed to the original allocation of \$252,690. American Housing Foundation recognized that the methodology in calculating the amount of additional credits was flawed as pointed out by TDHCA Underwriting staff. The letter was also accompanied by an amended independent auditor's report and an amended Exhibit 2F reflecting the information as corrected.

The Underwriter's analysis for this addendum is based on the cost certification submitted for Fairway Village Apartments as well as additional information received thus far with regards to this transaction. The owner's original rent schedule showed net rents that were lower than the maximum tax credit rents for the Austin area. A copy of the HAP contract was also provided to support the owner's rent schedule which shows rents for the one-bedroom units at \$552, two-bedroom units at \$708, three-bedroom units at \$799, and four-bedroom units at \$877. For purposes of this analysis the Underwriter also utilized the HAP rents. It should be noted that the owner has subsequently provided the Department with a revised rent schedule which shows higher net rents of \$570 for one-bedroom units, \$695 for two-bedroom units, \$900 for three-bedroom units, and \$1,025 for four-bedroom units. A current copy of the HAP contract verifying these higher rents was not provided, therefore, the Underwriter will continue to use the original rents supported by the HAP contract provided. As a result, the Underwriter's effective gross income estimate is 7% lower than the owner's revised income estimate. In addition, the owner also provided revised operating expenses for the property, which the Underwriter utilized for this analysis. At the Underwriter's request, the owner also provided a copy of the property's 2003 operating statements. Based on the historical statements provided for Fairway Village Apartments, it appears the property is operating at a debt coverage ratio of 1.05.

The final total development costs, as adjusted for the acquisition cost of the property, supports the need for additional syndication proceeds. Therefore, it is recommended that the owner receive a total tax credit allocation of \$237,590 annually for ten years. This is \$9,399 less in annual credits than the owner requested at cost certification due to the increased acquisition cost which was not sufficiently supported. The developer will also be required to defer \$1,517,928 in fees, which appear to be repayable within 15 years of stabilized operation.

Underwriter:	<hr/> <i>Raquel Morales</i>	Date:	<hr/> December 31, 2004
Director of Credit Underwriting:	<hr/> <i>Tom Gouris</i>	Date:	<hr/> December 31, 2004

COST CERTIFICATION: Comparative Analysis

Fairway Village, Austin, HTC#00011T

Reviewed by: Raquel Morales

Date: 3/11/04

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	UW Net Rent	Rent per Month	CC Net Rent	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC50%	16	1		637	\$666	\$552		\$8,832		\$0.87	\$64.00	\$22.00
TC50%	48	2		857	800	\$708		33,984		0.83	76.00	28.00
TC50%	48	3		1,042	924	\$799		38,352		0.77	92.00	39.00
TC50%	16	4		1,221	1031	\$877		14,032		0.72	112.00	51.00
TOTAL:	128		AVERAGE:	944	\$859	\$744		\$95,200		\$0.79	\$85.00	\$34.25

INCOME				Total Net Rentable Sq Ft:	120,880	TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT	2003 Actuals		
POTENTIAL GROSS RENT												
Secondary Income			Per Unit Per Month:	\$10.00	\$1,142,400	\$1,066,500	\$1,027,392	\$1,224,960	\$1,125,600	15,360	15,360	14,328
Other Support Income: (describe)					0	0				0	0	\$0.00
POTENTIAL GROSS INCOME												
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%		\$1,157,760	\$1,081,860	\$1,031,772	\$1,240,320	\$1,139,928	(86,832)	(81,140)	(71,917)
Employee or Other Non-Rental Units or Concessions					0	0	(9,636)	0	0	0	0	-7.50%
EFFECTIVE GROSS INCOME												
		% OF EGI	PER UNIT	PER SQ FT	\$1,070,928	\$1,000,720	\$950,219	\$1,147,296	\$1,050,888			
EXPENSES												
General & Administrative		3.95%	\$330	\$0.35	\$42,302	\$39,852	\$21,284	\$31,150	\$40,017	\$0.26	\$243	2.72%
Management		5.00%	418	0.44	53,546	50,036	51,946	45,892	52,838	0.38	359	4.00%
Payroll & Payroll Tax		10.79%	903	0.96	115,565	91,700	95,234	120,000	158,927	0.99	938	10.46%
Repairs & Maintenance		7.48%	625	0.66	80,055	58,012	49,472	103,200	80,055	0.85	806	9.00%
Utilities		10.21%	854	0.90	109,372	139,920	117,496	138,000	146,650	1.14	1,078	12.03%
Water, Sewer, & Trash		13.19%	1,103	1.17	141,203	64,704	101,418	136,800	141,203	1.13	1,069	11.92%
Property Insurance		2.26%	189	0.20	24,176	22,521	37,104	23,680	55,557	0.20	185	2.06%
Property Tax	2.7814	6.85%	573	0.61	73,398	74,411	55,656	62,739	102,544	0.52	490	5.47%
Reserve for Replacements		3.59%	300	0.32	38,400	38,400	25,600	27,433		0.23	214	2.39%
Other Expenses: Compliance, Security		4.16%	348	0.37	44,500	34,630	34,630	44,500		0.37	348	3.88%
TOTAL EXPENSES		67.47%	\$5,645	\$5.98	\$722,518	\$614,186	\$589,840	\$733,394	\$777,791	\$6.07	\$5,730	63.92%
NET OPERATING INC		32.53%	\$2,722	\$2.88	\$348,410	\$386,534	\$360,379	\$413,902	\$273,097	\$3.42	\$3,234	36.08%
DEBT SERVICE												
First Lien Mortgage		26.49%	\$2,216	\$2.35	\$283,638	\$288,825	\$318,830	\$268,734	\$259,537	\$2.22	\$2,099	23.42%
Additional Financing		4.20%	\$352	\$0.37	45,013	0	0	86,375	0	\$0.71	\$675	7.53%
Additional Financing		0.00%	\$0	\$0.00	0	3,200	3,710	0	0	\$0.00	\$0	0.00%
NET CASH FLOW		1.84%	\$154	\$0.16	\$19,758	\$94,509	\$37,839	\$58,793	\$13,560	\$0.49	\$459	5.12%
AGGREGATE DEBT COVERAGE RATIO					1.06	1.32	1.12	1.17	1.05			
ALTERNATIVE DEBT COVERAGE RATIO								0.00				

CONSTRUCTION COST											
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		53.13%	\$31,135	\$32.97	\$3,985,279	\$3,580,000	\$3,580,000	\$4,145,000	\$34.29	\$32,383	53.88%
Off-Sites		0.00%	0	0.00	0	0	0	0	0.00	0	0.00%
Sitework		3.34%	1,955	2.07	250,176	260,000	260,000	250,176	2.07	1,955	3.25%
Direct Construction		18.39%	10,776	11.41	1,379,387	939,996	938,996	1,379,387	11.41	10,776	17.93%
Contingency											
General Req'ts	3.29%	0.71%	419	0.44	53,610	51,557	51,557	53,610	0.44	419	0.70%
Contractor's G & A	1.32%	0.29%	168	0.18	21,444	23,980	23,980	21,444	0.18	168	0.28%
Contractor's Profit	3.95%	0.86%	503	0.53	64,332	47,960	47,960	64,332	0.53	503	0.84%
Indirect Construction		2.47%	1,450	1.54	185,616	51,948	51,948	185,616	1.54	1,450	2.41%
Ineligible Costs		7.33%	4,294	4.55	549,687	187,492	187,492	549,687	4.55	4,294	7.14%
Developer's G & A	2.00%	1.52%	892	0.94	114,231	119,423	119,423		0.00	0	0.00%
Developer's Profit	13.00%	9.90%	5,801	6.14	742,500	597,116	597,116	890,044	7.36	6,953	11.57%
Interim Financing		2.05%	1,204	1.27	154,063	431,562	431,562	154,063	1.27	1,204	2.00%
Reserves		0.00%	0	0.00	0	96,000	96,000	0	0.00	0	0.00%
TOTAL RESIDENTIAL COST		100.00%	\$58,596	\$62.05	\$7,500,324	\$6,387,034	\$6,386,034	\$7,693,359	\$63.64	\$60,104	100.00%
COMMERCIAL SPACE COST		0.00%	\$0	\$0.00	\$0	\$0	\$0	\$0	\$0.00	\$0	0.00%
TOTAL DEVELOPMENT COST		100.00%	\$58,596	\$62.05	\$7,500,324	\$6,387,034	\$6,386,034	\$7,693,359	\$63.64	\$60,104	100.00%

SOURCES OF FUNDS											
GAP ANALYSIS											
First Lien Mortgage		45.67%	\$26,762	\$28.34	\$3,425,500	\$3,383,000	\$3,383,000	\$3,425,500	\$3,425,500		
Additional Financing		6.70%	\$3,924	\$4.15	502,250	140,000	140,000	502,250	502,250		
LHTC Net Syndication Proceeds		27.29%	\$15,989	\$16.93	2,046,584	1,922,745	1,922,745	2,046,584	2,247,681		
AHF- Residual Receipt Note		5.93%	\$3,477	\$3.68	445,000	626,848	626,848	445,000	0		
Deferred Developer Fees		19.15%	\$11,222	\$11.88	1,436,406	338,300	338,300	1,436,406	1,517,928		
Additional (excess) Funds Req'd		-4.74%	(\$2,777)	(\$2.94)	(355,416)	(23,859)	(24,859)	(162,381)	0		
TOTAL SOURCES					\$7,500,324	\$6,387,034	\$6,386,034	\$7,693,359	\$7,693,359		

COST CERTIFICATION: Comparative Analysis

Fairway Village, Austin, HTC#00011T

OPTIONAL				
DIRECT CONSTRUCTION COST ESTIMATE				
Residential Cost Handbook				
Average Quality Multiple Residence Basis				
CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost				\$0
Adjustments				
Exterior Wall Finish			\$0.00	\$0
Elderly			0.00	0
Roofing			0.00	0
Subfloor			(2.03)	(245,386)
Floor Cover			2.00	241,760
Porches/Balconies			0.00	0
Plumbing	\$605		0.00	0
Built-In Appliances	\$1,650	128	1.75	211,200
Stairs/Fireplaces			0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.53	184,946
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs			0.00	0
Other:			0.00	0
SUBTOTAL			3.25	392,520
Current Cost Multiplier	1.03		0.10	11,776
Local Multiplier			(3.25)	(392,520)
TOTAL DIRECT CONSTRUCTION COSTS			\$0.10	\$11,776
Plans, specs, survy, bld prmts	3.90%		(\$0.00)	(\$459)
Interim Construction Interest	3.38%		(0.00)	(397)
Contractor's OH & Profit	11.50%		(0.01)	(1,354)
NET DIRECT CONSTRUCTION COSTS			\$0.08	\$9,565

PAYMENT COMPUTATION

Primary	\$3,425,500	Amort	420
Int Rate	7.72%	DCR	1.23
Secondary	\$502,250	Amort	420
Int Rate	8.50%	Subtotal DCR	1.06
Additional		Amort	
Int Rate		Aggregate DCR	1.06

RECOMMENDED FINANCING STRUCTURE

\$283,638
45,013
0
\$19,758

Primary	\$3,425,500	Amort	420
Int Rate	7.72%	DCR	1.46
Secondary	\$502,250	Amort	420
Int Rate	8.50%	Subtotal DCR	1.26
Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.26

30-YEAR PROFORMA

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	\$1,142,400	\$1,176,672	\$1,211,972	\$1,248,331	\$1,285,781	\$1,490,573	\$1,727,983	\$2,003,205	\$2,692,140
Secondary Income	15,360	15,821	16,295	16,784	17,288	20,041	23,233	26,934	36,197
Other Support Income: (describe)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,157,760	1,192,493	1,228,268	1,265,116	1,303,069	1,510,614	1,751,216	2,030,139	2,728,337
Vacancy & Collection Loss	(86,832)	(89,437)	(92,120)	(94,884)	(97,730)	(113,296)	(131,341)	(152,260)	(204,625)
Employee or Other Non-Rental Units	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,070,928	\$1,103,056	\$1,136,148	\$1,170,232	\$1,205,339	\$1,397,318	\$1,619,875	\$1,877,879	\$2,523,712
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$42,302	\$43,994	\$45,754	\$47,584	\$49,487	\$60,209	\$73,254	\$89,124	\$131,926
Management	53,546	55,153	56,807	58,512	60,267	69,866	80,994	93,894	126,186
Payroll & Payroll Tax	115,565	120,188	124,995	129,995	135,195	164,485	200,122	243,478	360,408
Repairs & Maintenance	80,055	83,257	86,587	90,051	93,653	113,943	138,629	168,664	249,664
Utilities	109,372	113,747	118,297	123,029	127,950	155,671	189,398	230,431	341,095
Water, Sewer & Trash	141,203	146,851	152,725	158,834	165,188	200,976	244,518	297,493	440,363
Insurance	24,176	25,143	26,149	27,195	28,283	34,410	41,865	50,935	75,397
Property Tax	73,398	76,334	79,388	82,563	85,866	104,469	127,102	154,639	228,904
Reserve for Replacements	38,400	39,936	41,533	43,195	44,923	54,655	66,496	80,903	119,756
Other	44,500	46,280	48,131	50,056	52,059	63,337	77,060	93,755	138,780
TOTAL EXPENSES	\$722,518	\$750,884	\$780,368	\$811,014	\$842,870	\$1,022,022	\$1,239,437	\$1,503,317	\$2,212,476
NET OPERATING INCOME	\$348,410	\$352,172	\$355,780	\$359,218	\$362,469	\$375,296	\$380,438	\$374,562	\$311,236
DEBT SERVICE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
First Lien Financing	\$283,638	\$283,638	\$283,638	\$283,638	\$283,638	\$283,638	\$283,638	\$283,638	\$283,638
Second Lien	45,013	45,013	45,013	45,013	45,013	45,013	45,013	45,013	45,013
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$19,758	\$23,521	\$27,129	\$30,567	\$33,818	\$46,645	\$51,787	\$45,910	(\$17,415)
DEBT COVERAGE RATIO	1.06	1.07	1.08	1.09	1.10	1.14	1.16	1.14	0.95

COST CERTIFICATION - Fairway Village, Austin, HTC#00011T

Reviewed by: Raquel Morales

Date: 3/11/04

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	\$320,000	\$382,371				
Purchase of buildings	\$3,825,000	\$3,602,908	\$3,825,000	\$3,602,908		
(2) Rehabilitation/New Construction Cost						
On-site work	\$250,176	\$250,176			\$250,176	\$250,176
Off-site improvements	\$0	\$0				
(3) Construction Hard Costs						
New structures/rehabilitation hard costs	\$1,379,387	\$1,379,387			\$1,379,387	\$1,379,387
(4) Contractor Fees & General Requirements						
Contractor overhead	\$21,444	\$21,444			\$21,444	\$21,444
Contractor profit	\$64,332	\$64,332			\$64,332	\$64,332
General requirements	\$53,610	\$53,610			\$53,610	\$53,610
(6) Eligible Indirect Fees	\$185,616	\$185,616			\$185,616	\$185,616
(7) Eligible Financing Fees	\$154,063	\$154,063			\$154,063	\$154,063
(8) All Ineligible Costs	\$549,687	\$549,687				
(9) Developer Fees			\$0	\$540,436		\$316,294
Developer overhead	\$0	\$114,231	\$0	\$0	\$0	\$0
Developer fee	\$890,044	\$742,500	\$573,750	\$0	\$316,294	\$0
(10) Development Reserves	\$0	\$0				
TOTAL DEVELOPMENT COSTS	\$7,693,359	\$7,500,324	\$4,398,750	\$4,143,344	\$2,424,922	\$2,424,922

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis					\$0	\$0
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing					\$0	\$0
Non-qualified portion of higher quality units [42(d)(3)]					\$0	\$0
Commercial Space Cost					\$0	\$0
TOTAL ELIGIBLE BASIS			\$4,398,750	\$4,143,344	\$2,424,922	\$2,424,922
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			\$4,398,750	\$4,143,344	\$2,424,922	\$2,424,922
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			\$4,398,750	\$4,143,344	\$2,424,922	\$2,424,922
Applicable Percentage			3.68%	3.68%	3.51%	3.51%
TOTAL AMOUNT OF TAX CREDITS			\$161,874	\$152,475	\$85,115	\$85,115

Syndication Proceeds	0.946034123	\$1,531,383	\$1,442,466	\$805,215	\$805,215
				\$6,823,672	\$6,568,266
				\$246,989	\$237,590
Total Tax Credits	Application	Approved	Cost Cert Request	TDHCA/Reconciled	GAP
	219,739	216,333	246,993	237,590	0
Net Syndication Proceeds	1,922,745	2,046,584	2,336,638	2,247,681	0

Balance to be Recaptured

n/a

**Housing Tax Credit Program
Board Action Request
January 7, 2005**

Action Item

Request, review, and board determination of four (4) four percent (4%) tax credit application with TDHCA as the Issuer.

Recommendation

Staff is recommending that the board review and approve the issuance of four four percent (4%) Tax Credit Determination Notices with **TDHCA** as the Issuer for tax exempt bond transactions known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
04483	Providence at Prairie Oaks	Arlington	TDHCA	206	206	\$18,935,291	\$11,050,000	\$776,542	\$773,619
04480	Homes of Pecan Grove	Dallas	TDHCA	250	250	\$23,366,138	\$14,030,000	\$967,005	\$967,004
04489	Port Royal Homes	San Antonio	TDHCA	250	250	\$20,758,616	\$12,200,000	\$859,828	\$844,349
04488	Mission del Rio	San Antonio	TDHCA	240	240	\$19,446,356	\$11,490,000	\$792,702	\$787,746



WWW.TDHCA.STATE.TX.US

MULTIFAMILY FINANCE PRODUCTION DIVISION

2004 Private Activity Multifamily Revenue Bonds

Providence at Prairie Oaks Apartments

2700 block of Prairie Oaks Drive

Arlington, Texas

Chicory Court Marine Creek, L.P.

206 Units

Priority 1A – 50% of units at 50% AMFI remaining 50% of units at 60% AMFI

\$11,050,000 Tax Exempt – Series 2005

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation
TAB 2	Bond Resolution
TAB 3	HTC Profile and Board Summary
TAB 4	Sources & Uses of Funds Estimated Cost of Issuance
TAB 5	Department's Real Estate Analysis
TAB 6	Rental Restrictions Explanation Results and Analysis
TAB 7	Development Location Maps
TAB 8	TDHCA Compliance Summary Report
TAB 9	Public Input and Hearing Transcript (November 8, 2004)

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2005 and Housing Tax Credits for the Providence at Prairie Oaks development.

Summary of the Providence at Prairie Oaks Transaction

The pre-application was received on September 2, 2003. The application was scored and ranked by staff. The application ranked thirty-seventh out of a total of forty-four applications. The application was induced at the October 2003 Board meeting and submitted to the Texas Bond Review Board for inclusion to the lottery. The application received a Reservation of Allocation on August 31, 2004. This application was submitted under the Priority 1A category. 50% of the units will serve families at 50% of the AMFI and 50% of the units will serve families at 60% of the AMFI. A public hearing was held on November 8, 2004. There were eleven (11) people in attendance with six (6) people speaking for the record. A copy of the transcript is behind Tab 9 of this presentation. The proposed site is located at the 2700 block of Prairie Oaks Drive, Arlington, Tarrant County, Texas.

Summary of the Financial Structure

The applicant is requesting the Department's approval and issuance of fixed rate tax exempt bonds in the amount of \$11,050,000. The bonds will be unrated and privately placed with Charter MAC Equity Issuer Trust. The term of the bonds will be for 40 years. The construction and lease up period will be for 18 months with payment terms of interest only, followed by a 40 year amortization with a maturity date of January 1, 2045. The interest rate on the bonds during the Construction Loan Period will be 4.75% per annum followed by a permanent interest rate of 6.50% per annum (See Bond Resolution 05-007 Section 1.2 (b) attached).

Recommendation

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2005 and Housing Tax Credits for the Providence at Prairie Oaks development because of the demonstrated quality of construction of the proposed development, the feasibility of the development (as demonstrated by the commitments from Charter Mac and Related Capital, the underwriting report by the Departments Real Estate Analysis Division), the demand for additional affordable units as demonstrated by the occupancy rates of other affordable units in the market area, and the Resolution stating the support by the City of Arlington and the need for additional affordable units in the area.

MULTIFAMILY FINANCE DIVISION
BOARD MEMORANDUM
January 7, 2005

DEVELOPMENT: Providence at Prairie Oaks (fka Rose Court at Prairie Oaks),
Arlington, Tarrant County, Texas

PROGRAM: Texas Department of Housing and Community Affairs
2004 Multifamily Housing Mortgage Revenue Bond Program
(Reservation received 08/31/2004)

ACTION REQUESTED: Approve the issuance of multifamily housing mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE: The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Chicory Court Marine Creek L P, a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 206 unit multifamily residential rental Development to be located at 2700 Prairie Oaks Drive, Arlington, Tarrant County, Texas (the "Development"). The Bonds will be tax-exempt by virtue of the Development's qualifying as a residential rental Development.

BOND AMOUNT: \$11,050,000 Series 2005 Tax Exempt bonds (*)
\$11,050,000 Total bonds

(*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Development and the amount for which Bond Counsel can deliver its Bond Opinion.

ANTICIPATED CLOSING DATE: The Department received a volume cap allocation for the Bonds on August 31, 2004 pursuant to the Texas Bond Review Board's 2004 Private Activity Bond Allocation Program. The Department is required to deliver the Bonds on or before January 28, 2005, the anticipated closing date is January 27, 2005.

BORROWER: Chicory Court Marine Creek, LP, a Texas limited partnership, the general partner of which is Chicory GP – Marine Creek, LLC, a Texas Limited Liability Company, with Leon Backes 100% Ownership.

COMPLIANCE HISTORY: The Compliance Status Summary reveals that the principal of the general partner above has six properties however, none have been monitored by the Department at this time.

ISSUANCE TEAM & ADVISORS:

Charter MAC Equity Issuer Trust (“Bond Purchaser”)
Wells Fargo Bank, National Association (“Trustee”)
Vinson & Elkins L.L.P. (“Bond Counsel”)
RBC Dain Rauscher Inc. (“Financial Advisor”)
McCall, Parkhurst & Horton, L.L.P. (Disclosure Counsel)

BOND PURCHASER:

The Bonds will be purchased by Charter MAC Equity Issuer Trust. The purchaser and any subsequent purchaser will be required to sign the Department’s standard traveling investor letter.

DEVELOPMENT DESCRIPTION:

Site: The proposed affordable housing community is a 206-unit multifamily residential rental development to be constructed on approximately 11.09 acres of land located at the southeast corner of the intersection of State Highway 360 and Prairie Oaks Road at approximately the 2700 block of Prairie Oaks Drive, Tarrant County, Texas (the "Development"). The proposed density is 18.57 dwelling units per acre. The land is a well-located tract in a good area, east side of the north bound service road of Highway 360, a major north/south thoroughfare within the defined Primary Market Area. The location allows access to major transportation linkages, area employers, employment centers, schools, and supporting development. The site is located outside the 100-year floodplain and is ready for development. The proximity to transportation linkages and employment centers makes the site well suited for multifamily development.

Buildings: The development consist of 206 units and will include a total of fourteen (14) two and three-story, wood-framed apartment buildings containing approximately 207,018 net rentable square feet and having an average unit size of 1,005 square feet. The subject development will consist of six (6) basic floor plans, a mix of flat and two-story, townhome style units. The subject units have a competitive amenity package including the following: cable/internet ready; nine foot ceilings; ceiling fans; full-size washer/dryer connections; the energy star rated kitchen appliances, frost free refrigerator with ice-maker, pantry, dishwasher, microwave, garbage disposal patios/balcony with storage; garden tub in master bathroom; vinyl tile flooring in entry, kitchen and bath; and mini blinds. Development amenities include: on-site leasing/management office, gated access/perimeter fencing, carports, pool, BBQ grills, laundry facilities, clubhouse with business center, fitness center and room for educational programs, two playgrounds, sport court, and trash compactor.

Table with 5 columns: Units, Unit Type, Square Feet, Proposed Net Rent, and an unlabeled percentage column. It lists unit counts and types such as 1-Bed/1-Bath and 2-Bed/2-Bath with their respective square footages and rents.

24	2-Bed/2-Bath	960 s.f.	\$768.00	60%
09	2-Bed/2-Bath	1,079 s.f.	\$627.00	60%
09	2-Bed/2-Bath	1,079 s.f.	\$768.00	60%
12	3-Bed/2-Bath	1,120 s.f.	\$721.00	50%
12	3-Bed/2-Bath	1,120 s.f.	\$884.00	60%
16	3-Bed/2-Bath	1,170 s.f.	\$721.00	50%
16	3-Bed/2-Bath	1,170 s.f.	\$884.00	60%
06	3-Bed/2-Bath	1,213 s.f.	\$721.00	50%
06	3-Bed/2-Bath	1,213 s.f.	\$884.00	60%
206	Total Units			

SET-ASIDE UNITS:

For Bond covenant purposes, at least forty (40%) of the residential units in the development are set aside for persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each Development will be set aside on a priority basis for persons with special needs.

(The Borrower has elected to set aside 100% of the units for tax credit purposes.)

RENT CAPS:

For Bond covenant purposes, the rental rates on 50% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for fifty percent (50%) of the area median income and the remaining 50% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty (60%) of the area median income which is Priority 1A of the Bond Review Board's Priority System.

TENANT SERVICES:

Tenant Services will be performed by Launching A Dream, Inc. a Texas non-profit corporation .

DEPARTMENT ORIGINATION FEES:

\$1,000 Pre-Application Fee (Paid).
 \$10,000 Application Fee (Paid).
 \$55,250 Issuance Fee (.50% of the bond amount paid at closing).

DEPARTMENT ANNUAL FEES:

\$11,050 Bond Administration (0.10% of first year bond amount)
 \$5,150 Compliance (\$25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

ASSET OVERSIGHT FEE:

\$5,150 to TDHCA or assigns (\$25/unit/year adjusted annually for CPI)

TAX CREDITS:

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to approximately \$773,619 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of its limited partnership interests, typically 99%, to raise equity funds for the Development. Although a tax credit sale

has not been finalized, the Borrower anticipates raising approximately \$6,730,487 of equity for the transaction.

BOND STRUCTURE:

The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds will be privately placed with the Bond Purchaser, and will mature over a term of 40 years. During the construction and lease-up period, the Bonds will pay as to interest only. The loan will be secured by a first lien on the Development.

The Bonds are mortgage revenue bonds and, as such, create no potential liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the Development financed through the issuance of the Bonds.

BOND INTEREST RATES:

The interest rate on the Bonds will be 4.75% from the date of issuance until the June 30, 2006. On and after the June 30, 2006, the interest rate on the Bonds will be 6.5%.

**CREDIT
ENHANCEMENT:**

The bonds will be unrated with no credit enhancement.

FORM OF BONDS:

The Bonds will be issued in book entry (typewritten or lithographical) form and in denominations of \$100,000 and any amount in excess of \$100,000.

**MATURITY/SOURCES
& METHODS OF
REPAYMENT:**

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

**TERMS OF THE
MORTGAGE LOAN:**

The Mortgage Loan is a non-recourse obligation of the Borrower (which means, subject to certain exceptions, the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. A Deed of Trust and related documents convey the Borrower's interest in the Development to secure the payment of the Mortgage Loan.

**REDEMPTION OF
BONDS PRIOR TO
MATURITY:**

The Bonds may be subject to redemption under any of the following circumstances:

Mandatory Redemption:

- (a) (i) In whole or in part, to the extent excess funds remain on deposit in the Loan Account of the Construction Fund after the Development's Completion Date; and (ii) under certain circumstances, upon request by the Majority Owner to redeem Bonds from amounts on deposit in the Earnout Account of the Construction Fund; or
- (b) in part, if (i) the development has not achieved Stabilization within twenty-four (24) months after the earlier of (A) the date the Development achieves Completion or (B) the Completion Date or (ii) upon request by the Majority Owner to redeem Bonds from amount on deposit in the Earnout Account of the Construction Fund; or
- (c) in whole or in part, if there is damage to or destruction or condemnation of the Development, to the extent that Insurance Proceeds or a Condemnation Award in connection with the Development are deposited in the Revenue Fund and are not to be used to repair or restore the Development; or
- (d) upon the determination of Taxability if the owner of a Bond presents his Bond or Bonds for redemption on any date selected by such owner specified in a written notice delivered to the Borrower and the Issuer at least thirty (30) days' prior to such date; or
- (e) in whole on any interest payment date on or after January 1, 2022, if the Owners of all of the Bonds elect redemption and provide not less than 180 days' written notice to the Issuer, Trustee and Borrower; or
- (f) In part, according to the dates and amounts indicated on the Mandatory Sinking Fund Schedule of Redemptions.

Optional Redemption:

The Bonds are subject to redemption, in whole, any time on or after January 1, 2022, from the proceeds of an optional prepayment of the Loan by the Borrower.

**FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:**

Under the Trust Indenture, the Trustee will serve as registrar and authenticating agent for the Bonds and as trustee of certain of the accounts created under the Trust Indenture (described below). The

Trustee will also have responsibility for a number of loan administration and monitoring functions.

Moneys on deposit in Trust Indenture accounts are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create the following Funds and Accounts:

1. Construction Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Construction Fund which may consist of six (6) accounts as follows:
 - (a) Loan Account – represents a portion of the proceeds of the sale of the Bonds that will be used to pay for Development Costs;
 - (b) Insurance and Condemnation Proceeds Account - represents Condemnation Award and Insurance Proceeds allocated to restore the Development pursuant to the Loan Documents;
 - (c) Capitalized Interest Account – represents a portion of the proceeds of the Bonds and/or a portion of the initial equity contribution of the Borrower which may be transferred to the Revenue Fund from this account in order to pay interest on the Bonds until the Completion Date of the Development;
 - (d) Costs of Issuance Account – represents a portion of the proceeds of the Bonds and/or a portion of the initial equity contribution of the Borrower from which the costs of issuance are disbursed;
 - (e) Earnout Account – represents a portion of the initial equity contribution of the Borrower, the disbursements from which are to be requested in writing by the Developer and approved by the Majority Owner of the Outstanding Bonds; and
 - (f) Equity Account – represents the balance of the initial equity contribution of the Borrower.
2. Replacement Reserve Fund – Amounts which are held in reserve to cover replacement costs and ongoing maintenance to the Development.
3. Tax and Insurance Fund – The Borrower must deposit certain moneys in the Tax and Insurance Fund to be applied to the payment of real estate taxes and insurance premiums.

4. Revenue Fund – Revenues from the Development are deposited to the Revenue Fund and disbursed to sub-accounts for payment to the various funds according to the order designated under the Trust Indenture: (1) to the payment of interest on the Bonds; (2) to the payment of the principal or redemption price, including premium, if any, on the Bonds; (3) to the payment of any required deposit in the Tax and Insurance Fund; (4) to the payment of any required deposit in the Replacement Reserve Fund; (5) to the payment of the fees of the Trustee, the Servicer, the Issuer and the Asset Oversight Agent, if any, due and owing under the Loan Documents and the Indenture; (6) to the payment of any other amounts then due and owing under the Loan Documents; and (7) the remaining balance to the Borrower.
5. Rebate Fund – Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

The majority of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase to finance the construction of the Development. Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Tax-Exempt Bond proceeds. It is currently anticipated that costs of issuance will be paid by Taxable Bond proceeds.

**DEPARTMENT
ADVISORS:**

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee - Wells Fargo Bank, National Association (formerly Norwest Bank, N.A.) was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.
3. Financial Advisor – RBC Dain Rauscher Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.

4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 2003.

**ATTORNEY GENERAL
REVIEW OF BONDS:**

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

RESOLUTION NO. 05-007

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (PROVIDENCE AT PRAIRIE OAKS APARTMENTS) SERIES 2005; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Providence at Prairie Oaks Apartments) Series 2005 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Chicory Court Marine Creek, LP, a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 9, 2003, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust and Security Agreement (with Power of Sale) (the "Deed of Trust") from the Borrower for the benefit of the Department and the Trustee; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Borrower and CharterMac, a Delaware statutory trust (the "Purchaser"), will execute a Bond Purchase Agreement (the "Purchase Agreement"), with respect to the sale of the Bonds; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Tarrant County, Texas; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Purchase Agreement and the Asset Oversight Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.13, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

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

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Bonds shall be 4.75% per annum from the date of issuance thereof to and including April 30, 2006 or earlier redemption or acceleration thereof (subject to adjustment as provided in the Indenture; provided, however, that the default interest rate on the Bonds shall not exceed the maximum rate permitted by applicable law) and, after April 30, 2006, the interest rate on the Bonds shall be 6.50% per annum until the maturity date or earlier redemption or acceleration thereof (subject to adjustment as provided in the Indenture; provided, however, that the default interest rate on the Bonds shall not exceed the maximum rate permitted by applicable law); (ii) the aggregate principal amount of the Bonds shall be \$11,050,000; and (iii) the final maturity of the Bonds shall occur on January 1, 2045.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5--Acceptance of the Deed of Trust and Note. That the Deed of Trust and the Note are hereby accepted by the Department.

Section 1.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.7--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized

representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement to the Borrower and the Purchaser.

Section 1.8--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Loan Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Assignments
- Exhibit F - Purchase Agreement
- Exhibit G - Asset Oversight Agreement

Section 1.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary of the Board.

Section 1.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or the Acting Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into or direct the Trustee to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit O to the Loan Agreement and shall be annually redetermined by the Issuer as stated in the Loan Agreement.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director or Acting Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department,

including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) that the Borrower is financially responsible,

(iv) that the financing of the Project is a public purpose and will provide a public benefit, and

(v) that the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms, and

(iii) that the Borrower is not, or will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 33 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--Notice of Meeting. 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.

[Remainder of page intentionally left blank.]

PASSED AND APPROVED this 7th day of January, 2005.

By: _____
Elizabeth Anderson, Chair

Attest: _____
Delores Groneck, Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Chicory Court Marine Creek, LP, a Texas limited partnership

Project: The Project is a 206-unit multifamily facility to be known as Providence at Prairie Oaks Apartments and to be located at 2700 Prairie Oaks Drive, Arlington, Tarrant County, Texas 76010. The Project will include a total of 13 residential apartment buildings with a total of approximately 205,968 net rentable square feet and an average unit size of approximately 996 square feet. The approximate unit mix will consist of:

48 one-bedroom/one-bath units
90 two-bedroom/two-bath units
68 three-bedroom/two-bath units
206 Total Units

Unit sizes will range from approximately 750 square feet to approximately 1,224 square feet.

Common areas will include a swimming pool, a children's playground and a community building with kitchen facilities, a television, a vending area and telephones.



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Providence at Prairie Oaks**

TDHCA#: 04483

DEVELOPMENT AND OWNER INFORMATION

Development Location: Arlington QCT: Y DDA: N TTC: N
 Development Owner: Chicory Court Marine Creek, LP
 General Partner(s): Chicory GP Marine Creek, LLC, 100%, Contact: Leon Backes
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA
 Development Type: General
 Population

Annual Tax Credit Allocation Calculation

Applicant Request: \$776,542 Eligible Basis Amt: \$773,619 Equity/Gap Amt.: \$1,002,907
Annual Tax Credit Allocation Recommendation: \$773,619
 Total Tax Credit Allocation Over Ten Years: \$ 7,736,190

PROPERTY INFORMATION

Unit and Building Information

Total Units: 206 HTC Units: 206 % of HTC Units: 100
 Gross Square Footage: 208,808 Net Rentable Square Footage: 205,248
 Average Square Footage/Unit: 996
 Number of Buildings: 14
 Currently Occupied: N

Development Cost

Total Cost: \$18,935,291 Total Cost/Net Rentable Sq. Ft.: \$92.26

Income and Expenses

Effective Gross Income:¹ \$1,696,402 Ttl. Expenses: \$907,416 Net Operating Inc.: \$788,986
 Estimated 1st Year DCR: 1.07

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: To Be Determined
 Attorney: Coats, Rose, Yale, Ryman & Lee PC Architect: GTF Designs
 Accountant: To Be Determined Engineer: Jones & Carter, Inc.
 Market Analyst: Butler Burgher, Inc Lender: Charter Mac Capital Solutions
 Contractor: Provident Realty Construction, LP Syndicator: Related Capital Company

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
Letters: # in Support: 0 # in Opposition: 1 Public Hearing: # in Support: 8 # in Opposition: 3 # Neutral: 0	Sen. Chris Harris, District 9 - NC Rep. Toby Goodman, District 93 - NC Mayor Robert Cluck - NC Jerry McCullough, Deputy Superintendent, Arlington ISD - O Trey Yelverton, Director of Neighborhood Services with the City of Arlington; City of Arlington's Consolidated Plan identifies a need for affordable housing for low-income households as a priority need.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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 by the Board of the anticipated likely redemption of up to \$840,000 in bonds at the conversion to permanent.
3. Receipt, review, and acceptance of an acceptable zoning change from the Arlington City Council's January Council Meeting. Approval of this Application is subject to TDHCA's approval of the zoning reclassification.
4. Receipt, review, and acceptance of written authorization from the City of Arlington to build the subject property. This Application is subject to the Applicant receiving a resolution from the City of Arlington allowing the construction of the proposed development which is located within 1 linear mile from another HTC development (Timber Oaks).
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.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.

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:
Chairman of the Board

Date

Elizabeth Anderson,

Providence at Prairie Oaks

Estimated Sources & Uses of Funds
--

Sources of Funds	
-------------------------	--

Series 2004 Tax-Exempt Bond Proceeds	\$ 11,050,000
Tax Credit Proceeds	6,566,000
Deferred Developer's Fee	1,200,257
Estimated Interest Earning	72,190
Total Sources	<u><u>\$ 18,888,447</u></u>

Uses of Funds	
----------------------	--

Deposit to Mortgage Loan Fund (Construction funds)	\$ 15,064,044
Construction Period Interest	787,313
Developer's Overhead & Fee	2,214,248
Costs of Issuance	
Direct Bond Related	335,875
Bond Purchaser Costs	288,500
Other Transaction Costs	33,467
Real Estate Closing Costs	165,000
Total Uses	<u><u>\$ 18,888,447</u></u>

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
----------------------------	--

TDHCA Issuance Fee (.50% of Issuance)	\$ 55,250
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee (\$25 per unit)	5,150
TDHCA Bond Counsel and Direct Expenses (Note 1)	75,000
TDHCA Financial Advisor and Direct Expenses	27,625
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	2,500
Borrower's Bond Counsel	112,500
Bond Administration Fee (2 years)	22,100
Trustee Fee	6,500
Trustee's Counsel (Note 1)	6,500
Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)	1,250
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,000
TEFRA Hearing Publication Expenses	2,500
Total Direct Bond Related	<u><u>\$ 335,875</u></u>

Providence at Prairie Oaks

Bond Purchase Costs	
CharterMac Origination Fee	110,500
CharterMac Servicing and Guaranttee Fee	110,500
CharterMac Due Diligence Fee	12,500
Lender's Attorney	35,000
CharterMac Inspection Fee	20,000
Total	\$ 288,500

Other Transaction Costs	
Tax Credit Determination Fee (4% annual tax cr.)	29,347
Tax Credit Application Fee (\$20/u)	4,120
Total	\$ 33,467

Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	115,000
Property Taxes	50,000
Total Real Estate Costs	\$ 165,000

Estimated Total Costs of Issuance \$ 822,842

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: December 29, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04483
2004-041

DEVELOPMENT NAME

Providence at Prairie Oaks Apartments

APPLICANT

Name:	<u>Chicory Court Marine Creek, LP</u>	Type:	<u>For-profit</u>
Address:	<u>5400 LBJ Freeway Suite 975</u>	City:	<u>Dallas</u> State: <u>Texas</u>
Zip:	<u>75240</u>	Contact:	<u>Matt Harris or Doug Backes</u>
		Phone:	<u>(972) 239-8500 Ext 131 or 110</u>
		Fax:	<u>(972) 239-8373</u>

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	<u>Chicory GP Marine Creek, LLC</u>	(%):	<u>0.01%</u>	Title:	<u>Managing General Partner</u>
Name:	<u>Leon Backes</u>	(%):	<u>N/A</u>	Title:	<u>100% Owner of the MGP</u>
Name:	<u>Provident Realty Development, LP</u>	(%):	<u>N/A</u>	Title:	<u>Developer</u>

PROPERTY LOCATION

Location: 2700 Prairie Oaks Dr **QCT** **DDA**
City: Arlington **County:** Tarrant **Zip:** 76010

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$11,050,000	6.50%	40 yrs	40 yrs
2) \$776,542	N/A	N/A	N/A

Other Requested Terms: 1) Tax-exempt private activity mortgage revenue bonds.
2) Annual ten-year allocation of housing tax credits

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

Special Purpose (s): General population

RECOMMENDATION

- RECOMMEND APPROVAL OF ISSUANCE OF \$11,050,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS WITH A FIXED INTEREST RATE OF 6.50% AND REPAYMENT TERM OF 40 YEARS WITH A 40-YEAR AMORTIZATION PERIOD, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$773,619 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Acceptance by the Board of the anticipated likely redemption of up to \$840,000 in bonds at the conversion to permanent;
2. Receipt, review, and acceptance of an acceptable zoning change from the Arlington City Council's

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

January Council Meeting. Approval of this Application is subject to TDHCA's approval of the zoning reclassification.

3. Receipt, review, and acceptance of written authorization from the City of Arlington to build the subject property. This Application is subject to the Applicant receiving a resolution from the City of Arlington allowing the construction of the proposed development which is located within 1 linear mile from another HTC development (Timber Oaks)
4. 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 OR ADDENDUM

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	<u>206</u>	# Rental Buildings	<u>14</u>	# Non-Res. Buildings	<u>1</u>	# of Floors	<u>3</u>	Age:	<u>N/A</u> yrs	Vacant:	<u>N/A</u> at / /	
Net Rentable SF:	<u>205,248</u>	Av Un SF:	<u>996</u>	Common Area SF:	<u>3,560</u>	Gross Bldg SF:	<u>208,808</u>					

STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned concrete slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 60% stucco 30% Hardiboard, and 10% stone veneer. The interior wall surfaces will be drywall and the pitched roof will be finished with asphalt composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl flooring. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, central boiler water heating system, individual heating and air conditioning high-speed internet access, & 9-foot ceilings.

ONSITE AMENITIES

A 3,560-square foot community building will include an activity room, management offices, fitness, maintenance, & laundry facilities, a kitchen, restrooms, a computer/business center, & a central mailroom. The community building, swimming pool, and equipped children's play area are located at the entrance to the property. A second play ground is located on the western portion of the property. In addition, sports courts & perimeter fencing with limited access gates are planned for the site.

Uncovered Parking:	<u>323</u>	spaces	Carports:	<u>50</u>	spaces	Garages:	<u>0</u>	spaces
---------------------------	------------	--------	------------------	-----------	--------	-----------------	----------	--------

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Prairie Oaks is a relatively dense (18.58 units per acre) new construction development of 206 units of affordable housing located in southeast Arlington. The development is comprised of 13 evenly distributed medium garden style walk-up residential buildings as follows:

- € 4 Building Type A with 12 one-bedroom/one-bath units, 6 two-bedroom/two-bath units, 6 three-bedroom/two-bath units;
- € 4 Building Type B with 11 three-bedroom/two-bath units;
- € 4 Building Type C with 12 two-bedroom/two-bath units;
- € 1 Building Type D with 18 two-bedroom/two-bath units;

Architectural Review: The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with nice fenestration.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

SITE ISSUES			
SITE DESCRIPTION			
Size:	11.09 acres	483,080 square feet	Zoning/ Permitted Uses: Currently O & B Office & Business being changed to MF-22 Multifamily
Flood Zone Designation:	Zone X	Status of Off-Sites:	Fully improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: Arlington is located in region 3, approximately 18 miles west of Dallas and approximately 18 miles east of Fort Worth in Tarrant County. The site is an irregularly shaped parcel located in the southeast area of Arlington, approximately 2 ½ to 3 miles from the central business district. The site is situated on the south side of Prairie Oaks Street.

Adjacent Land Uses:

- ∅ **North:** Prairie Oaks Drive immediately adjacent and Retail and Vacant Land beyond;
- ∅ **South:** Single Family Residential;
- ∅ **East:** Osler Drive immediately adjacent and Vacant Retail and Commercial zoned land beyond; and
- ∅ **West:** State Hwy 360 frontage road immediately adjacent and Retail and Single Family beyond;

Site Access: Access to the property is from the east or west along Prairie Oaks. The development is to have one main entry, from the east or west from Prairie Oaks. Access to Interstate Highway 30 is approximately 2 miles north, and Interstate Highway 20 is approximately 4 miles south, which provides connections to all other major roads serving the Arlington area.

Public Transportation: Public transportation is not available within the cities of Arlington and Grand Prairie.

Shopping & Services: The site is within 2 miles of major grocery/pharmacies, shopping centers, a multi-screen theater, library, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics: The following issues have been identified as potentially bearing on the viability of the site for the proposed development:

- ∅ **Zoning:** The Applicant currently, does not have the proper zoning for the subject property. They must obtain a zoning change from the Arlington City Council no later than January 4, 2005 so that the transaction can be approved by the TDHCA Board at the January 2005 Board Meeting.
- ∅ The Applicant currently does not have authorization from the City of Arlington to build the subject property. The Applicant must submit a resolution, prior to the TDHCA January 2005 board meeting, from the City of Arlington allowing the construction of the proposed development which is located within 1 linear mile from another HTC development (Timber Oaks) Receipt, review, and acceptance of documentation verifying the appropriate re-zoning of the site for the use as planned is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection on November 8, 2004 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 23, 2004 was prepared by Paige Ginn Butler Burgher Environmental, LLC and contained the following findings and recommendations:

Recommendations: “In the professional opinion of BBE, an appropriate level of inquiry has been made into the previous ownership and uses of the property consistent with good commercial and customary practice in an effort to minimize liability, and no evidence or indication of *recognized environmental conditions* has been revealed. However, if new information is obtained pertaining to this Phase I ESA, BBE reserves the right to update this report.” (p. 14)

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

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 development the Applicant has elected the 50% at 50% / 50% at 60% option. 206 of the units (100% of the total) will be reserved for low-income tenants. 103 units (50%) will be reserved for households earning 50% or less of AMGI, 103 units (50%) will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$26,340	\$30,120	\$33,840	\$37,620	\$40,620	\$43,620

MARKET HIGHLIGHTS

A market feasibility study dated September 20, 2004 was prepared by Mary Ann Barnett with Butler Burgher, Inc. ("Market Analyst") and highlighted the following findings:

Definition of Primary Market Area (PMA): "For the purposes of this report, the subject's primary market area (PMA) is that area that lies north of IH 20, east of Cooper, west of South Carrier Parkway and south of IH 30, within the cities of Arlington and Grand Prairie, Texas" (p. 49). This area encompasses approximately 32.75 square miles and is equivalent to a circle with a radius of 3.23 miles.

Population: The estimated 2004 population of the PMA was 135,974 and is expected to increase by 7.89% to approximately 146,705 by 2009. Within the primary market area there were estimated to be 46,250 households in 2004.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 11,868 qualified households in the PMA, based on the current estimate of 46,250 households, the projected annual growth rate of 1.21%, renter households estimated at 60.29% of the population, income-qualified households estimated at 25.66%, and an annual renter turnover rate of 68.8 %. (p. 69). The Market Analyst used an income band of \$20,160 to \$39,120. However, the Market analyst used a 4.5 person household for the upper limit instead of rounding up and using the 5 person household that the Underwriter used. The Underwriter used an income band of \$20,160 to \$40,620.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	201	3.9%	100	1.8%
Resident Turnover	4,923	96%	5,438	98.2%
Other Sources	N/A		N/A	
TOTAL ANNUAL DEMAND	5,124	100%	5,538	100%

Ref: p. 69

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 16.24% based upon 5,124 units of demand and 832 unstabilized affordable housing in the PMA (including the subject) (p. 69). The Underwriter calculated an inclusive capture rate of 15.0% based upon a supply of unstabilized comparable affordable units of 832 divided by a revised demand of 5,538.

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 1,207 units in the market area. "...We have adjusted the comparables on differences in amenities, unit size and utility basis. In the analysis, all of the comparables are good indicators of rent; therefore, we have reconciled near the overall mean of the adjusted rents." (p. 77).

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (50%)	\$588	\$588	\$0	\$705	-\$117
1-Bedroom (60%)	\$705	\$705	\$0	\$705	\$0
2-Bedroom (50%)	\$705	\$705	\$0	\$845	-\$140
2-Bedroom (60%)	\$846	\$846	\$0	\$845	\$1
2-Bedroom (50%)	\$705	\$705	\$0	\$865	-\$160
2-Bedroom (60%)	\$846	\$846	\$0	\$865	-\$19
2-Bedroom (50%)	\$705	\$705	\$0	\$865	-\$160
2-Bedroom (60%)	\$846	\$846	\$0	\$865	-\$19
3-Bedroom (50%)	\$815	\$815	\$0	\$1,035	-\$220
3-Bedroom (60%)	\$978	\$978	\$0	\$1,035	-\$57
3-Bedroom (50%)	\$815	\$815	\$0	\$1,090	-\$275
3-Bedroom (60%)	\$978	\$978	\$0	\$1,090	-\$112
3-Bedroom (50%)	\$815	\$815	\$0	\$1,105	-\$290
3-Bedroom (60%)	\$978	\$978	\$0	\$1,105	-\$127

(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 new apartment projects surveyed as competition had occupancies ranging from 78% to 95% with a mean of 87% (stabilized, market properties) *The HTC product had occupancies that range from 20% (initial lease-up stage) to 95% with an average of 70%.* Stabilized comparables range from 94% to 97% with strong leasing history. The South Arlington submarket is averaging 90.2% occupancy overall and the 1990+ product is indicating an 89.3% occupancy rate while the Grand Prairie submarket is averaging a 91.6% occupancy overall and the 1990+ is indicating a higher 94.5% occupancy.” (p. 83).

Absorption Projections: “Absorption of new product in Arlington and surrounding areas has been strong, based on the reported status of the most recently completed comparables. Other apartment communities, which are in lease-up were also surveyed.....An absorption rate ranging from 15 to 20 units/month is reasonable for the subject considering the desirability of the units, the demand in the market, and the competition level with older product and new housing. *Demand is expected to exceed the new supply in the future and the residents will demand proximity to employment and transportation linkages, such as provided by the subject property.* Based on the absorption assumptions, the subject community should achieve stabilization by March 2007....” (p. 70-71). Approximately 12 months from completion and issuance of a Certificate of Occupancy.

Market Study Analysis/Conclusions: The Underwriter found the market study to be acceptable. 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 HTC/program guidelines, and are achievable according to the Market Analyst. The Applicant indicated that the property would be served by a central boiler providing hot water to the tenant and as such the utility allowance for hot water heat was not deducted from the maximum rent limit. The Applicant overstated secondary income and provided insufficient additional substantiation for their estimate. Therefore, the Underwriter reduced the Applicant’s estimate of secondary income to a level acceptable to TDHCA. The Applicant utilized a lower vacancy and collection loss rate of 7% that contributed to the \$22K (1%) higher gross income estimate than the Underwriter’s estimate. As a result of these differences the Applicant’s effective gross income estimate is \$22,178 greater than the Underwriter’s estimate.

Expenses: The Applicant’s total expense estimate of \$3,872 per unit is not within 5% of the Underwriter’s database-derived estimate of \$4,405 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates that deviate significantly when compared to the database averages,

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

particularly general and administrative (\$26.6K lower), payroll (\$23.1K lower), utilities (\$27.5K lower), water, sewer, and trash (\$18.7K lower) and property tax (\$19.6K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them further. A partial rationale for some of these differences may be that the Development's utility and water expense should be higher than the typical transaction as a result of the higher cost to operate a central boiler system. The Department's property tax estimate is based on a \$30K per unit assessed value which may still be low when compared to the calculated cap rate based on the projected NOI of over \$42K per unit.

Conclusion: The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income (NOI) estimate 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 difference in operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of .99 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to \$717,302 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. The Underwriter has completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of \$10,210,000. In addition, the issuer fees and asset management fees may need to be deferred or paid out of cash flow for the first year of operations.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 11.09 acres \$1,010,000 **Date of Valuation:** 09/ 20/ 2004
Appraiser: Butler Burgher, Inc. **City:** Dallas **Phone:** (214) 739-0700

APPRAISAL ANALYSIS/CONCLUSIONS

An appraisal, provided by the purchaser, was performed by Mary Ann Barnett with Butler Burgher, Inc., MAI and dated September 20, 2004. The appraisal provides three values: "as-is land value", "as completed and stabilized" on an unencumbered basis, "as completed" on an unencumbered basis, "as completed and stabilized" on an encumbered basis, and "as completed" on an encumbered basis. The current "as-is land value" is important in the valuation and underwriting of this property because it should and does support the purchase price of the subject. In this case the "as is" value of the land is \$1,010,000 and purchase price is \$1,000,000. For the remaining "as completed" valuations of land and proposed 206 unit apartment project, the primary approach used was the income approach. Due to the quality of the comparable sales the appraisal provides and reasonable estimation of land value.

ASSESSED VALUE

Land: 11.09 acres \$511,569 **Assessment for the Year of:** 2004
Building: \$ **Valuation by:** Tarrant County Appraisal District
Total Assessed Value: \$511,569 **Tax Rate:** 3.05027/100

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Purchase and sale agreement (11.09 acres)
Contract Expiration Date: 2/ 28/ 2005 **Anticipated Closing Date:** 2/ 28/ 2005
Acquisition Cost: \$1,000,000 **Other Terms/Conditions:** _____
Seller: Prairie Oaks/SH 360 Ltd. **Related to Development Team Member:** No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of \$1,000,000 (\$2.07/SF, \$90,171/acre, or \$4,854/unit) is substantiated by the appraised value of \$1,010,000. 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 \$7,495 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Direct Construction Cost: The Applicant's direct construction cost estimate is \$9.1M or 32.6K (less than 1%) lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$11,074 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

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 by the Underwriter, is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$16,810,499 is used to determine a credit allocation of \$773,619 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount. This is \$2,923 lower than initially requested due to the Applicant's use of a higher applicable percentage of 3.55% rather than the 3.54% underwriting rate used for applications received in October 2004.

FINANCING STRUCTURE			
INTERIM CONSTRUCTION FINANCING			
Source:	Charter Mac Capital Solutions	Contact:	Marnie Miller
Principal Amount:	\$11,050,000	Interest Rate:	6.50
Additional Information:			
Amortization:	40 yrs	Term:	40 yrs
Commitment:		<input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional	
PERMANENT FINANCING			
Source:	Charter Mac Capital Solutions	Contact:	Marnie Miller
Principal Amount:	\$11,050,000	Interest Rate:	6.50
Additional Information:			
Amortization:	40 yrs	Term:	40 yrs
Commitment:		<input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional	
Annual Payment:	\$776,316	Lien Priority:	1st
Date:		10/ 12/ 2004	
TAX CREDIT SYNDICATION			
Source:	Related Capital Company	Contact:	Justin Ginsberg
Net Proceeds:	\$6,382,000	Net Syndication Rate (per \$1.00 of 10-yr HTC)	.87¢
Commitment:		<input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional	
Date:		09/ 10/ 2004	
Additional Information:			
APPLICANT EQUITY			
Amount:	\$1,061,380	Source:	Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by TDHCA and purchased by Charter Mac. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

GIC Income: The Applicant included \$68,000 in anticipated income from investment of the bond proceeds in a guaranteed investment contract (GIC) during the construction stage. The Underwriter has included this

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

source with developer fee in the following analysis.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,061,380 amount to 48% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed \$773,619 annually for ten years, resulting in syndication proceeds of approximately \$6,730,487. Due to the difference in estimated net operating income, the Underwriter's debt coverage ratio (DCR) of .99 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development should not exceed approximately \$717.3K by a reduction of the permanent loan amount and/or a reduction in the interest rate and/or an extension of the term. At the terms specified in the permanent financing commitment this would result in a reduced first lien debt amount of \$10.2M. To compensate for the potential reduction in loan funds the Applicant's deferred developer fee will be increased to \$1,994,804, which amounts to approximately 91% of the total fee and which is not repayable in 10 years but should be repayable in 15 years of stabilized occupancy.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Property Manager and Supportive Services firm are all related entities. These are common relationships for HTC-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, Leon Backes, submitted an unaudited financial statement as of September 30, 2004 and is anticipated to be guarantor of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

SUMMARY OF SALIENT RISKS AND ISSUES

€ The Applicant currently, does not have the proper zoning for the subject property. They must obtain a zoning change from the Arlington City Council no later than January 4, 2005 so that the transaction can be approved by the TDHCA Board at the January 2005 Board Meeting.

€ The Applicant currently does not have authorization from the City of Arlington to build the subject property. The Applicant must submit a resolution, prior to the TDHCA January 2005 board meeting, from the City of Arlington allowing the construction of the proposed development which is located within 1 linear mile from another HTC development (Timber Oaks)

€ 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:

Bert Murray

Date: December 29, 2004

Director of Real Estate Analysis:

Tom Gouris

Date: December 29, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Providence at Prairie Oaks, Arlington, 4% HTC, 04483

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, Trst
TC 50%	24	1	1	750	\$588	\$543	\$13,032	\$0.72	\$45.00	37.00
TC 60%	24	1	1	750	705	660	15,840	0.88	45.00	37.00
TC 50%	12	2	2	950	705	648	7,776	0.68	57.00	41.00
TC 60%	12	2	2	950	846	789	9,468	0.83	57.00	41.00
TC 50%	11	2	2	1,000	705	648	7,128	0.65	57.00	41.00
TC 60%	11	2	2	1,000	846	789	8,679	0.79	57.00	41.00
TC 50%	22	2	2	1,000	705	648	14,256	0.65	57.00	41.00
TC 60%	22	2	2	1,000	846	789	17,358	0.79	57.00	41.00
TC 50%	12	3	2	1,120	815	745	8,940	0.67	70.00	50.00
TC 60%	12	3	2	1,120	978	908	10,896	0.81	70.00	50.00
TC 50%	16	3	2	1,224	815	745	11,920	0.61	70.00	50.00
TC 60%	6	3	2	1,200	815	745	4,470	0.62	70.00	50.00
TC 50%	16	3	2	1,224	978	908	14,528	0.74	70.00	50.00
TC 60%	6	3	2	1,200	978	908	5,448	0.76	70.00	50.00
TOTAL:	206		AVERAGE:	996	\$785	\$727	\$149,739	\$0.73	\$58.50	\$43.04

INCOME

Total Net Rentable Sq Ft **205,248**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$15.00
Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%
Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT	
General & Administrative	4.90%	\$403	0.40	
Management	5.00%	412	0.41	
Payroll & Payroll Tax	11.37%	936	0.94	
Repairs & Maintenance	4.62%	381	0.38	
Utilities	4.05%	334	0.33	
Water, Sewer, & Trash	5.42%	446	0.45	
Property Insurance	3.02%	249	0.25	
Property Tax	3.05027	11.11%	915	0.92
Reserve for Replacements	2.43%	200	0.20	
Other: compl fees, Supp Ser.	1.57%	129	0.13	
TOTAL EXPENSES	53.49%	\$4,405	\$4.42	
NET OPERATING INC	46.51%	\$3,830	\$3.84	

DEBT SERVICE

First Lien Mortgage	45.76%	\$3,769	\$3.78
Issuer & Asset Ovrst Fee	0.95%	\$79	\$0.08
Trustee Fee	0.27%	\$22	\$0.02
NET CASH FLOW	-0.47%	(\$39)	(\$0.04)

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bld)	5.19%	\$4,854	\$4.87	
Off-Sites	0.00%	0	0.00	
Sitework	8.02%	7,495	7.52	
Direct Construction	47.07%	43,990	44.15	
Contingency	5.00%	2.75%	2,574	2.58
General Req'ts	6.00%	3.31%	3,089	3.10
Contractor's G & I	2.00%	1.10%	1,030	1.03
Contractor's Profit	6.00%	3.31%	3,089	3.10
Indirect Construction	6.12%	5,722	5.74	
Ineligible Costs	5.76%	5,383	5.40	
Developer's G & A	2.00%	1.51%	1,415	1.42
Developer's Profit	13.00%	9.84%	9,195	9.23
Interim Financing	4.00%	3,740	3.75	
Reserves	2.02%	1,883	1.89	
TOTAL COST	100.00%	\$93,459	\$93.80	
Recap-Hard Construction Costs	65.56%	\$61,268	\$61.49	

SOURCES OF FUNDS

First Lien Mortgage	57.39%	\$53,641	\$53.84
GIC Income	0.35%	\$330	\$0.33
HTC Syndication Proceeds	35.09%	\$32,796	\$32.92
Deferred Developer Fees	5.51%	\$5,152	\$5.17
Additional (excess) Funds Req'd	1.65%	\$1,540	\$1.55
TOTAL SOURCES			

	TDHCA	APPLICANT
POTENTIAL GROSS RENT	\$1,796,868	\$1,796,580
Secondary Income	37,080	51,360
Other Support Income	0	0
POTENTIAL GROSS INCOME	\$1,833,948	\$1,847,940
Vacancy & Collection Loss	(137,546)	(129,360)
Employee or Other Non-Rental Units or Concessions	0	0
EFFECTIVE GROSS INCOME	\$1,696,402	\$1,718,580
General & Administrative	\$83,084	\$56,440
Management	84,820	85,929
Payroll & Payroll Tax	192,816	169,694
Repairs & Maintenance	78,415	84,928
Utilities	68,715	41,200
Water, Sewer, & Trash	91,948	73,270
Property Insurance	51,312	49,440
Property Tax	188,507	168,920
Reserve for Replacements	41,200	41,200
Other: compl fees, Supp Ser.	26,600	26,600
TOTAL EXPENSES	\$907,416	\$797,621
NET OPERATING INC	\$788,986	\$920,959
First Lien Mortgage	\$776,316	\$803,105
Issuer & Asset Ovrst Fee	16,200	0
Trustee Fee	4,500	0
NET CASH FLOW	(\$8,029)	\$117,854
AGGREGATE DEBT COVERAGE RATIO	0.99	1.15
RECOMMENDED DEBT COVERAGE RATIO	1.07	

	PER SQ FT	PER UNIT	% OF EGI
Comptroller's Region		3	
IREM Region/Fort Worth			
Per Unit Per Month	\$20.78		
% of Potential Gross Rent	-7.00%		
PER SQ FT	\$3.89	\$3,872	46.41%
PER UNIT	\$4.49	\$4,471	53.59%
PER SQ FT	\$3.91	\$3,899	46.73%
PER UNIT	\$0.00	\$0	0.00%
PER SQ FT	\$0.00	\$0	0.00%
PER UNIT	\$0.57	\$572	6.86%

	TDHCA	APPLICANT
Acquisition Cost (site or bld)	\$1,000,000	\$1,000,000
Off-Sites	0	0
Sitework	1,543,969	1,543,969
Direct Construction	9,062,031	9,101,976
Contingency	530,300	532,298
General Req'ts	636,360	638,757
Contractor's G & I	212,120	212,919
Contractor's Profit	636,360	638,757
Indirect Construction	1,178,648	1,178,648
Ineligible Costs	1,108,821	1,108,821
Developer's G & A	291,406	0
Developer's Profit	1,894,138	2,208,643
Interim Financing	770,503	770,503
Reserves	387,953	0
TOTAL COST	\$19,252,608	\$18,935,291
Recap-Hard Construction Costs	\$12,621,140	\$12,668,676
First Lien Mortgage	\$11,050,000	\$11,050,000
GIC Income	68,000	68,000
HTC Syndication Proceeds	6,755,912	6,755,912
Deferred Developer Fees	1,061,380	1,061,380
Additional (excess) Funds Req'd	317,316	(1)
TOTAL SOURCES	\$19,252,608	\$18,935,291

	RECOMMENDED	
RECOMMENDED	\$10,210,000	Developer Fee Available
Developer Fee Available	0	\$2,192,674
% of Dev. Fee Deferred	6,730,487	91%
15-Yr Cumulative Cash Flow	1,994,804	
RECOMMENDED	0	
TOTAL SOURCES	\$18,935,291	\$2,364,738

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
Providence at Prairie Oaks, Arlington, 4% HTC, 04483

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.68	\$8,965,879
Adjustments				
Exterior Wall Finis	0.80%		\$0.35	\$71,727
9-Ft. Ceilings	3.00%		1.31	268,976
Roofing			0.00	0
Subfloor			(2.03)	(416,653)
Floor Cover			2.00	410,496
Porches/Balconies	\$18.00	18,828	1.65	338,904
Plumbing	\$605	474	1.40	286,770
Built-In Appliances	\$1,650	206	1.66	339,900
Stairs	\$990	176	0.85	174,240
Enclosed Corridors			0.00	0
Heating/Cooling			1.53	314,029
Clubhouse	\$61.93	3,989	1.20	247,033
Comm &/or Aux Bldgs			0.00	0
Other: Covered Park	\$7.77	20,000	0.76	155,400
SUBTOTAL			54.36	11,156,702
Current Cost Multiplier	1.10		5.44	1,115,670
Local Multiplier	0.90		(5.44)	(1,115,670)
TOTAL DIRECT CONSTRUCTION COSTS			\$54.36	\$11,156,702
Plans, specs, survy, bl	3.90%		(\$2.12)	(\$435,411)
Interim Construction In	3.38%		(1.83)	(376,539)
Contractor's OH & Profi	11.50%		(6.25)	(1,283,021)
NET DIRECT CONSTRUCTION COSTS			\$44.15	\$9,062,031

PAYMENT COMPUTATION

Primary	\$11,050,000	Term	480
Int Rate	6.50%	DCR	1.02

Secondary	\$68,000	Term	
Int Rate	0.00%	Subtotal DCR	1.00

Additional	\$0	Term	
Int Rate		Aggregate DCR	0.99

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$717,302
Issuer & Asset Ovrst Fee	15,360
Trustee Fee	4,500
NET CASH FLOW	\$51,825

Primary	\$10,210,000	Term	480
Int Rate	6.50%	DCR	1.10

Secondary	\$68,000	Term	0
Int Rate	0.00%	Subtotal DCR	1.08

Additional	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.07

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

	a	3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	#####	#####	\$1,906,297	\$1,963,486	\$2,022,391	\$2,344,505	\$2,717,924	\$3,150,819	\$4,234,437		
Secondary Income			37,080	38,192	39,338	40,518	41,734	48,381	56,087	65,020	87,381
Other Support Income: (d			0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME			1,833,948	1,888,966	1,945,635	2,004,004	2,064,125	2,392,886	2,774,011	3,215,839	4,321,819
Vacancy & Collection Los			(137,546)	(141,672)	(145,923)	(150,300)	(154,809)	(179,466)	(208,051)	(241,188)	(324,136)
Employee or Other Non-Re			0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	#####	#####	\$1,799,713	\$1,853,704	\$1,909,315	\$2,213,420	\$2,565,960	\$2,974,651	\$3,997,682		
EXPENSES at 4.00%											
General & Administrative			\$83,084	\$86,407	\$89,863	\$93,458	\$97,196	\$118,254	\$143,874	\$175,045	\$259,109
Management			84,820	87,365	89,986	92,685	95,466	110,671	128,298	148,733	199,884
Payroll & Payroll Tax			192,816	200,529	208,550	216,892	225,567	274,437	333,895	406,234	601,326
Repairs & Maintenance			78,415	81,551	84,813	88,206	91,734	111,608	135,789	165,208	244,548
Utilities			68,715	71,463	74,322	77,295	80,387	97,803	118,992	144,772	214,297
Water, Sewer & Trash			91,948	95,626	99,451	103,429	107,566	130,870	159,224	193,720	286,753
Insurance			51,312	53,364	55,499	57,719	60,028	73,033	88,856	108,107	160,024
Property Tax			188,507	196,047	203,889	212,044	220,526	268,304	326,433	397,155	587,887
Reserve for Replacements			41,200	42,848	44,562	46,344	48,198	58,640	71,345	86,802	128,488
Other			26,600	27,664	28,771	29,921	31,118	37,860	46,063	56,042	82,956
TOTAL EXPENSES			\$907,416	\$942,864	\$979,705	\$1,017,993	\$1,057,786	\$1,281,481	\$1,552,767	\$1,881,817	\$2,765,273
NET OPERATING INCOME			\$788,986	\$804,430	\$820,008	\$835,711	\$851,529	\$931,939	\$1,013,193	\$1,092,834	\$1,232,410
DEBT SERVICE											
First Lien Financing			\$717,302	\$717,302	\$717,302	\$717,302	\$717,302	\$717,302	\$717,302	\$717,302	\$717,302
Issuer & Asset Ovrst Fee			15,360	15,360	15,360	15,360	15,360	15,360	15,360	15,360	15,360
Trustee Fee			4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
NET CASH FLOW			\$51,825	\$67,268	\$82,846	\$98,549	\$114,367	\$194,777	\$276,031	\$355,672	\$495,248
DEBT COVERAGE RATIO			1.07	1.09	1.11	1.13	1.16	1.26	1.37	1.48	1.67

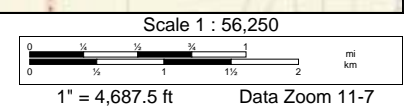
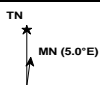
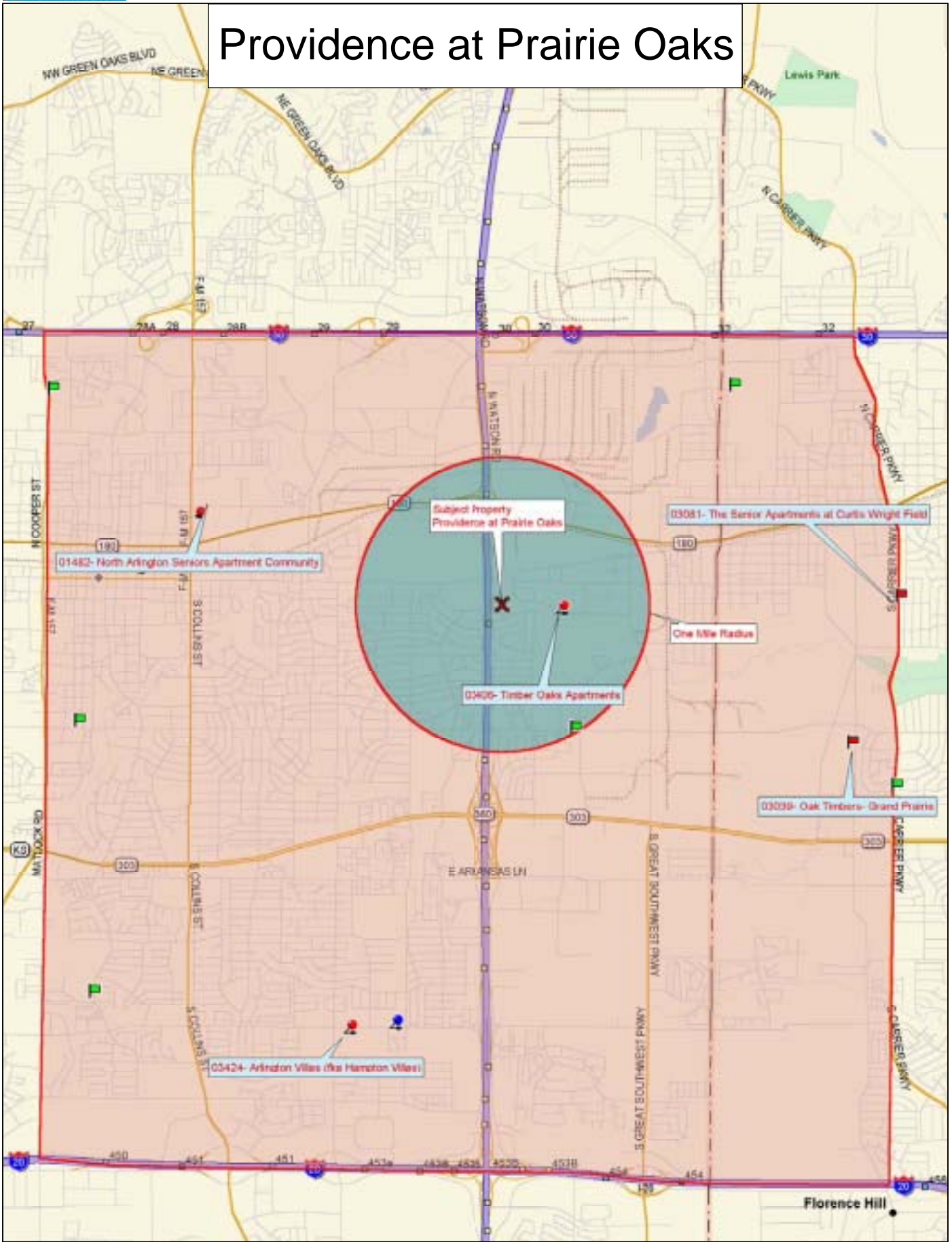
LIHTC Allocation Calculation - Providence at Prairie Oaks, Arlington, 4% HTC, 04483

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,000,000	\$1,000,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,543,969	\$1,543,969	\$1,543,969	\$1,543,969
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$9,101,976	\$9,062,031	\$9,101,976	\$9,062,031
(4) Contractor Fees & General Requirements				
Contractor overhead	\$212,919	\$212,120	\$212,919	\$212,120
Contractor profit	\$638,757	\$636,360	\$638,757	\$636,360
General requirements	\$638,757	\$636,360	\$638,757	\$636,360
(5) Contingencies				
	\$532,298	\$530,300	\$532,297	\$530,300
(6) Eligible Indirect Fees				
	\$1,178,648	\$1,178,648	\$1,178,648	\$1,178,648
(7) Eligible Financing Fees				
	\$770,503	\$770,503	\$770,503	\$770,503
(8) All Ineligible Costs				
	\$1,108,821	\$1,108,821		
(9) Developer Fees				
			\$2,192,674	
Developer overhead		\$291,406		\$291,406
Developer fee	\$2,208,643	\$1,894,138		\$1,894,138
(10) Development Reserves				
		\$387,953		
TOTAL DEVELOPMENT COSTS	#####	\$19,252,608	\$16,810,499	\$16,755,835

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			\$16,810,499	\$16,755,835
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$21,853,649	\$21,782,585
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$21,853,649	\$21,782,585
Applicable Percentage			3.54%	3.54%
TOTAL AMOUNT OF TAX CREDITS			\$773,619	\$771,104

Syndication Proceeds	0.8700	\$6,730,487	\$6,708,600
Total Credits (Eligible Basis Method)		\$773,619	\$771,104
Syndication Proceeds		\$6,730,487	\$6,708,600
Requested Credits		\$776,542	
Syndication Proceeds		\$6,755,915	
Gap of Syndication Proceeds Needed		\$8,725,291	
Credit Amount		\$1,002,907	

Providence at Prairie Oaks



RENT CAP EXPLANATION Ft Worth/Arlington MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2004

MSA/County: Fort Worth **Area Median Family Income (Annual):** \$62,700

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)		
# of Persons	At or Below			Unit Type	At or Below				At or Below		
	50%	60%	80%		50%	60%	80%		50%	60%	80%
1	\$ 21,950	\$ 26,340	\$ 35,100	Efficiency	\$ 548	\$ 658	\$ 877		\$ 548	\$ 658	\$ 877
2	25,100	30,120	40,150	1-Bedroom	588	705	940	45.00	543	660	895
3	28,200	33,840	45,150	2-Bedroom	705	846	1,128	57.00	648	789	1,071
4	31,350	37,620	50,150	3-Bedroom	815	978	1,303	70.00	745	908	1,233
5	33,850	40,620	54,150								
6	36,350	43,620	58,200	4-Bedroom	908	1,090	1,455		908	1,090	1,455
7	38,850	46,620	62,200	5-Bedroom	1,003	1,203	1,605		1,003	1,203	1,605
8	41,400	49,680	66,200								
FIGURE 1				FIGURE 2				FIGURE 3	FIGURE 4		

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$33,000 per year would fall in the 60% set-aside group. A family of three earning \$28,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 50% income bracket earning \$28,200 could not pay more than \$705 for rent and utilities under the affordable definition.

- 1) \$28,200 divided by 12 = **\$2,350** monthly income; then,
- 2) **\$2,350** monthly income times 30% = **\$705** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in **Figure 3** from the maximum total housing expense for each unit type found in **Figure 2**.

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

Providence at Prairie Oaks

RESULTS & ANALYSIS: for 50% AMFI units

Tenants in the 50% AMFI bracket will **save \$162to \$333** per month (leaving **7.7% to 12.3%** more of their monthly income for food, child care and other living expenses).
This is a monthly savings off the market rents of **23.0% to 30.9%**.

PROJECT INFORMATION			
	Unit Mix		
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom
Square Footage	750	987	1,183
Rents if Offered at Market Rates	\$705	\$860	\$1,078
Rent per Square Foot	\$0.94	\$0.87	\$0.91

SAVINGS ANALYSIS FOR 60% AMFI GROUPING			
Rent Cap for 50% AMFI Set-Aside	\$543	\$648	\$745
Monthly Savings for Tenant	\$162	\$212	\$333
Rent per square foot	\$0.72	\$0.66	\$0.63
Maximum Monthly Income - 50% AMFI	\$2,092	\$2,350	\$2,717
Monthly Savings as % of Monthly Income	7.7%	9.0%	12.3%
% DISCOUNT OFF MONTHLY RENT	23.0%	24.7%	30.9%

Information provided by: Butler Burgher, Inc. 8150 N. Central Expressway, Suite 801, Dallas, Texas 75206. Report dated October 4, 2004.

Providence at Prairie Oaks

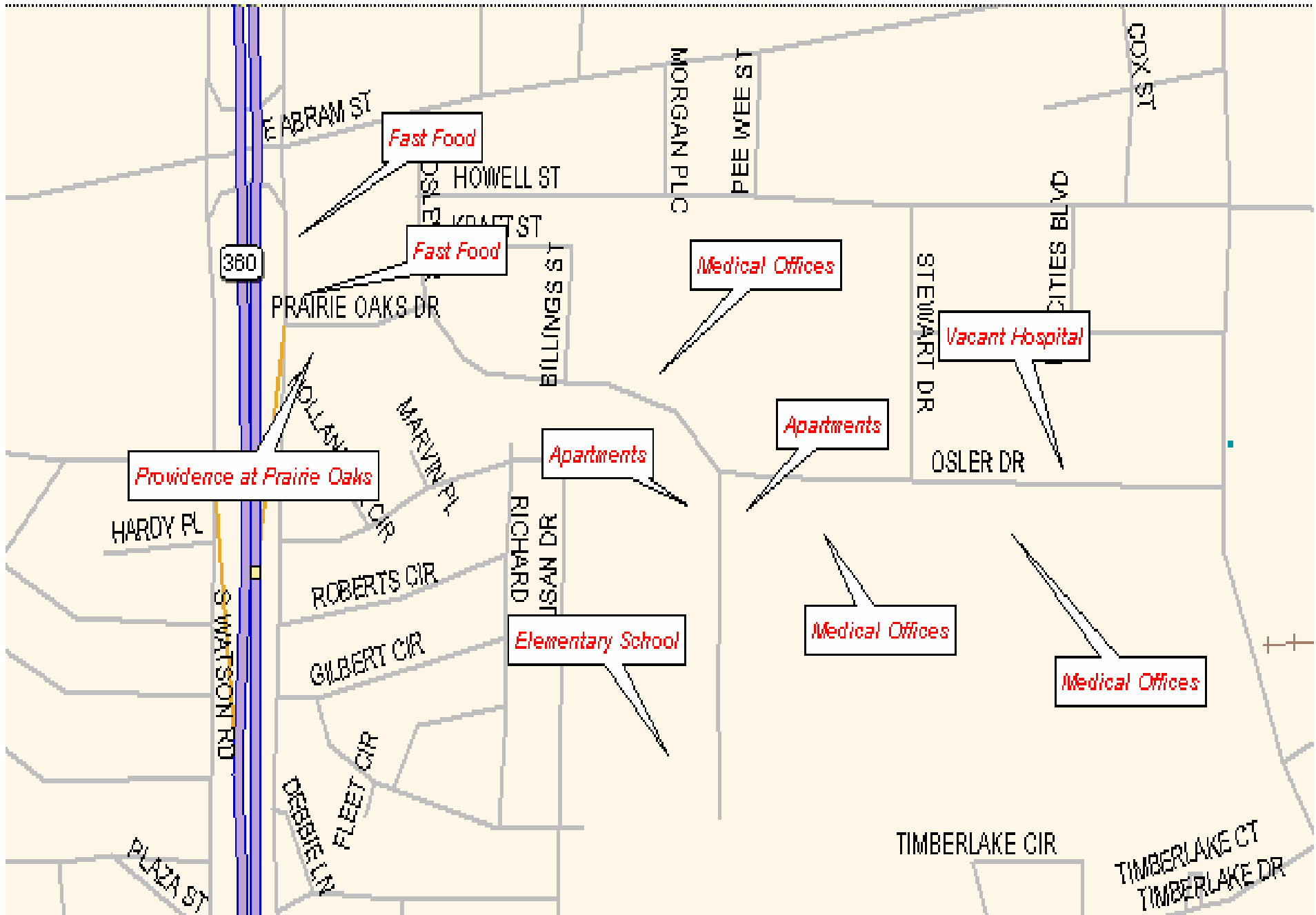
RESULTS & ANALYSIS: for 60% AMFI units

Tenants in the 60% AMFI bracket will **save \$45to \$170** per month (leaving **1.8% to 5.2%** more of their monthly income for food, child care and other living expenses).
This is a monthly savings off the market rents of **6.4% to 15.8%**.

PROJECT INFORMATION			
	Unit Mix		
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom
Square Footage	750	987	1,183
Rents if Offered at Market Rates	\$705	\$860	\$1,078
Rent per Square Foot	\$0.94	\$0.87	\$0.91

SAVINGS ANALYSIS FOR 60% AMFI GROUPING			
Rent Cap for 60% AMFI Set-Aside	\$660	\$789	\$908
Monthly Savings for Tenant	\$45	\$71	\$170
Rent per square foot	\$0.88	\$0.80	\$0.77
Maximum Monthly Income - 60% AMFI	\$2,510	\$2,820	\$3,260
Monthly Savings as % of Monthly Income	1.8%	2.5%	5.2%
% DISCOUNT OFF MONTHLY RENT	6.4%	8.3%	15.8%

Information provided by: Butler Burgher, Inc. 8150 N. Central Expressway, Suite 801, Dallas, Texas 75206. Report dated October 4, 2004.



Providence at Prairie Oaks

Fast Food

Fast Food

Medical Offices

Vacant Hospital

Apartments

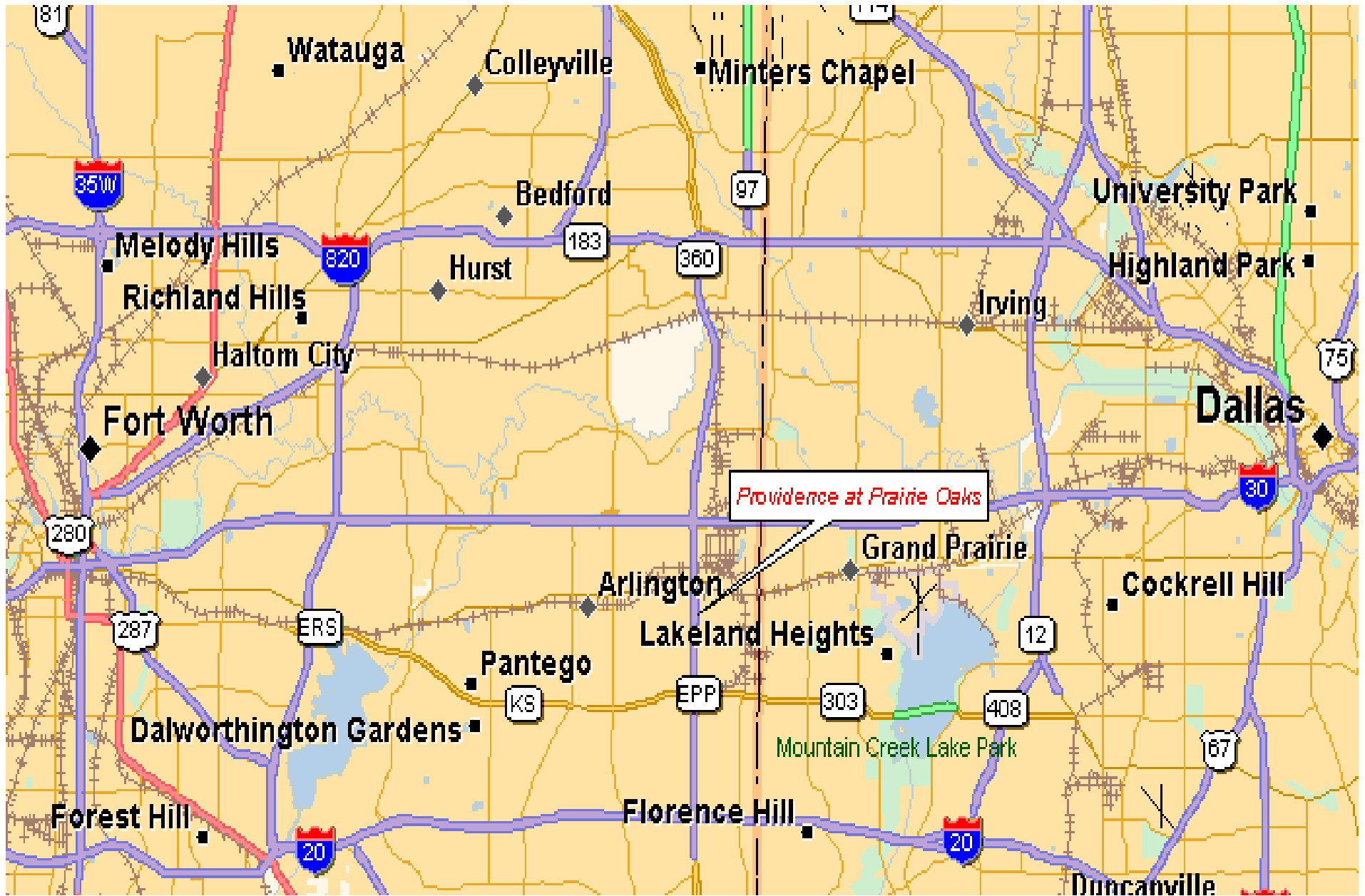
Apartments

Medical Offices

Medical Offices

Elementary School

360



Providence at Prairie Oaks

Applicant Evaluation

Project ID # **04483**

Name: **Providence at Prairie Oaks**

City: **Arlington**

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 0

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 0

Projects not reported Yes
 in application No

not yet monitored or pending review: 6

of projects not reported 0

Portfolio Monitoring

Single Audit

Contract Administration

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification
 (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewed by Patricia Murphy

Date 12/29/2004

Multifamily Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer R Meyer
 Date 12/28/2004

Single Family Finance Production

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer _____
 Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer _____
 Date _____

Community Affairs

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer EEF
 Date 12/28/2004

Office of Colonia Initiatives

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer _____
 Date _____

Financial Administration

No delinquencies found
 Delinquencies found

Reviewer Stephanie A. D'Couto
 Date 12/28/2004

Executive Director: Edwina Carrington

Executed: day, December 29, 2004

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Production Division

Public Comment Summary

Providence at Prairie Oaks

Public Hearing

<i>Total Number Attended</i>	11
<i>Total Number Opposed</i>	3
<i>Total Number Supported</i>	8
<i>Total Number Neutral</i>	0
<i>Total Number that Spoke</i>	6

Public Officials Letters Received

<i>Opposition</i>	1
<i>School Superintendent</i>	
<i>Support</i>	0

General Public Letters and Emails Received

<i>Opposition</i>	1
<i>Timber Oaks Development</i>	
<i>Support</i>	0

Summary of Public Comment

- 1 Overcrowding of the elementary school
- 2 Declining property values (no supporting evidence for this concern)
- 3 Increased traffic (traffic study completed states there will not be congestion onto the frontage due to the entrance and exit being on the Prairie Oaks and Osler)
- 4 Drainage Issue (Engineer is going to put a swale and fence on the property to keep the runoff from entering the single family properties and unplug the drainage hole on the other side to have the excess water on that side flow into the drain)
- 5 Will hinder the ability for the other apartments in the area to complete lease-up

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS SERIES 2003
PROVIDENCE AT PRAIRIE OAKS APARTMENTS

PUBLIC HEARING

Crouch Elementary School
2810 Prairie Hill
Grand Prairie, Texas

November 8, 2004
6:00 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Bond Administrator

ON THE RECORD REPORTING
(512) 450-0342

I N D E X

<u>SPEAKER</u>	<u>PAGE</u>
Peter Sax	7
Gary Welch	7
Desirae Cruz	9
Jeff Kuykendall	14
Ben Pate	15
Ian Norfolk	20

P R O C E E D I N G

My name is Robbye Meyer. I'm with the Texas Department of Housing and we'd like to welcome everybody here. First of all, I will ask if you have pagers or mobile phones, if you'll turn them off or turn them to Silence so they don't interrupt the hearing.

I'm here to receive comment on the proposed Providence at Prairie Oaks Apartments development. It's located at approximately the 2700 block of Prairie Oaks Drive. This developer has applied for tax-exempt bond financing with the Texas Department of Housing and Community Affairs and also Housing Tax Credits and I'll explain those two programs here shortly.

The two programs were created by the federal government to privatize the industry of affordable housing and this particular development will be privately owned and be privately financed and privately managed.

It won't be a Section 8 project-based housing. A lot of people get that confused with affordable housing. Just to let you know that it's not a project-based housing development.

The tax-exempt bond program is a tax exemption to the bond purchaser. It's not a property tax exemption. This particular developer will be paying its property

taxes. The bond purchaser, because of the tax exemption that they have on their income that they invest in housing bond, they accept a lower rate of return because of that tax exemption.

That allows the lender that's involved in this transaction to also afford a lower rate to the development and that allows the developer to build a higher quality development at a lower cost.

The housing tax credit is much like a tax credit of your mortgage that you would claim on your income tax return. It has the same net effect. That income -- that is an income to a particular -- large industry usually buys those tax credits and it's an equity injection into the development.

But these are two federal programs and not your local tax dollars being taken away from you. There is a greater of 30-year affordability period or as long as the bonds are outstanding that's greater than 30 years that the state will monitor. The complex on certain aspects and that has income restrictions and I'll explain that here in just a minute, the tenant occupancy and physical appearance and also financial feasibility on the development itself.

Because of these two programs, the end result

is that affordable housing gets built. It's privately owned, it's privately managed and it helps lesser fortunate individuals in the state of Texas have a choice in quality, safe, affordable housing that they can afford.

The Prairie Oaks development will be located at approximately the 2700 block of Prairie Oaks Drive in Arlington. It will consist of 14 two- and three-story buildings; one nonresidential building, a total of 206 residential units, 48 of which will be one bedroom, one bath, with approximate square footage of 750, 90 two bedroom, two baths with approximate square footage of 987 and 68 three bedroom, two baths with approximate square footage of 1183.

It will service families -- 50 percent of the units will serve families at 50 percent of the area median income and the remaining 50 percent of the units will serve families at 60 percent of the area median income.

The area family median income for the Fort Worth/Arlington area is \$62,700 and that is for 2004. To give you an example, a family of four on a combined income cannot earn more than \$30,350 to qualify at the 50 percent level and \$37,620 at the 60 percent level.

The maximum approximate rents for a one bedroom at the 50 percent level will be \$542; at the 60 percent

level, a one bedroom will be \$660.

The approximate maximum incomes for two bedrooms will be \$648 at the 50 percent level and 60 percent level at \$789 and three bedroom maximum at 50 percent, approximately \$745 and at 60 percent, \$908.

If you picked up one of the flyers here on the end of the table, that information that I just read off is in that flyer and so it'll give you a little more information there.

Anyone who wishes to speak, again, I need you to fill out a witness affirmation card. I think everybody has except you, sir. And if you want to speak, if I can get you to do that.

The public comment time for this particular development will run up until December the 30th. If, once you get through with this hearing if there's another comment you want to make, my information is in the packet.

You can email that to me, you can send me a letter, you can fax me a letter, if you want to make additional comments after the hearing.

The Texas Department of Housing and Community Affairs Board is expected to convene for this particular development on January 13. That is a tentative date. The 2005 dates have not actually been set at this time but

that is the tentative date that it will be set and I'll repeat those later on. This information is also in the packet if you need that information, along with my contact information and also the developer's.

I want to read a -- right now, are there any questions about the particular development? Yes, sir.

MR. SAX: Just a question about the TDHCA Board meeting. Where would that be held?

MS. MEYER: The Texas Department of Housing Board meeting is in Austin. Normally, they are held, when the Legislature is in session, they're normally held at our office building and that's at 507 Sabine. I do believe that's on my -- yes, that's on the contact information for me. It's right on the corner of I-35 and Fifth. It's in between Fifth and Sixth Street, right behind the Crown Plaza Motel.

And you're more than welcome. It is an open board meeting and a public meeting and you are welcome to attend if you'd like to do so.

MR. WELCH: Just trying to get a confirmation. This January 13, '05. Is that going to be held in Austin or will that be held --

MS. MEYER: That will be held in Austin. That is -- the Board meeting in question is when that Board

meeting and where. That is for -- the TDHCA Board will actually make a decision of whether this development will move forward or not and receive bonds.

The Texas Department of Housing and Community Affairs is actually an issuer of the bonds. We're not actually financing -- there is a private lender involved on this transaction; we're just the issuer of the bonds. The Texas Bond Review Board is actually the administer of that program for tax-exempt bonds and we're just an issuer and our Board decides whether we will issue bonds for this particular development or not. Are there any other questions?

MR. WELCH: This January 13 tentative meeting, will this be input from the Board or will we be allowed to put our two cents' worth in or how does that function?

MS. MEYER: The question is, is there input to the Board and what is actually input to the Board and can the public speak? There will be a presentation given by our Executive Director and a Board package with a lot of information will be given to the Board and it will be given to the Board a week prior to that Board meeting.

All of that information will be available on our website the Thursday -- well, seven days prior to the actual Board meeting itself so it will be on our website

and all the information, if you want to see exactly what the Board will be looking at, will be on that website, if you have access to the internet.

So again, it is a public meeting and if you would like to come to Austin and speak directly to the Board, you are more than welcome to do so.

MS. CRUZ: On the rents, is that before or after the utility allowance?

MS. MEYER: That's before utilities are added in. Yes, that's in that rent. The question again, is the rents that I quoted net or gross and it is the net rent.

MR. WELCH: It does not include utilities?

MS. MEYER: It does not include utilities; it is the net rent, minus utilities. Are there any other questions? Okay. I'm going to go ahead and start with public comment and I will have to read a brief speech per our requirements and after that I will open the floor up to the audience and you can make your public comment at that time.

Okay, my name is Robbye Meyer and I would like to proceed with the public hearing. Let the record show that it is 6:20 p.m. on Monday, November the 8th and we are at the Crouch Elementary School located at 2810 Prairie Hill in Grand Prairie, Texas.

I'm here to conduct a public hearing on behalf of the Texas Department of Housing and Community Affairs with the respect to an issuance of tax-exempt multifamily revenue bonds for a residential rental community. This hearing is required by the Internal Revenue Code.

The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issuance.

No decisions regarding the development will be made at this hearing. The Department's board is scheduled to meet to consider this transaction on January the 13th of 2005. In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the board at their meeting.

The department staff will also accept written comment from the public up until five o'clock on December the 30th of 2004.

The Bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed \$13,400,000 and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs.

The proceeds of the Bonds will be loaned to Chicory Court Marine Creek, L.P., or a related person or affiliate entity thereof, to finance a portion of the costs of acquiring, constructing and equipping a multifamily rental housing community described as follows:

206-unit multifamily residential rental development to be constructed on approximately 11.09 acres of land located at approximately the 2700 block of Prairie Oaks Drive, Tarrant County, Texas. The proposed multifamily rental housing community will be initially owned and operated by the borrower, or a related person or affiliate thereof.

I would now open the floor up for public comment and the first one is Gary Welch.

MR. WELCH: As Robbye said, my name is Gary Welch. I live at 2715 Marvin Place, Lot 19A of Block 1. I run about 110 feet of fence line that backs up directly to this property and the reason I'm here is to let all of you know -- some of you weren't at the presentation they made initially, and what I want to want to express to you is the professional manner in which they handled it.

I'm sure some of you may have received a letter of invitation that they sent out. Basically, meet us in the middle of this property. We'll show you what we are proposing to do, we will answer any questions you have

about what we're going to do and how it will affect you.

They had presentations of elevations, color schemes, the landscaping architect was there, the engineers were there, they walked through any questions we had and, naturally, when somebody talks about an apartment backing up to my backyard, I'm thinking I'm going to be sitting in my yard drinking coffee and this joker's going to be sitting on his balcony looking down my collar while he's drinking his coffee or somebody's changing an engine in a '55 Pontiac on the other side of the fence at one o'clock in the morning.

And they touched on all that. The balconies will be to the inside, there's a clubhouse, a pool, a sports court, I understand, security, there's a -- gated both ways and the closest building to my fence line is 90 feet so that gives me plenty of room.

They're going to put in a brick wall down the fence line, there'll be live oak trees as mostly a screen and there'll be a vegetated swell breaking in two directions so it's not all going in one way.

But, again, the thing that I appreciate the most about how these folks handled themselves was, they could have gone out there and just started cutting dirt, driving stakes and never said anything to anybody, had

they gotten the approval on it but, again, I've lived in my home for 36 years, all I've ever seen them do to this land is mow it and survey it and every time they survey it, I'm out there -- God, please don't let them build a Taco Bell in my backyard with a drive-through on the back side of it.

I'm very much in favor of these people doing what they're proposing to do, primarily because along that fence line is zoned for offices. Beyond that is small business and they can put any kind of a business in there they want to.

I'm sure they're not going to build offices backed up to a residential area because there's already a small complex of offices across Prairie Oaks.

So my concern is, if they rezone it for anything else, I don't know what they could build in there; a small business, it could be Aunt Ethel's Muffler Shop, who knows what it could be. That would be my concern.

We know what these folks are going to build. We know what it's going to look like and the first question my wife had was -- Section 8, and it answers right there in the brochure, it is not Section 8. It is in my understanding a way for middle to lower income

people who are trying to get themselves started, like a young couple or a single person, trying to get started in a decent place to live and a pretty good part of town, as far as I'm concerned because I've been there since we've been in Arlington.

And that's what I want to make sure I have understood with everyone here. I am very much in support of these folks, primarily because they will finance it, they will manage it and they own it and they assured me they will be there for at least 15 years because I asked them about that brick fence leaning or falling over and they're going to take care of that.

So I am very comfortable with what these folks are proposing to do and I am very much in favor of them building their development.

MS. MEYER: Thank you. The next person I have is Jeff Kuykendall.

MR. KUYKENDALL: He pretty much covered everything I wanted to say.

MS. MEYER: Okay.

MR. WELCH: We're next door neighbors.

MS. MEYER: Desirae?

MS. CRUZ: Do I have to go up there?

MS. MEYER: Yes.

MS. CRUZ: Well, I obviously oppose because I'm the manager of the property that's really close to that, the upcoming community that's coming out. So my company just wanted me to ask that we were under the impression that another affordable community wouldn't come up while we're under lease-up phase. Did you hear my question?

MS. MEYER: Uh-huh.

MS. CRUZ: They just were -- they said they were under the impression that another affordable community wouldn't come up while we still under lease-up phase.

MS. MEYER: Well, I'll answer that in a little bit.

MS. CRUZ: Okay. Well, that's pretty much it. I mean, I know everything that has to do with tax credit property, being the manager there, but, you know, I was looking at the area thinking it was going to be a lot smaller so you're going to be our big competition.

MS. MEYER: Okay.

MS. CRUZ: Okay.

MS. MEYER: Yes, I'll answer that whenever --

MS. CRUZ: Okay.

MS. MEYER: -- whenever I finish public comment. The next person is Ben Pate.

MR. PATE: I'm Ben Pate and I live at 614 Richard Drive and I saw their presentation a couple of months ago and had a chance to see it and actually, I was very impressed by the builder. They're very professional.

The problem is, is when I talk to my neighbors and find out how they feel about it and learn more about after the presentation, I find it's really not going to be in the best interest of our neighborhood.

Yes, they're going to be building nice apartments but the problem is, what is it going to do to the people that already live there. I hear a lot of talk about -- what about affordable housing but you never hear the talk about what does it do to the people who have spent 30 years paying for the houses that are going to be built next to it.

The issues that we have in our neighborhood is, we are already in a declining neighborhood and additional apartments -- we have 600 or so already down this street and what will another 260 do to our neighborhood. We're virtually standing room only. What are we going to do when we get the extra people there.

There are other issues that involve the drainage that'll be coming down Richard Drive and many of us are going to have to deal with that.

There's issues with the traffic that will be approaching our frontage road and also along Abrams when we try to get out and go to work in the morning.

So, there are a number of issues here, not the least of which is what will this do to the value of our houses that we've spent a large portion of our lives paying for and it's a big concern. The people I've talked to in the neighborhood are not in favor of it.

So, I feel a need to represent them, those who either can't or choose not to be here to speak their mind.

So I have done 180 on this and I feel like, in my heart, this is the right stance for me to take on this project and I -- are there any questions that anybody would have for my stance for why that I've taken this?

I feel it's in the best interest of those that live here and have established a life here to take this position. Thank you very much.

MS. MEYER: Thank you. And the last one is Dixon Holman?

MR. HOLMAN: I'll pass.

MS. MEYER: Okay.

MR. HOLMAN: I'll submit my written comments.

MS. MEYER: Okay. Now, I'll answer your question. Let the record show that there are no other

public comments and as far as the hearing is concerned, I will adjourn the meeting if --

Are there any more comments?

(No response.)

MS. MEYER: Okay, I'll go ahead and adjourn the meeting. It is 6:29.

MR. SAX: Ma'am?

MS. MEYER: Yes.

MR. SAX: May I just add one little comment, very briefly?

MS. MEYER: Yes.

MR. SAX: Thank you. My name is Peter Sax. I live at 707 Richard Drive and my primary concern -- and I'm opposed to this, at least at this point, because I have received nothing but information about the complex. But I haven't received any information about impact of traffic and, most importantly, about the impact of runoff from rainstorms.

MS. MEYER: Okay.

MR. SAX: That information I would need and to see what they plan or see what they've thought through about the impact of those two issues on this before I could support it. Until then, I must oppose it.

MS. MEYER: Okay.

MR. SAX: Thank you.

MS. MEYER: Thank you very much. Okay, are there any other -- okay. Now, we'll adjourn the meeting now at 6:30. Okay. In answer to your question on -- it has to do with the One Mile Rule.

The legislature in 2003 put into effect a One Mile Rule, which says that you cannot have a development of the same type within one mile of another development which would protect the lease-up unless you have a city resolution.

This particular developer is in that process and that is one of the things that will need to be done. We also have to have the property approved on zoning also.

But that's what you're referring to, Desirae, is the One Mile Rule.

And they put that into play, you know, because of a concentration issue. The market study does support this particular development though, as far as a need in the area. That is a public record, if anybody would like to see that you can get that market study, if you would like to see that information.

As far as traffic studies, I don't know if you have done any kind of traffic study. A member of the development team is here and so I'll let them answer the

question to the drainage and traffic.

Let me add two little things. You made the mention of 260 units; there's actually 206. I didn't want you to -- there wasn't -- it's not 260.

And also, on the property values on that issue, there aren't any statistical proof that affordable housing affects property values either way; in declining or improving values. Just to let you know -- and that's something that we have questions about on a consistent basis.

But there's -- we've tried to do studies and there are a lot of national studies that have been done. Some of those studies are on our website, if you'd like to see them and then there are actually very good articles and studies that have been done. So, if you'd like to see that, I'll be glad to point you on our website to where they are, just to kind of ease your mind on that.

But I'll turn it over. Let the developer answer some questions about drainage and that kind of thing.

MR. NORFOLK: My name is Ian Norfolk. I represent Jones and Carter, who are the civil engineers. And, I am the one who is basically doing the design for the drainage and am aware of the traffic studies so what

question would you like answered first?

MR. SAX: Yes, both of them.

MR. NORFOLK: All right. I'll start with the traffic study. To my knowledge, there has been a traffic study done and because of the location of the entrance roads, there is not one that is going to be on the frontage road. TxDOT will not allow it.

There is one on the -- I forget what the two names of them are. But there's one entrance on each side.

VOICE: [Indiscernible].

MR. NORFOLK: Okay. And, according to the traffic study, it will actually reduce traffic in the area because of the location of those two roads. So those people that are exiting onto the frontage road will not get the traffic, according to the traffic study. I haven't done it, I haven't written it but that's what's written in it. So, I can only tell you what I know about it.

As far as the drainage goes, I understand that there are several property owners along the back property line who now get flooded periodically with water coming off the back field that runs onto their property and part of that is, there is no berm right there now; there's nothing to prevent the water from flowing that direction.

The original drainage that was more or less built into the property when it was first graded, you know, before they planted the grass, has the water flowing to two places. One that will flow down, come to an inlet and flow down the street. And the other one runs out to the frontage road, the back of the large 20-foot inlet.

The one out to the frontage road -- there's really not a swale per se there and we are going to install one that runs that way and what's even more, we're putting the fence on the other side of the swale so that if it happens to go through the swale, it has to go through the fence before it gets to those properties.

MR. SAX: Is there a diagram somewhere where we could see this information to help us to visualize it?

MR. NORFOLK: Yes, I don't have one with me today but we can get you one.

MR. SAX: That would be great.

MR. NORFOLK: The other piece, the part that drains through the neighborhood, is an existing storm inlet system and, after discussions with the property owner who owns that corner property right there, he said that he's had to go out and regrade it several times himself just to make it work right.

And our survey and just my looking at it says

that it's plugged up and needs maintenance, in general, to make it work and, if it doesn't get it, it's going to continue to flow down the street where if it does get it and it's cleaned out, then it will flow through the original storm drain system it's designed for.

And that is part of our design is we are going to clean out that storm system. We're going to connect to it and all the drainage swales will flow into the existing storm drain system. So, if anything, there should be a reduction in what's in the street. Any other questions?

MR. SAX: Is there a website where this information currently can be disseminated --

MR. NORFOLK: I don't think we have a website up for it. It's not the kind of information we typically put out on a website.

MR. SAX: Okay.

MR. NORFOLK: But, if you'll give me your name and number and an email address, I'll get you something. Any more questions?

MS. MEYER: I can get him a copy of your witness affirmation.

MR. NORFOLK: Okay.

MS. MEYER: Are there any other questions or comments that anybody would like to make? Then I will

conclude the hearing and everybody can go home. Thank you very much.

(Whereupon, at 6:32 p.m., the meeting was concluded.)

C E R T I F I C A T E

MEETING OF: TDHCA Multifamily Housing Revenue Bonds
Providence at Prairie Oaks Apartments
LOCATION: Grand Prairie, Texas
DATE: November 8, 2004

I do hereby certify that the foregoing pages, numbers 1 through 25, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Joan Wong before the Texas Department of Housing and Community Affairs.

(Transcriber) 11/15/2004
(Date)

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



WWW.TDHCA.STATE.TX.US

MULTIFAMILY FINANCE PRODUCTION DIVISION

2004 Private Activity Multifamily Revenue Bonds

**Homes of Pecan Grove
3111 Simpson Stuart
Dallas, Texas**

**Chicory Court Simpson Stuart, L.P.
250 Units**

Priority 1A – 50% of units at 50% AMFI remaining 50% of units at 60% AMFI

\$14,030,000 Tax Exempt – Series 2005

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation
TAB 2	Bond Resolution
TAB 3	HTC Profile and Board Summary
TAB 4	Sources & Uses of Funds Estimated Cost of Issuance
TAB 5	Department's Real Estate Analysis
TAB 6	Rental Restrictions Explanation Results and Analysis
TAB 7	Development Location Maps
TAB 8	TDHCA Compliance Summary Report
TAB 9	Public Input and Hearing Transcript (November 17, 2004)

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2005 and Housing Tax Credits for the Homes of Pecan Grove development.

Summary of the Homes of Pecan Grove Transaction

The pre-application was received on September 2, 2003. The application was scored and ranked by staff. The application ranked thirty-third out of a total of forty-four applications. The application was induced at the October 2003 Board meeting and submitted to the Texas Bond Review Board for inclusion to the lottery. The application received a Reservation of Allocation on August 30, 2004. This application was submitted under the Priority 1A category. 50% of the units will serve families at 50% of the AMFI and 50% of the units will serve families at 60% of the AMFI. A public hearing was held on November 17, 2004. There were eleven (11) people in attendance with five (5) people speaking for the record. A copy of the transcript is behind Tab 9 of this presentation. The proposed site is located at 3111 Simpson Stuart, Dallas, Dallas County, Texas.

Summary of the Financial Structure

The applicant is requesting the Department's approval and issuance of fixed rate tax exempt bonds in the amount of \$14,030,000. The bonds will be unrated and privately placed with Charter MAC Equity Issuer Trust. The term of the bonds will be for 40 years. The construction and lease up period will be for 18 months with payment terms of interest only, followed by a 40 year amortization with a maturity date of January 1, 2045. The interest rate on the bonds during the Construction Loan Period will be 5.00% per annum followed by a permanent interest rate of 6.50% per annum (See Bond Resolution 05-008 Section 1.2 (b) attached).

Recommendation

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2005 and Housing Tax Credits for the Homes of Pecan Grove development because of the demonstrated quality of construction of the proposed development, the feasibility of the development (as demonstrated by the commitments from Charter Mac and Related Capital, the underwriting report by the Departments Real Estate Analysis Division, the demand for additional affordable units as demonstrated by the occupancy rates of other affordable units in the market area, and the Resolution from the City of Dallas showing a need for the affordable units in the area.

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD MEMORANDUM
January 7, 2005

DEVELOPMENT: Homes of Pecan Grove (fka Rose Court at Simpson Stuart), Dallas, Dallas County, Texas

PROGRAM: Texas Department of Housing and Community Affairs
2004 Multifamily Housing Mortgage Revenue Bond Program
(Reservation received 08/30/2004)

ACTION REQUESTED: Approve the issuance of multifamily housing mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE: The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Chicory Court - Simpson Stuart, L. P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 250 unit multifamily residential rental Development to be located at approximately 3111 Simpson Stuart, Dallas, Dallas County, Texas (the "Development"). The Bonds will be tax-exempt by virtue of the Development's qualifying as a residential rental Development.

BOND AMOUNT: \$14,030,000 Series 2005 Tax Exempt bonds (*)
\$14,030,000 Total bonds

(*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Development and the amount for which Bond Counsel can deliver its Bond Opinion.

ANTICIPATED CLOSING DATE: The Department received a volume cap allocation for the Bonds on August 30, 2004 pursuant to the Texas Bond Review Board's 2004 Private Activity Bond Allocation Program. The Department is required to deliver the Bonds on or before January 27, 2005, the anticipated closing date is January 25, 2005.

BORROWER: Chicory Court - Simpson Stuart, L.P., a Texas limited partnership, the general partner of which is Chicory GP - Simpson Stuart LLC, a Texas Limited Liability Company, with Saleem Jafar Majority Owner.

COMPLIANCE HISTORY: The Compliance Status Summary reveals that the principal of the general partner above has three properties however, none have been monitored by the Department at this time.

ISSUANCE TEAM & ADVISORS:

Charter MAC Equity Issuer Trust (“Bond Purchaser”)
Wells Fargo Bank, National Association (“Trustee”)
Vinson & Elkins L.L.P. (“Bond Counsel”)
RBC Dain Rauscher Inc. (“Financial Advisor”)
McCall, Parkhurst & Horton, L.L.P. (Disclosure Counsel)

BOND PURCHASER:

The Bonds will be purchased by Charter MAC Equity Issuer Trust. The purchaser and any subsequent purchaser will be required to sign the Department’s standard traveling investor letter.

DEVELOPMENT DESCRIPTION:

Site: The proposed affordable housing community is a 250-unit multifamily residential rental development to be constructed on approximately 28.0 acres of land located at approximately 3111 Simpson Stuart, Dallas, Dallas County, Texas 75241 (the "Development"). The proposed density is 9.75 dwelling units per acre. The proposed location is an older established area of Dallas. Other new development in the last few years is helping to revitalize the area. The location allows access to major transportation linkages, area employers, employment centers, schools, and supporting development. The site is located outside the 100-year floodplain and is ready for development. The proximity to transportation linkages and employment centers makes the site well suited for multifamily development.

Buildings: The development consist of 250 units and will include a total of eighteen (18) two-story, wood-framed apartment buildings containing approximately 275,128 net rentable square feet and having an average unit size of 1,101 square feet. The subject development will consist of five (5) basic floor plans, a mix of flat and two-story, townhome style units. The subject units have a competitive amenity package including the following: cable/internet ready; ceiling fans; full-size washer/dryer connections; the energy star rated kitchen appliances, frost free refrigerator with ice-maker, pantry, dishwasher, microwave, self-cleaning ovens; garbage disposal patios/balcony; vinyl tile flooring in entry, kitchen and bath; mini blinds; attached and detached garages. Development amenities include: on-site leasing/management office, gated access/perimeter fencing, pool, laundry facilities, clubhouse with business center, furnished and staffed children’s activity center, fitness center and room for educational programs, playground, and sport court.

<u>Units</u>	<u>Unit Type</u>	<u>Square Feet</u>	<u>Proposed Net Rent</u>	
25	1-Bed/1-Bath	780 s.f.	\$571.00	50%
25	1-Bed/1-Bath	780 s.f.	\$696.00	60%
56	2-Bed/2-Bath	1112 s.f.	\$673.00	50%
56	2-Bed/2-Bath	1112 s.f.	\$789.00	60%
44	3-Bed/2-Bath	1268 s.f.	\$771.00	50%
44	3-Bed/2-Bath	1268 s.f.	\$944.00	60%
250	Total Units			

SET-ASIDE UNITS:

For Bond covenant purposes, at least twenty (20%) of the residential units in the development are set aside for persons or families earning not more than sixty percent (50%) of the area median income. Five percent (5%) of the units in each Development will be set aside on a priority basis for persons with special needs.

(The Borrower has elected to set aside 100% of the units for tax credit purposes.)

RENT CAPS:

For Bond covenant purposes, the rental rates on 50% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for fifty percent (50%) of the area median income and the remaining 50% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty (60%) of the area median income which is Priority 1A of the Bond Review Board's Priority System.

TENANT SERVICES:

Tenant Services will be performed by ALT Affordable Housing Services – Arbor Place 501(c)(3), a Texas non-profit corporation .

DEPARTMENT ORIGINATION

FEES:

\$1,000 Pre-Application Fee (Paid).
\$10,000 Application Fee (Paid).
\$70,150 Issuance Fee (.50% of the bond amount paid at closing).

DEPARTMENT ANNUAL FEES:

\$14,030 Bond Administration (0.10% of first year bond amount)
\$6,250 Compliance (\$25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

ASSET OVERSIGHT

FEE:

\$6,250 to TDHCA or assigns (\$25/unit/year adjusted annually for CPI)

TAX CREDITS:

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to approximately \$967,004 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of its limited partnership interests, typically 99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$8,218,714 of equity for the transaction.

BOND STRUCTURE:

The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds will be privately placed with the Bond Purchaser, and will mature over a term of 40 years. During the construction and lease-up

period, the Bonds will pay as to interest only. The loan will be secured by a first lien on the Development.

The Bonds are mortgage revenue bonds and, as such, create no potential liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the Development financed through the issuance of the Bonds.

BOND INTEREST RATES: The interest rate on the Bonds will be 5.0% from the date of issuance until the June 30, 2006. On and after the June 30, 2006, the interest rate on the Bonds will be 6.5%.

CREDIT ENHANCEMENT: The bonds will be unrated with no credit enhancement.

FORM OF BONDS: The Bonds will be issued in book entry (typewritten or lithographical) form and in denominations of \$100,000 and any amount in excess of \$100,000.

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

TERMS OF THE MORTGAGE LOAN: The Mortgage Loan is a non-recourse obligation of the Borrower (which means, subject to certain exceptions, the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. A Deed of Trust and related documents convey the Borrower's interest in the Development to secure the payment of the Mortgage Loan.

REDEMPTION OF BONDS PRIOR TO MATURITY: The Bonds may be subject to redemption under any of the following circumstances:

Mandatory Redemption:

- (a) (i) In whole or in part, to the extent excess funds remain on deposit in the Loan Account of the Construction Fund after the Development's Completion Date; and (ii) under certain circumstances, upon request by the Majority Owner to redeem

Bonds from amounts on deposit in the Earnout Account of the Construction Fund; or

- (b) in part, if (i) the development has not achieved Stabilization within twenty-four (24) months after the earlier of (A) the date the Development achieves Completion or (B) the Completion Date or (ii) upon request by the Majority Owner to redeem Bonds from amount on deposit in the Earnout Account of the Construction Fund; or
- (c) in whole or in part, if there is damage to or destruction or condemnation of the Development, to the extent that Insurance Proceeds or a Condemnation Award in connection with the Development are deposited in the Revenue Fund and are not to be used to repair or restore the Development; or
- (d) upon the determination of Taxability if the owner of a Bond presents his Bond or Bonds for redemption on any date selected by such owner specified in a written notice delivered to the Borrower and the Issuer at least thirty (30) days' prior to such date; or
- (e) in whole on any interest payment date on or after January 1, 2022, if the Owners of all of the Bonds elect redemption and provide not less than 180 days' written notice to the Issuer, Trustee and Borrower; or
- (f) In part, according to the dates and amounts indicated on the Mandatory Sinking Fund Schedule of Redemptions.

Optional Redemption:

The Bonds are subject to redemption, in whole, any time on or after January 1, 2022, from the proceeds of an optional prepayment of the Loan by the Borrower.

**FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:**

Under the Trust Indenture, the Trustee will serve as registrar and authenticating agent for the Bonds and as trustee of certain of the accounts created under the Trust Indenture (described below). The Trustee will also have responsibility for a number of loan administration and monitoring functions.

Moneys on deposit in Trust Indenture accounts are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create the following Funds and Accounts:

1. Construction Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Construction Fund which may consist of six (6) accounts as follows:

- (a) Loan Account – represents a portion of the proceeds of the sale of the Bonds that will be used to pay for Development Costs;
 - (b) Insurance and Condemnation Proceeds Account - represents Condemnation Award and Insurance Proceeds allocated to restore the Development pursuant to the Loan Documents;
 - (c) Capitalized Interest Account – represents a portion of the proceeds of the Bonds and/or a portion of the initial equity contribution of the Borrower which may be transferred to the Revenue Fund from this account in order to pay interest on the Bonds until the Completion Date of the Development;
 - (d) Costs of Issuance Account – represents a portion of the proceeds of the Bonds and/or a portion of the initial equity contribution of the Borrower from which the costs of issuance are disbursed;
 - (e) Earnout Account – represents a portion of the initial equity contribution of the Borrower, the disbursements from which are to be requested in writing by the Developer and approved by the Majority Owner of the Outstanding Bonds; and
 - (f) Equity Account – represents the balance of the initial equity contribution of the Borrower.
2. Replacement Reserve Fund – Amounts which are held in reserve to cover replacement costs and ongoing maintenance to the Development.
 3. Tax and Insurance Fund – The Borrower must deposit certain moneys in the Tax and Insurance Fund to be applied to the payment of real estate taxes and insurance premiums.
 4. Revenue Fund – Revenues from the Development are deposited to the Revenue Fund and disbursed to sub-accounts for payment to the various funds according to the order designated under the Trust Indenture: (1) to the payment of interest on the Bonds; (2) to the payment of the principal or redemption price, including premium, if any, on the Bonds; (3) to the payment of any required deposit in the Tax and Insurance Fund; (4) to the payment of any required deposit in the Replacement Reserve Fund; (5) to the payment of the fees of the Trustee, the Servicer, the Issuer and the Asset Oversight Agent, if any, due and owing under the Loan Documents and the Indenture; (6) to the payment of any other amounts then due and owing under the Loan Documents; and (7) the remaining balance to the Borrower.

5. Rebate Fund – Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

The majority of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase to finance the construction of the Development. Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Tax-Exempt Bond proceeds. It is currently anticipated that costs of issuance will be paid by Taxable Bond proceeds.

**DEPARTMENT
ADVISORS:**

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee - Wells Fargo Bank, National Association (formerly Norwest Bank, N.A.) was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.
3. Financial Advisor – RBC Dain Rauscher Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.
4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 2003.

**ATTORNEY GENERAL
REVIEW OF BONDS:**

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

RESOLUTION NO. 05-008

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (HOMES AT PECAN GROVE*) SERIES 2005; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Homes at Pecan Grove*) Series 2005 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Chicory Court – Simpson Stuart, L.P., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of

* Formerly known as Rose Court at Simpson Stuart

Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 9, 2003, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust and Security Agreement (with Power of Sale) (the "Deed of Trust") from the Borrower for the benefit of the Department and the Trustee; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Borrower and CharterMac, a Delaware statutory trust (the "Purchaser"), will execute a Bond Purchase Agreement (the "Purchase Agreement"), with respect to the sale of the Bonds; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Dallas County, Texas; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Purchase Agreement and the Asset Oversight Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.13, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

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

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Bonds shall be 5.00% per annum from the date of issuance thereof to and including June 30, 2006 or earlier redemption or acceleration thereof (subject to adjustment as provided in the Indenture; provided, however, that the default interest rate on the Bonds shall not exceed the maximum rate permitted by applicable law) and, after June 30, 2006, the interest rate on the Bonds shall be 6.50% per annum until the maturity date or earlier redemption or acceleration thereof (subject to adjustment as provided in the Indenture; provided, however, that the default interest rate on the Bonds shall not exceed the maximum rate permitted by applicable law); (ii) the aggregate principal amount of the Bonds shall be \$14,030,000; and (iii) the final maturity of the Bonds shall occur on January 1, 2045.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5--Acceptance of the Deed of Trust and Note. That the Deed of Trust and the Note are hereby accepted by the Department.

Section 1.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.7--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized

representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement to the Borrower and the Purchaser.

Section 1.8--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Loan Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Assignments
- Exhibit F - Purchase Agreement
- Exhibit G - Asset Oversight Agreement

Section 1.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary of the Board.

Section 1.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or the Acting Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into or direct the Trustee to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit O to the Loan Agreement and shall be annually redetermined by the Issuer as stated in the Loan Agreement.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director or Acting Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department,

including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) that the Borrower is financially responsible,

(iv) that the financing of the Project is a public purpose and will provide a public benefit, and

(v) that the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms, and

(iii) that the Borrower is not, or will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 33 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--Notice of Meeting. 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.

[Remainder of page intentionally left blank.]

PASSED AND APPROVED this 7th day of January, 2005.

By: _____
Elizabeth Anderson, Chair

Attest: _____
Delores Groneck, Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Chicory Court – Simpson Stuart, L.P., a Texas limited partnership

Project: The Project is a 250-unit multifamily facility to be known as Homes at Pecan Grove* and to be located at approximately 3111 Simpson Stuart Road, Dallas, Dallas County, Texas 75241. The Project will include a total of eighteen (18) residential apartment buildings with a total of approximately 275,128 net rentable square feet and an average unit size of approximately 1,100 square feet. The unit mix will consist of:

50_ one-bedroom/one-bath units
112 two-bedroom/two-bath units
88 three-bedroom/two-bath units
250 Total Units

Unit sizes will range from approximately 780 square feet to approximately 1,268 square feet.

Common areas will include a pool, clubhouse with business center, computer lab laundry facilities, playground, sports court, barbeque and picnic area and children's activity area.

* Formerly known as Rose Court at Simpson Stuart



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Homes of Pecan Grove**

TDHCA#: 04480

DEVELOPMENT AND OWNER INFORMATION

Development Location: Dallas QCT: Y DDA: N TTC: N
 Development Owner: Chicory Court Simpson Stuart, LP
 General Partner(s): Chicory GP Simpson Stuart, LLC, 100%, Contact: Saleem Jafar
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA
 Development Type: General
 Population

Annual Tax Credit Allocation Calculation

Applicant Request: \$967,005 Eligible Basis Amt: \$967,004 Equity/Gap Amt.: \$1,133,777
Annual Tax Credit Allocation Recommendation: \$967,004
 Total Tax Credit Allocation Over Ten Years: \$ 9,670,040

PROPERTY INFORMATION

Unit and Building Information

Total Units: 250 HTC Units: 250 % of HTC Units: 100
 Gross Square Footage: 278,469 Net Rentable Square Footage: 275,128
 Average Square Footage/Unit: 1101
 Number of Buildings: 18
 Currently Occupied: N

Development Cost

Total Cost: \$23,366,138 Total Cost/Net Rentable Sq. Ft.: \$84.93

Income and Expenses

Effective Gross Income:¹ \$2,160,737 Ttl. Expenses: \$1,080,141 Net Operating Inc.: \$1,080,596
 Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant: Not Utilized	Manager: To Be Determined
Attorney: Shackelford, Melton & McKinley	Architect: To Be Determined
Accountant: Novogradac & Co.	Engineer: Carter Burgess
Market Analyst: Butler Burgher	Lender: Charter Mac Capital Solutions
Contractor: To Be Determined	Syndicator: Related Capital

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
Letters: # in Support: 1 # in Opposition: 0 Public Hearing: # in Support: 11 # in Opposition: 0 # Neutral: 0	Sen. Royce West, District 23 - NC Rep. Helen Giddings, District 109 - NC Mayor Laura Miller - NC Vicki Reed, Assistant Director, City of Dallas; The proposed development is consistent with the City of Dallas Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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. Board waiver of its QAP rule under Section 50.12 (a)(2) regarding the submission of all documentation (including the market study) at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made.
3. Receipt, review, and acceptance of a report from Texas Parks & Wildlife giving clearance of the site concerning the bird rookeries determined to be on the subject site prior to the initial closing on the property.
4. Receipt, review, and acceptance that the (AST) above-ground storage tank and debris be properly removed from the site and re-inspected for potential recognized environmental conditions after the subject property is cleared and more visible to the inspector prior to cost certification.
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.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.

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:
Chairman of the Board

Date

Elizabeth Anderson,

Pecan Grove Townhomes

Estimated Sources & Uses of Funds

Sources of Funds

Series 2004 Tax-Exempt Bond Proceeds	\$ 14,030,000
Tax Credit Proceeds	7,301,000
Deferred Developer's Fee	2,287,001
Estimated Interest Earning	93,904
Total Sources	\$ 23,711,905

Uses of Funds

Deposit to Mortgage Loan Fund (Construction funds)	\$ 19,054,156
Construction Period Interest	993,792
Developer's Overhead & Fee	2,725,389
Costs of Issuance	
Direct Bond Related	340,468
Bond Purchaser Costs	348,100
Other Transaction Costs	85,000
Real Estate Closing Costs	165,000
Total Uses	\$ 23,711,905

Estimated Costs of Issuance of the Bonds

Direct Bond Related

TDHCA Issuance Fee (.50% of Issuance)	\$ 70,150
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee (\$25 per unit)	6,250
TDHCA Bond Counsel and Direct Expenses (Note 1)	70,000
TDHCA Financial Advisor and Direct Expenses	35,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	2,500
Borrower's Bond Counsel	90,000
Bond Administration Fee (2 years)	28,060
Trustee Fee	7,500
Trustee's Counsel (Note 1)	6,500
Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)	1,250
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,508
TEFRA Hearing Publication Expenses	3,750
Total Direct Bond Related	\$ 340,468

Pecan Grove Townhomes

Bond Purchase Costs	
CharterMac Origination Fee	140,300
CharterMac Servicing and Guarante Fee	140,300
CharterMac Due Diligence Fee	12,500
Lender's Attorney	35,000
CharterMac Inspection Fee	20,000
Total	\$ 348,100

Other Transaction Costs	
Tax Credit Determination Fee (4% annual tax cr.)	35,000
Tax Credit Application Fee (\$20/u)	50,000
Total	\$ 85,000

Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	115,000
Property Taxes	50,000
Total Real Estate Costs	\$ 165,000

Estimated Total Costs of Issuance	\$ 938,568
--	-------------------

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

DATE: December 29, 2004 PROGRAM: MFB FILE NUMBER: 2004-043
 4% HTC 04480

DEVELOPMENT NAME

Homes of Pecan Grove Apartments

APPLICANT

Name: Chicory Court Simpson Stuart, LP Type: For-profit
 Address: 1200 Three Lincoln Center, 5430 LBJ Freeway City: Dallas State: TX
 Zip: 75240 Contact: Saleem Jafar Phone: (972) 455-9299 Fax: (972) 455-9297

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: Chicory GP Simpson Stuart, LLC (%): 0.01 Title: Managing General Partner
 Name: Saleem Jafar (%): N/A Title: Co-General Partner
 Name: Odyssey Residential Holdings, Inc. (%): N/A Title: Developer

PROPERTY LOCATION

Location: 3111 Simpson Stuart Road QCT DDA
 City: Dallas County: Dallas Zip: 75241

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$967,005	N/A	N/A	N/A
2) \$14,030,000	6.5%	40 yrs	18 yrs

Other Requested Terms: 1) Annual ten-year allocation of housing tax credits
 2) Tax-exempt private activity mortgage revenue bonds

Proposed Use of Funds: New construction Property Type: Multifamily

Special Purpose (s): General population

RECOMMENDATION

- RECOMMEND APPROVAL OF ISSUANCE OF \$14,030,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS WITH A FIXED INTEREST RATE OF 6.5% AND REPAYMENT TERM OF 40 YEARS WITH A 40-YEAR AMORTIZATION PERIOD, SUBJECT TO CONDITIONS.
- RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED \$967,004 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Board waiver of its QAP rule under 50.12(a)(2) regarding the submission of all documentation (including the market study) at least 60 days prior to the scheduled Board meeting at which the decision to issue a determination notice would be made.
2. Receipt, review, and acceptance of a report from the Texas Parks & Wildlife giving clearance of the site concerning the bird rookeries determined to be on the subject site prior to the initial closing on the property;

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

3. Receipt, review, and acceptance that the (AST) above-ground storage tank and debris be properly removed from the site and re-inspected for potential recognized environmental conditions after the subject property is cleared and more visible to the inspector prior to the cost certification;
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS OR ADDENDUM

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 250 **# Rental Buildings:** 18 **# Non-Res. Buildings:** 1 **# of Floors:** 2 **Age:** N/A yrs

Net Rentable SF: 275,128 **Av Un SF:** 1,101 **Common Area SF:** 3,341 **Gross Bldg SF:** 278,469

STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned concrete slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 25% stone veneer/25% cement fiber siding, and 50% stucco. The interior wall surfaces will be drywall and the pitched roof will be finished with asphalt composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, a central boiler water heating system, individual air conditioning, & 9-foot ceilings.

ONSITE AMENITIES

A 3,341-square foot community building will include a grand salon, management offices, fitness, maintenance, & laundry facilities, a kitchen, restrooms, a multipurpose room, a daycare facility, & a central mailroom. The community building, swimming pool, and equipped children's play area are located at the entrance of the property. In addition, sports courts & perimeter fencing are planned for the site.

Uncovered Parking: 464 spaces **Carports:** 0 spaces **Garages:** 188 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Homes of Pecan Grove is a relatively dense (8.86 units per acre) new construction development of 250 units of affordable income housing located in southwest Dallas. The development is comprised of eighteen sporadically distributed medium garden style walk-up low-rise residential buildings and townhomes as follows:

- 12 Building Type A with 4 one-bedroom/one-bath units, 4 two-bedroom/two-bath units, and 6 three-bedroom/two-bath units;
- 4 Building Type B with 12 two-bedroom/two-bath units, and 2 three-bedroom/two-bath units;
- 1 Building Type C with 8 two-bedroom/two-bath units, and 6 three-bedroom/two-bath units;
- 1 Building Type D with 2 one-bedroom/one-bath units, 8 two-bedroom/two-bath units, and 2 three-bedroom/two-bath units;

Architectural Review: The building and unit plans are of good design, sufficient size, and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with simple fenestration.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

SITE ISSUES			
SITE DESCRIPTION			
Size:	28.21	acres	1,228,827 square feet
			Zoning/ Permitted Uses: MU-1(A)
Flood Zone Designation:	Zone X	Status of Off-Sites:	Partially improved
SITE and NEIGHBORHOOD CHARACTERISTICS			
<p><u>Location:</u> The site is an irregularly-shaped parcel located in southern Dallas know as Oak Cliff, approximately nine miles from the central business district. The site is situated on the north side of Simpson Stuart Road.</p> <p><u>Adjacent Land Uses:</u></p> <ul style="list-style-type: none"> • North: vacant land immediately adjacent; • South: Simpson Stuart Road immediately adjacent and single family residences beyond; • East: Homes of Persimmons Townhomes immediately adjacent; and • West: vacant land immediately adjacent; <p><u>Site Access:</u> Access to the property is from the east or west along Simpson Stuart Road. The development is to have one main entry off of Simpson Stuart Road. Access to Interstate Highway 45 is several miles northeast and Loop 12 to the north, both provides connections to all other major roads serving the Dallas area.</p> <p><u>Public Transportation:</u> Public transportation to the area is provided by the city bus system, with stops on Lancaster Road.</p> <p><u>Shopping & Services:</u> The site is within three miles of major grocery/pharmacies 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.</p> <p><u>Site Inspection Findings:</u> TDHCA staff performed a site inspection on November 17, 2004 and found the location to be acceptable for the proposed development.</p>			
HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)			
<p>A Phase I Environmental Site Assessment report dated April 7, 2004 was prepared by Butler Burgher Environmental LLC and contained the following findings and recommendations:</p> <p><u>Findings:</u></p> <ul style="list-style-type: none"> • One AST (above-ground storage tank) was observed at the subject property. Additionally, the property was scattered with various debris such as roofing shingles, sheetrock, empty 55-gallon drums, household appliances, household trash, automobile parts, and other assorted items. (p. 15) • Review of a limited National Environmental Protection Act (NEPA) Report for the Subject Property reveals the following: According to Texas Parks & Wildlife (TPW), there are bird rookeries both on the Subject property and adjacent properties. (p. 15) <p><u>Recommendations:</u> BBE (Butler Burgher Environmental, LLC) recommends the AST and debris be properly removed from the Subject property. The subject property should be re-inspected for potential RECs after the Subject property is cleared and more visible to the inspector; and consult with TPW (Texas Parks & Wildlife) regarding the rookeries located on the Subject property. Both items are being made a condition of this report.</p>			

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

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 development the Applicant has elected the 50% at 50% / 50% at 60% option.

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

The original market feasibility study was dated November 15, 2004 and was prepared by Butler Burgher, Inc. ("Market Analyst"). A second amended study was submitted December 22, 2004. The revised study was submitted in order to address concerns with the unstabilized developments and capture rate identified in the original report. The revised report significantly altered the primary market area such that it is considered a new report. Since the subsequent report is being relied upon and it was not provided 60 days prior to the originally scheduled TDHCA Board Meeting, a Board waiver of its QAP rule under 50.12(a)(2) is required. Highlights of both studies are as follows:

Definition of Primary Market Area (PMA): The original Primary Market Area (PMA) was an area bounded by Hampton Road to the west, IH-45 to the east, IH-30 and Trinity River to the north, and Belt Line Road to the south. (p. 57). This area encompasses approximately 87.16 square miles and is equivalent to a circle with a radius of 5.25 miles. The amended market study described the Primary Market Area (PMA) to be bounded by Hampton Road and IH-35 to the west, US 175 and Prairie Oaks Road to the east, US 175 and IH-30 to the north, and IH-20 to the south. This amended area encompasses approximately 82.16 square miles and is equivalent to a circle with a radius of 5.1 miles.

Population: The original estimated 2004 population of the PMA was 226,846 and is expected to basically increase very little to approximately 226,884 by 2009. Within the original primary market area there were estimated to be 73,990 households in 2004. The amended market study estimated the 2004 population of the amended PMA to be 240,048 and is expected to basically decrease to approximately 236,620 by 2009. Within the amended primary market area there were estimated to be 75,667 households in 2004.

Total Primary Market Demand for Rental Units: In the original market study the Market Analyst calculated a total demand of 5,361 qualified households in the PMA, based on the current estimate of 73,990 households, with a projected annual growth rate of a negative 1%, renter households estimated at 41% of the population, income-qualified households estimated at 27%, and an annual renter turnover rate of 66 %. (p. 79).

In the amended market study the Market Analyst calculated a total demand of 6,361 qualified households in the amended PMA, based on the current estimate of 75,667 households, with a projected annual growth rate of a negative 1%, renter households estimated at 43% of the population, income-qualified households estimated at 28%, and an annual renter turnover rate of 70%. The Market Analyst used an income band of \$21,360 to \$41,490 in both studies

AMENDED ANNUAL INCOME-ELIGIBLE DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	-32	-0.5%	-18	-0.3%
Resident Turnover	6,393	100.5%	6,335	100.3%
TOTAL ANNUAL DEMAND	6,361	100%	6,317	100%

Ref: p. 79

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Inclusive Capture Rate: In the original market study the Market Analyst calculated an inclusive capture rate of 22.01% based upon 5,362 units of demand and 1,180 unstabilized affordable housing in the PMA (including the subject). (p. 7) The Underwriter calculated an inclusive capture rate of 29.2% based upon a revised supply of unstabilized comparable affordable units of 1,569 divided by a revised demand of 5,366. This revised supply of unstabilized units was due to adding 389 additional units to the unstabilized unit count. This included Providence at Village Fair with 236 units which were just approved by the Board this December 2004. It also includes Rosemont of Oak Hollow with 153 units even though the Market Study indicates a 92% occupancy rate because the Market Study provided with Rosemont at Laureland which is in the subject's Market Area that the Oak Hollow development had reached 90% but quickly fell below that level as a result of a competing development opening nearby. The Underwriter subsequently called the property manager who confirmed that occupancy is only 67% currently and has been in the 60% range for the better part of the year.

In the amended market study the Market Analyst calculated an inclusive capture rate of 23.57% based upon 6,361 units of demand and 1,499 unstabilized affordable housing in the amended PMA (including the subject). The Underwriter calculated an inclusive capture rate of 24.8% based upon a revised supply of unstabilized comparable affordable units of 1,567 divided by a revised demand of 6,317. This revised supply of unstabilized units was due to adding 68 additional units to the unstabilized unit count. This additional 68 units is due to counting the four bedroom units in Rosemont at Cedar Crest, Sphinx at Murdeaux and Ewing Villas since they were all projected to serve households at or below 50% AMI and therefore are within the subjects income band.

Market Rent Comparables: The Market Analyst surveyed seven comparable apartment projects totaling 1,513 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (50%)	\$561	\$561	\$0	\$760	-\$199
1-Bedroom (60%)	\$686	\$686	\$0	\$760	-\$74
2-Bedroom (50%)	\$670	\$670	\$0	\$990	-\$320
2-Bedroom (60%)	\$820	\$820	\$0	\$990	-\$170
3-Bedroom (50%)	\$773	\$773	\$0	\$1,135	-\$362
3-Bedroom (60%)	\$946	\$946	\$0	\$1,135	-\$189

(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: "Gross occupancy has fluctuated over the last two years from a high of 91.9% in September 2002 and June 2003 to the low of 88.2% in June 2004. This rate is down from 0.8 points from the occupancy of 91.0% recorded in 3rd Quarter 2004. Occupancy is forecast to increase to 90.0% through September 2005, due to demand exceeding the new completions in the next year." (p. 53)

Absorption Projections: "An absorption rate ranging from 15 to 20 units per month is reasonable for the subject considering the desirability of the units, the demand in the market, and the competition level with older product and new housing." (p. 82)

Market Study Analysis/Conclusions: The Underwriter found the information provided by the Market Analyst to provide sufficient market information on which to base a funding recommendation

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are lower than the maximum rents allowed under HTC guidelines. There is the potential for additional income (approximately \$22.8K) 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 overstated secondary income and did not provided sufficient additional substantiation for their estimate. As a net result of these differences the Applicant's effective gross income estimate is \$4.4K more than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of \$4,007 per unit is within 7% of the Underwriter's

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

database-derived estimate of \$4,321 per unit for comparably-sized developments. In addition, each of the Applicant's specific expense line items compare will to the Underwriter's estimates.

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

ACQUISITION VALUATION INFORMATION					
APPRAISED VALUE					
Land Only: (30.212) acres	\$1,320,000	Date of Valuation:	4/	19/	2004
Appraiser: <u>Butler ♦ Burgher, Inc.</u>	City: <u>Dallas</u>	Phone:	(214)	<u>739-0700</u>	

APPRAISAL ANALYSIS/CONCLUSIONS

An appraisal, provided by the purchaser, was performed by B. Diane Butler, MAI and dated April 19, 2004. The appraisal provided a "as-is" Market Value of \$1,320,000. The current "as-is" value is most important in the valuation and underwriting of this property because it should and does support the purchase price of the subject. For the "as-is" valuation, the primary approach used was the sales comparison approach. In this case the value and purchase price are different.

ASSESSED VALUE					
Land: (30.212) acres	\$115,670	Assessment for the Year of:	<u>2004</u>		
Tax Rate:	<u>2.88046</u>	Valuation by:	<u>Dallas County Appraisal District</u>		

EVIDENCE of SITE or PROPERTY CONTROL					
Type of Site Control:	<u>Special warranty deed (30.212 acres)</u>				
Acquisition Cost:	<u>\$700,000</u>	Closing Date:	<u>5/</u>	<u>14/</u>	<u>2004</u>
Seller:	<u>Anthony Jodie Martella, individually and as Trustee</u>		Related to Development Team Member: <u>No</u>		

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The Applicant significantly overstated the site acquisition cost by using the price of \$1,000,000. In the Market Study it stated that on or about May 14, 2004 the 30.212 acres was purchased by the Applicant for \$700,000. 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. The Underwriter used the original purchase 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.

Sitework Cost: The Applicant's claimed sitework costs of \$7,500 per unit are at the maximum of the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$428.5K or 3% 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 \$1 of the maximums allowed by TDHCA guidelines and have been recalculated to remain within the guidelines.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown as adjusted by the Underwriter is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of \$20,894,647 is used to determine a credit allocation of \$967,004 from this method. The resulting syndication

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM TO PERMANENT BOND FINANCING

Source: Charter Mac **Contact:** Marnie Miller
Tax-Exempt Amount: \$14,030,000 **Interest Rate:** 6.5%
Additional Information: Third amended commitment
Amortization: 40 yrs **Term:** 40 yrs **Commitment:** LOI Firm Conditional
Annual Payment: \$989,890 **Lien Priority:** 1st **Date:** 12/ 16/ 2004

TAX CREDIT SYNDICATION

Source: Related Capital Company **Contact:** Justin Ginsberg
Net Proceeds: \$8,219,000 **Net Syndication Rate (per \$1.00 of 10-yr HTC)** 85¢
Commitment: LOI Firm Conditional **Date:** 12/ 16/ 2004
Additional Information: Third amended commitment

APPLICANT EQUITY

Amount: \$1,417,424 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by TDHCA and purchased by Charter Mac. The permanent financing commitment is consistent with the revised amounts and terms reflected in the sources and uses of funds listed in the application.

HTC Syndication: The tax credit syndication commitment is consistent with the revised amounts and terms reflected in the sources and uses of funds listed in the application.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,417,424 amount to 52% of the total fees.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the HTC allocation should not exceed \$967,004 annually for ten years, resulting in syndication proceeds of approximately \$8,218,714. Based on the underwriting analysis, the Applicant's deferred developer fee will be reduced as a result of the unsubstantiated transfer price of the land by \$300,000 to \$1,117,424, which represents approximately 41% of the eligible fee and which should be repayable from cash flow within ten years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee may be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant and Developer firms are all related entities. These are common relationships for HTC-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 Applicant, Chicory Court Simpson Stuart, submitted an unaudited financial statement as of December 15, 2004 reporting total assets of \$1,379,640. Liabilities totaled \$1,303,960, resulting in a net worth of \$75,680.
- The principal of the General Partner, Saleem A. Jafar, submitted an unaudited financial statement as of

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

September 1, 2004 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.
- Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

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 Applicant.
- 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:

December 29, 2004

Director of Real Estate Analysis:

Tom Gouris

Date:

December 29, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Homes of Pecan Grove, Dallas, MFB #2004-043 | 4% HTC #04480

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%)	25	1	1	780	\$623	\$571	\$14,275	\$0.73	\$52.00	\$33.00
TC (60%)	25	1	1	780	748	\$696	17,400	0.89	52.00	33.00
TC (50%)	56	2	2	1,112	748	\$673	37,688	0.61	75.00	38.00
TC (60%)	56	2	2	1,112	898	\$823	46,088	0.74	75.00	38.00
TC (50%)	44	3	2	1,268	864	\$771	33,924	0.61	93.00	42.00
TC (60%)	44	3	2	1,268	1,037	\$944	41,536	0.74	93.00	42.00
TOTAL:	250		AVERAGE:	1,101	\$840	\$764	\$190,911	\$0.69	\$76.74	\$38.41

INCOME				TOTAL Net Rentable Sq Ft: 275,128		TDHCA	APPLICANT	Comptroller's Region 3			
POTENTIAL GROSS RENT						\$2,290,932	\$2,268,084	IREM Region Dallas			
Secondary Income		Per Unit Per Month:	\$15.00			45,000	60,000	\$20.00	Per Unit Per Month		
Other Support Income: (describe)						0					
POTENTIAL GROSS INCOME						\$2,335,932	\$2,328,084				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%			(175,195)	(162,960)	-7.00%	of Potential Gross Rent		
Employee or Other Non-Rental Units or Concessions						0					
EFFECTIVE GROSS INCOME						\$2,160,737	\$2,165,124				
EXPENSES				% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI	
General & Administrative				5.46%	\$472	0.43	\$118,068	\$107,000	\$0.39	\$428	4.94%
Management				4.22%	365	0.33	91,177	85,428	0.31	342	3.95%
Payroll & Payroll Tax				11.50%	994	0.90	248,566	241,500	0.88	966	11.15%
Repairs & Maintenance				6.40%	553	0.50	138,292	117,800	0.43	471	5.44%
Utilities				2.66%	230	0.21	57,552	69,250	0.25	277	3.20%
Water, Sewer, & Trash				5.33%	461	0.42	115,224	95,500	0.35	382	4.41%
Property Insurance				3.18%	275	0.25	68,782	59,153	0.22	237	2.73%
Property Tax	2.88046			8.33%	720	0.65	180,029	170,000	0.62	680	7.85%
Reserve for Replacements				2.31%	200	0.18	50,000	50,000	0.18	200	2.31%
Other: compl fees, Cable TV				0.58%	50	0.05	12,450	6,200	0.02	25	0.29%
TOTAL EXPENSES				49.99%	\$4,321	\$3.93	\$1,080,141	\$1,001,831	\$3.64	\$4,007	46.27%
NET OPERATING INC				50.01%	\$4,322	\$3.93	\$1,080,596	\$1,163,293	\$4.23	\$4,653	53.73%
DEBT SERVICE											
Charter Mac				45.62%	\$3,943	\$3.58	\$985,675	\$985,675	\$3.58	\$3,943	45.53%
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				4.39%	\$380	\$0.35	\$94,921	\$177,618	\$0.65	\$710	8.20%
AGGREGATE DEBT COVERAGE RATIO							1.10	1.18			
RECOMMENDED DEBT COVERAGE RATIO							1.10				

CONSTRUCTION COST					TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT					
Acquisition Cost (site or bldg)		2.93%	\$2,800	\$2.54	\$700,000	\$1,000,000	\$3.63	\$4,000	4.23%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.85%	7,500	6.82	1,874,999	1,874,999	6.82	7,500	7.92%
Direct Construction		51.30%	48,985	44.51	12,246,320	11,817,823	42.95	47,271	49.94%
Contingency	4.85%	2.87%	2,739	2.49	684,641	684,641	2.49	2,739	2.89%
General Req'ts	5.82%	3.44%	3,286	2.99	821,570	821,570	2.99	3,286	3.47%
Contractor's G & A	1.94%	1.15%	1,095	1.00	273,857	273,857	1.00	1,095	1.16%
Contractor's Profit	5.82%	3.44%	3,286	2.99	821,570	821,570	2.99	3,286	3.47%
Indirect Construction		3.73%	3,558	3.23	889,500	889,500	3.23	3,558	3.76%
Ineligible Costs		5.75%	5,486	4.98	1,371,488	1,371,488	4.98	5,486	5.80%
Developer's G & A	2.93%	2.28%	2,180	1.98	545,078	545,078	1.98	2,180	2.30%
Developer's Profit	11.72%	9.13%	8,721	7.92	2,180,312	2,180,312	7.92	8,721	9.21%
Interim Financing		4.13%	3,941	3.58	985,300	985,300	3.58	3,941	4.16%
Reserves		2.00%	1,912	1.74	478,047	400,000	1.45	1,600	1.69%
TOTAL COST		100.00%	\$95,491	\$86.77	\$23,872,682	\$23,666,138	\$86.02	\$94,665	100.00%
Recap-Hard Construction Costs		70.05%	\$66,892	\$60.78	\$16,722,957	\$16,294,460	\$59.23	\$65,178	68.85%

SOURCES OF FUNDS				RECOMMENDED		
Charter Mac	58.77%	\$56,120	\$50.99	\$14,030,000	\$14,030,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	\$2,725,389
HTC Syndication Proceeds	34.43%	\$32,875	\$29.87	8,218,716	8,218,716	% of Dev. Fee Deferred
Deferred Developer Fees	5.94%	\$5,670	\$5.15	1,417,424	1,417,424	41%
Additional (excess) Funds Required	0.87%	\$826	\$0.75	206,542	(0)	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$23,872,682	\$23,666,140	\$3,784,896

MULTIFAMILY COMPARATIVE ANALYSIS (continued)
Homes of Pecan Grove, Dallas, MFB #2004-043 | 4% HTC #04480

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.10	\$11,858,017
Adjustments				
Exterior Wall Finish	2.00%		\$0.86	\$237,160
9-Ft. Ceilings	3.00%		1.29	355,741
Roofing			0.00	0
Subfloor			(1.02)	(279,255)
Floor Cover			2.00	550,256
Porches/Balconies	\$17.59	6,179	0.40	108,689
Plumbing	\$605	600	1.32	363,000
Built-In Appliances	\$1,650	250	1.50	412,500
Stairs	\$1,700	36	0.22	61,200
Enclosed Corridors	\$33.18		0.00	0
Heating/Cooling			1.53	420,946
Garages/Built-in	\$15.19	21,200	1.17	322,028
Comm &/or Aux Bldgs	\$62.52	3,341	0.76	208,864
Garages/Detached	\$27.92	16,400	1.66	457,888
SUBTOTAL			54.80	15,077,033
Current Cost Multiplier	1.10		5.48	1,507,703
Local Multiplier	0.90		(5.48)	(1,507,703)
TOTAL DIRECT CONSTRUCTION COSTS			\$54.80	\$15,077,033
Plans, specs, survy, bld prm	3.90%		(\$2.14)	(\$588,004)
Interim Construction Interests	3.38%		(1.85)	(508,850)
Contractor's OH & Profit	11.50%		(6.30)	(1,733,859)
NET DIRECT CONSTRUCTION COSTS			\$44.51	\$12,246,320

PAYMENT COMPUTATION

Primary	\$14,030,000	Term	480
Int Rate	6.50%	DCR	1.10
Secondary			
Int Rate	\$0	Term	
	0.00%	Subtotal DCR	1.10
Additional			
Int Rate	\$8,218,716	Term	
		Aggregate DCR	1.10

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$985,675
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$94,921

Primary	\$14,030,000	Term	480
Int Rate	6.50%	DCR	1.10
Secondary			
Int Rate	\$0	Term	0
	0.00%	Subtotal DCR	1.10
Additional			
Int Rate	\$8,218,716	Term	0
	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,290,932	\$2,359,660	\$2,430,450	\$2,503,363	\$2,578,464	\$2,989,147	\$3,465,240	\$4,017,163	\$5,398,731
Secondary Income	45,000	46,350	47,741	49,173	50,648	58,715	68,067	78,908	106,045
Other Support Income: (describ)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,335,932	2,406,010	2,478,190	2,552,536	2,629,112	3,047,861	3,533,307	4,096,071	5,504,777
Vacancy & Collection Loss	(175,195)	(180,451)	(185,864)	(191,440)	(197,183)	(228,590)	(264,998)	(307,205)	(412,858)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,160,737	\$2,225,559	\$2,292,326	\$2,361,096	\$2,431,929	\$2,819,272	\$3,268,309	\$3,788,866	\$5,091,919
EXPENSES at 4.00%									
General & Administrative	\$118,068	\$122,791	\$127,702	\$132,810	\$138,123	\$168,048	\$204,456	\$248,752	\$368,213
Management	91,177	93,913	96,730	99,632	102,621	118,966	137,914	159,880	214,866
Payroll & Payroll Tax	248,566	258,509	268,849	279,603	290,787	353,787	430,436	523,691	775,190
Repairs & Maintenance	138,292	143,824	149,577	155,560	161,783	196,833	239,478	291,361	431,286
Utilities	57,552	59,854	62,248	64,738	67,328	81,914	99,661	121,253	179,485
Water, Sewer & Trash	115,224	119,833	124,626	129,611	134,796	164,000	199,531	242,760	359,343
Insurance	68,782	71,533	74,395	77,370	80,465	97,898	119,108	144,913	214,507
Property Tax	180,029	187,230	194,719	202,508	210,608	256,237	311,752	379,293	561,447
Reserve for Replacements	50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other	12,450	12,948	13,466	14,005	14,565	17,720	21,559	26,230	38,827
TOTAL EXPENSES	\$1,080,141	\$1,122,434	\$1,166,393	\$1,212,081	\$1,259,568	\$1,526,569	\$1,850,478	\$2,243,476	\$3,299,097
NET OPERATING INCOME	\$1,080,596	\$1,103,125	\$1,125,933	\$1,149,015	\$1,172,361	\$1,292,703	\$1,417,830	\$1,545,389	\$1,792,821
DEBT SERVICE									
First Lien Financing	\$985,675	\$985,675	\$985,675	\$985,675	\$985,675	\$985,675	\$985,675	\$985,675	\$985,675
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	\$94,921	\$117,450	\$140,258	\$163,340	\$186,686	\$307,028	\$432,155	\$559,714	\$807,146
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.17	1.19	1.31	1.44	1.57	1.82

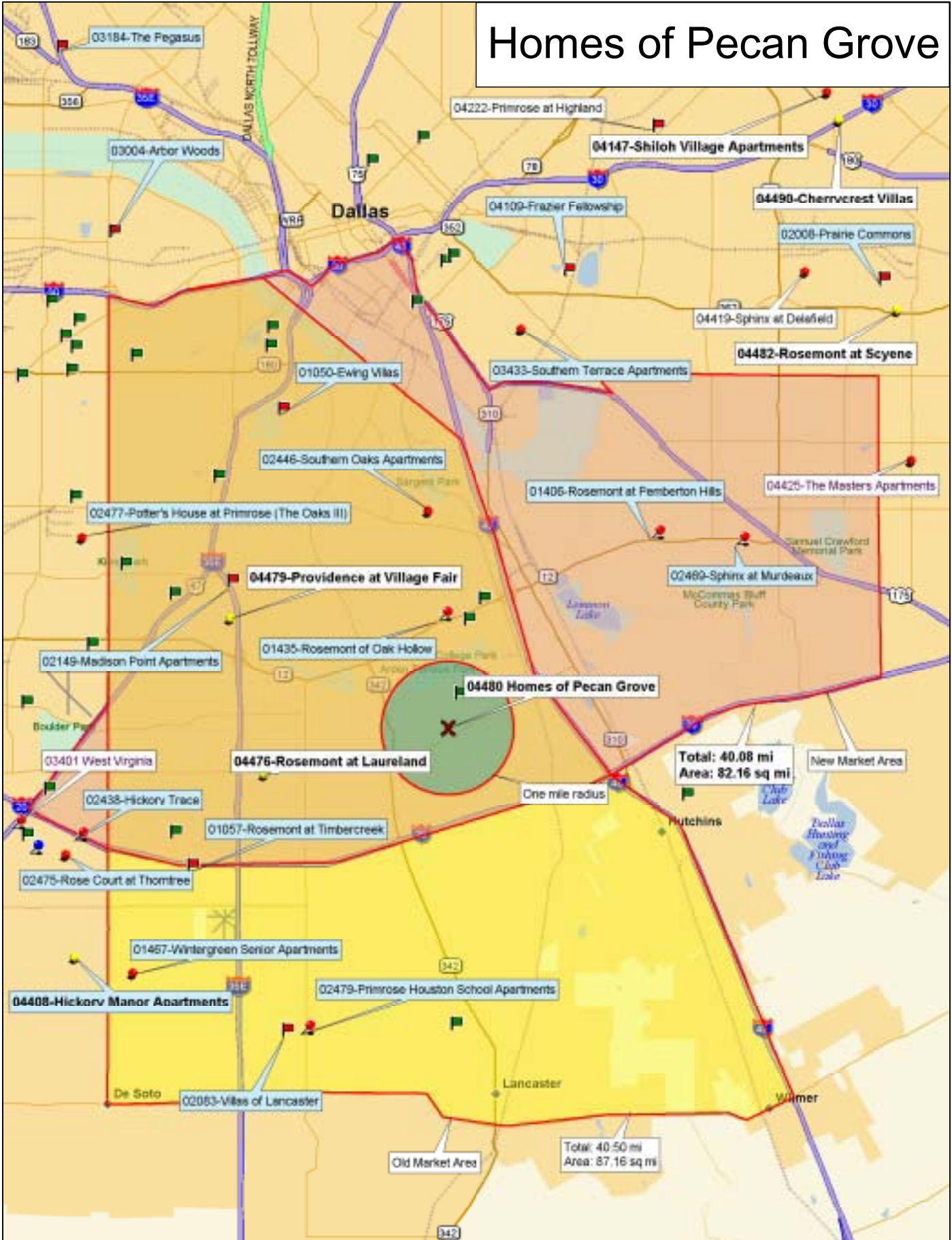
LIHTC Allocation Calculation - Homes of Pecan Grove, Dallas, MFB #2004-043 / 4% HTC #0448

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,000,000	\$700,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,874,999	\$1,874,999	\$1,874,999	\$1,874,999
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$11,817,823	\$12,246,320	\$11,817,823	\$12,246,320
(4) Contractor Fees & General Requirements				
Contractor overhead	\$273,857	\$273,857	\$273,856	\$273,857
Contractor profit	\$821,570	\$821,570	\$821,569	\$821,570
General requirements	\$821,570	\$821,570	\$821,569	\$821,570
(5) Contingencies				
	\$684,641	\$684,641	\$684,641	\$684,641
(6) Eligible Indirect Fees				
	\$889,500	\$889,500	\$889,500	\$889,500
(7) Eligible Financing Fees				
	\$985,300	\$985,300	\$985,300	\$985,300
(8) All Ineligible Costs				
	\$1,371,488	\$1,371,488		
(9) Developer Fees			\$2,725,389	
Developer overhead	\$545,078	\$545,078		\$545,078
Developer fee	\$2,180,312	\$2,180,312		\$2,180,312
(10) Development Reserves				
	\$400,000	\$478,047		
TOTAL DEVELOPMENT COSTS	\$23,666,138	\$23,872,682	\$20,894,647	\$21,323,147

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			\$20,894,647	\$21,323,147
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$27,163,041	\$27,720,092
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$27,163,041	\$27,720,092
Applicable Percentage			3.56%	3.56%
TOTAL AMOUNT OF TAX CREDITS			\$967,004	\$986,835

Syndication Proceeds	0.8499	\$8,218,714	\$8,387,261
Total Credits (Eligible Basis Method)		\$967,004	\$986,835
Syndication Proceeds		\$8,218,714	\$8,387,261
Requested Credits		\$967,005	
Syndication Proceeds		\$8,218,721	
Gap of Syndication Proceeds Needed		\$9,636,138	
Credit Amount		\$1,133,777	

Homes of Pecan Grove



RENT CAP EXPLANATION Dallas MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2004

MSA/County: Dallas **Area Median Family Income (Annual):** \$65,100

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)		
# of Persons	At or Below			Unit Type	At or Below				At or Below		
	50%	60%	80%		50%	60%	80%		50%	60%	80%
1	\$ 23,300	\$ 27,960	\$ 37,250	Efficiency	\$ 582	\$ 699	\$ 931		\$ 582	\$ 699	\$ 931
2	26,600	31,920	42,550	1-Bedroom	623	748	997	52.00	571	696	945
3	29,950	35,940	47,900	2-Bedroom	748	898	1,197	75.00	673	823	1,122
4	33,250	39,900	53,200	3-Bedroom	864	1,037	1,383	93.00	771	944	1,290
5	35,900	43,080	57,450								
6	38,550	46,260	61,700	4-Bedroom	963	1,156	1,542		963	1,156	1,542
7	41,250	49,500	65,950	5-Bedroom	1,064	1,277	1,701		1,064	1,277	1,701
8	43,900	52,680	70,200								
FIGURE 1				FIGURE 2				FIGURE 3	FIGURE 4		

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$33,000 per year would fall in the 60% set-aside group. A family of three earning \$28,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 50% income bracket earning \$29,950 could not pay more than \$748 for rent and utilities under the affordable definition.

- 1) \$29,950 divided by 12 = **\$2,496** monthly income; then,
- 2) **\$2,496** monthly income times 30% = **\$748** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in **Figure 3** from the maximum total housing expense for each unit type found in **Figure 2**.

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

Homes of Pecan Grove

RESULTS & ANALYSIS: for 50% AMFI units

Tenants in the 50% AMFI bracket will **save \$189to \$331** per month (leaving **8.5% to 11.9%** more of their monthly income for food, child care and other living expenses).
 This is a monthly savings off the market rents of **24.9% to 30.5%**.

PROJECT INFORMATION			
	Unit Mix		
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom
Square Footage	780	1,112	1,268
Rents if Offered at Market Rates	\$760	\$969	\$1,102
Rent per Square Foot	\$0.97	\$0.87	\$0.87

SAVINGS ANALYSIS FOR 60% AMFI GROUPING			
Rent Cap for 50% AMFI Set-Aside	\$571	\$673	\$771
Monthly Savings for Tenant	\$189	\$296	\$331
Rent per square foot	\$0.73	\$0.61	\$0.61
Maximum Monthly Income - 50% AMFI	\$2,217	\$2,496	\$2,881
Monthly Savings as % of Monthly Income	8.5%	11.9%	11.5%
% DISCOUNT OFF MONTHLY RENT	24.9%	30.5%	30.0%

Information provided by: Butler Burgher, Inc. 8150 N. Central Expressway, Suite 801, Dallas, Texas 75206. Report dated November 10, 2004.

Homes of Pecan Grove

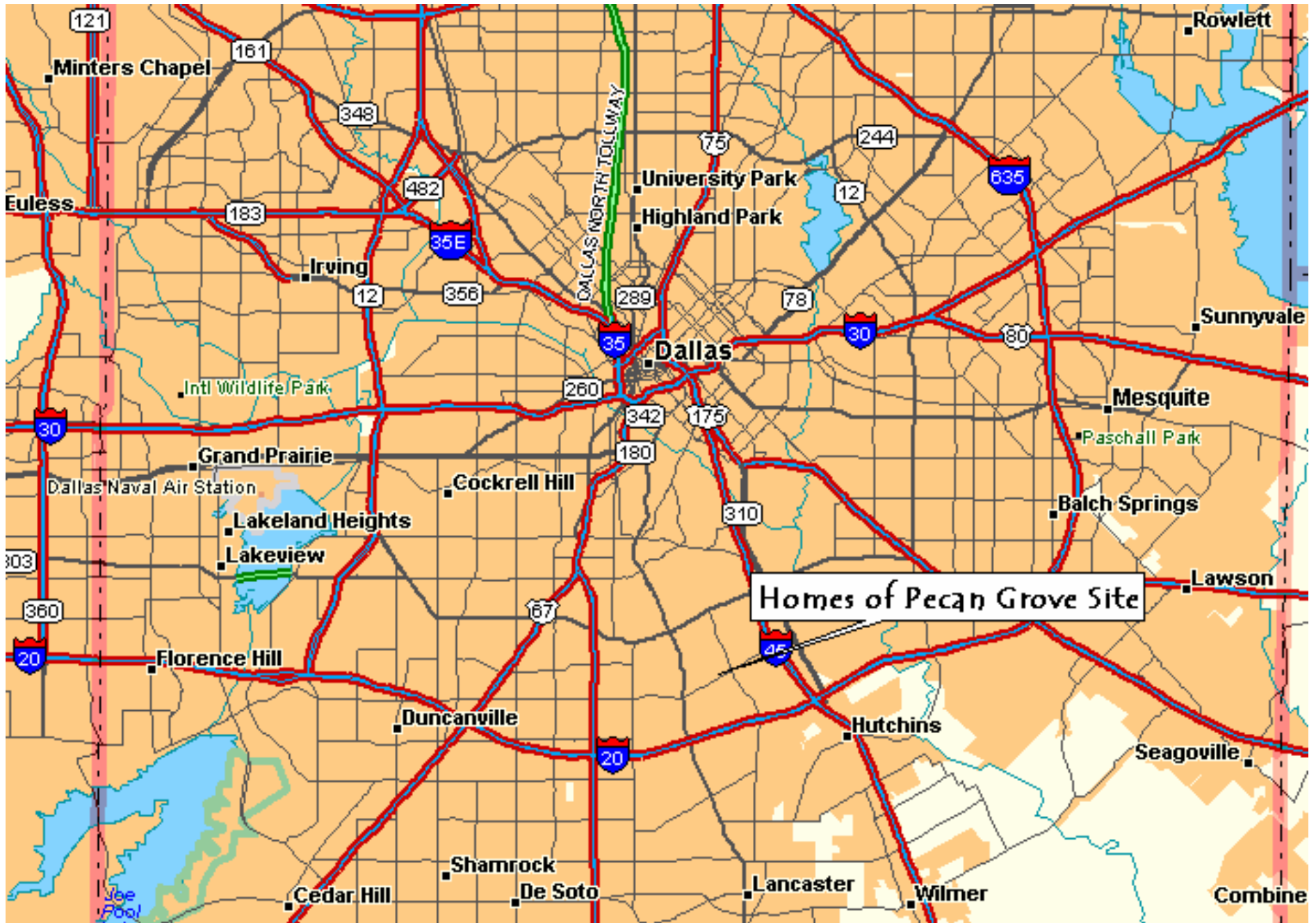
RESULTS & ANALYSIS: for 60% AMFI units

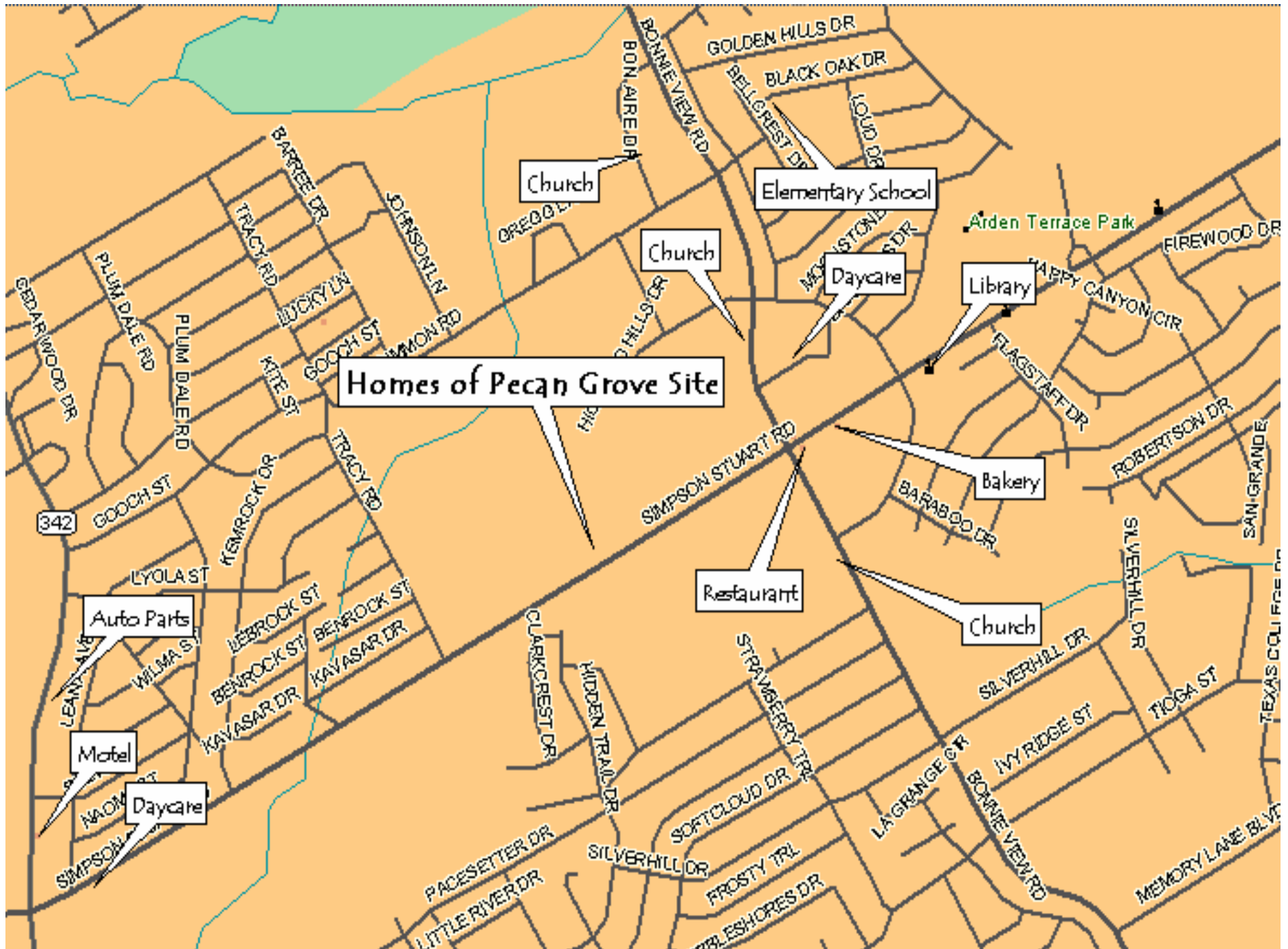
Tenants in the 60% AMFI bracket will **save \$64 to \$158** per month (leaving **2.4% to 4.9%** more of their monthly income for food, child care and other living expenses).
 This is a monthly savings off the market rents of **8.4% to 15.1%**.

PROJECT INFORMATION			
	Unit Mix		
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom
Square Footage	780	1,112	1,268
Rents if Offered at Market Rates	\$760	\$969	\$1,102
Rent per Square Foot	\$0.97	\$0.87	\$0.87

SAVINGS ANALYSIS FOR 60% AMFI GROUPING			
Rent Cap for 60% AMFI Set-Aside	\$696	\$823	\$944
Monthly Savings for Tenant	\$64	\$146	\$158
Rent per square foot	\$0.89	\$0.74	\$0.74
Maximum Monthly Income - 60% AMFI	\$2,660	\$2,995	\$3,458
Monthly Savings as % of Monthly Income	2.4%	4.9%	4.6%
% DISCOUNT OFF MONTHLY RENT	8.4%	15.1%	14.3%

Information provided by: Butler Burgher, Inc. 8150 N. Central Expressway, Suite 801, Dallas, Texas 75206. Report dated November 10, 2004.





Applicant Evaluation

Project ID # **04480**

Name: **Homes of Pecan Grove**

City: **Dallas**

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

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 0

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 0
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 0

Projects not reported Yes
 in application No

not yet monitored or pending review: 3

of projects not reported 0

Portfolio Monitoring

Single Audit

Contract Administration

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewed by Patricia Murphy

Date 12/29/2004

Multifamily Finance Production

Single Family Finance Production

Real Estate Analysis (Cost Certification and Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer R Meyer

Reviewer _____

Reviewer _____

Date 12/28/2004

Date _____

Date _____

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

No delinquencies found
 Delinquencies found

Reviewer EEF

Reviewer _____

Reviewer Stephanie A. D'Couto

Date 12/28/2004

Date _____

Date 12/28/2004

Executive Director: Edwina Carrington

Executed: day, December 29, 2004

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Production Division

Public Comment Summary

Homes of Pecan Grove

Public Hearing

<i>Total Number Attended</i>	11
<i>Total Number Opposed</i>	0
<i>Total Number Supported</i>	11
<i>Total Number Neutral</i>	0
<i>Total Number that Spoke</i>	5

Public Officials Letters Received

<i>Opposition</i>	0
<i>Support</i>	0

General Public Letters and Emails Received

<i>Opposition</i>	0
<i>Support</i>	1
<i>Pleasant Wood/Pleasant Grove Neighborhood Group</i>	

Summary of Public Comment

1 Will contribute to the revitalization of the area.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY HOUSING REVENUE BONDS SERIES 2004

HOMES OF PECAN GROVE
PUBLIC HEARING

J. N. Ervin Elementary School
3722 Black Oak Drive
Dallas, Texas

November 17, 2004
6:00 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Loan Analyst

I N D E X

<u>SPEAKER</u>	<u>PAGE</u>
Abdul Kurim	4
Saleme Jafar	6
J. Eugene Thomas	7
Rick Robertson	7
Ron Ferguson	9

P R O C E E D I N G S

MS. MEYER: Good evening. My name is Robbye Meyer, and I'm with the Texas Department of Housing and Community Affairs. I'm going to read a brief speech, and then I'll open it up for public comment for anybody that wants to make comment.

I'd like to proceed with the public hearing and let the record show that it is 6:21 on Wednesday, November 17, and we're at the J. N. Ervin Elementary School, located at 3722 Black Oak Drive in Dallas, Texas.

I'm here to conduct the public hearing on behalf of the Texas Department of Housing and Community Affairs, with respect to an issuance of tax-exempt multifamily revenue bonds for the residential rental community. This hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issuance.

No decisions regarding the development will be made at this hearing. The Department's Board is scheduled to meet to consider this transaction on January 13, 2005.

In addition to providing your comments at this hearing, the public is also invited to make comments directly to

the Board at that meeting. The staff will also accept written comments from the public up until 5:00 on December 30, 2004.

These bonds will be issued as tax-exempt, multifamily revenue bonds in the aggregate principal amount not to exceed 15 million, and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs.

The proceeds of the bonds will be loans to Chicory Court-Simpson Stuart, L.P., or a related person or affiliate entity thereof, to finance a portion of the costs of acquiring, constructing, and equipping a multifamily rental housing community describes as follows: a 250-unit, multifamily residential rental development to be constructed on approximately eleven acres of land located at approximately the 3111 block of Simpson Stuart Road, Dallas County, Texas.

The proposed multifamily rental housing community will be initially owned and operated by the borrower, or a related person or affiliate entity thereof.

I will open the floor up now for public comment, and the first speaker we have is Abdul Kurim, if you could come up here to the podium.

MR. KURIM: Thank you. Again, my name is Abdul Kurim. I'm executive director of Texas Human Relief Service. We are a community housing development organization. We are certified by the State of Texas, the County of Dallas, and the City of Dallas.

I'm here tonight for support of this project. It's on a tract of land -- first of all, I've been in Dallas since 1968, and I grew up in this area. It's on a tract of land that would have been abandoned, until a person, Mike -- the development company that's getting ready to do this project -- would have taken interest in it.

Not only are they revitalizing the land, but they are revitalizing the neighborhood by giving people, the constituents in this neighborhood, an opportunity to see a new product, a new opportunity to expand, in terms of their growth opportunities, in terms of their families.

So I'm not going to make a long speech, but for those that hear this tape later, I just want them to know that, not only are we impressed with the development entity that is doing this project, but please continue -- but we are also impressed with you all, that you have put these types of programs in place, that would give developers in incentive to come into areas like this,

who normally wouldn't have an incentive to come.

It would go to the areas that are already being marketable. So even though they say that this area isn't marketable, it is marketable because we are here and we thank God that there's an opportunity for us to be a part of this project.

I won't be a part of this as a developer, but just to see it in the neighborhood that I grew up in, that I used to play basketball in, that I courted my first date in, and I'm still with her now. We've been married 27 years, so it means a lot to me to see this, and it's very important that we continue to support the companies.

I don't want to mention the company name, because I'm not advertising for that company, but I'm saying any developer that comes into our neighborhood with the support of TDHC, and other development centers that you have. Please continue that. Thank you.

MS. MEYER: Thank you for your comments.

Saleme Jafar.

MR. JAFAR: Saleme Jafar, 15107 Canyon Crest, Dallas, Texas 75240, representing the developer. We have enjoyed full community support and neighborhood group support. We have had neighborhood organization meetings with the Highland Hinds organization on 11-3.

The CDC voted to zone this particular land into a PD-700. The Dallas City Council approved a resolution of support and authority to apply for housing tax credits on November 10 in a 9-3 vote for this exact development and plan at this exact location.

Our intention is to develop, as we always develop, a very high quality product, town-home style, with full amenities, including swimming pool, full fitness centers, garden tubs, walk-in closets, heavily wooded. We believe that this particular development will be a wonderful addition to a wonderful community. Thank you.

MS. MEYER: Thank you.

Rick Robertson.

MR. ROBERTSON: Yes. My name is Rick Robertson, 1611 Riverway Drive, Dallas, Texas. I am in support of this project. I'm an investor, and to see projects like this, new projects like this, in these types of neighborhoods, is something that I haven't seen in the recent years. Me, growing up, to see a developer come in and then do this type of a project is a blessing. So I am in total agreement with it, and I'm for it. Thank you.

MS. MEYER: Thank you.

Eugene Thomas.

MR. THOMAS: Eugene Thomas, 5654 Winding Woods

Trail, Dallas, Texas. I'm here in a dual capacity. First of all, I just want to say on behalf of myself, as a land-use consultant and a commercial broker in area and real estate community, that this development is a class development for this area; it's very needed.

And also I'm an affordable housing advocate for the Southern Sector for the State of Texas. This housing is very much needed in this community and it is a plus for the community. I think everybody already said that, and I'm not going to spend a lot of time on this.

This is the right development at the right time for the right reasons. And the right development is as housing is needed of this type. You have a college that's coming in. The community is growing so fast that you have to have affordable housing.

Number two, the right reason is that the community wants it, so that's number two.

Now, finally, Reverend Johnson could not be here, your good friend, but he did want to make this statement for the record. I want to read this letter to the record on his behalf and for the City's sake.

To Robbye Meyers, Texas Department of Housing and Community Affairs, for the Homes of Pecan Grove on Simpson-Stuart Road, we, the members of the Pleasant Wood-

Pleasant Grove CDC, are writing this letter expressing our support for the homes of Pecan Grove's townhouse-style units, for quality plan affordable housing community in Dallas, Texas.

We have held several meetings and discussions with the developer regarding this development. We are convinced the developer has done everything reasonable to be a good neighbor and has solicited local input, including holding town halls meetings and distributing informational material to the neighbors. Therefore we ask that you support a favorable outcome of this development.

Thank You in advance for your consideration.

Reverend H. J. Johnson, Chairman of the Pleasant Wood/Pleasant Grove, CDC.

So we are in total support of this development in this community. Thank you.

MS. MEYER: Ron Ferguson.

MR. FERGUSON: My name is Ron Ferguson, and I'm a business owner in the Southern Sector, and I'm here in support of the project. The project has a lot of good things for the community.

One of the things I want to point out, on behalf of the construction of the business owners in this area, is that this particular developer has found it

necessary to be willing to use minorities to do the construction. He has went so far as to bring us in and prequalify us to work on his projects in a large capacity.

That's something we haven't seen in the Dallas-Fort Worth area.

Now, I don't know about you, but I think the effort alone warrants the type of support that he deserves. So I'm in support and I pray that you are. Thank you.

MS. MEYER: Thank you for your comments.

Is there anybody else that would like to speak?

(No response.)

MS. MEYER: Okay. Then I will conclude the hearing. Let the record show that it is now 6:31.

(Whereupon, at 6:31 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: Homes of Pecan Grove
LOCATION: Dallas, Texas
DATE: November 17, 2004

I do hereby certify that the foregoing pages, numbers 1 through 11, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Judy Farnsworth before the Texas Department of Housing and Community Affairs.

(Transcriber) 11/29/2004
(Date)

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



WWW.TDHCA.STATE.TX.US

MULTIFAMILY FINANCE PRODUCTION DIVISION

2004 Private Activity Multifamily Revenue Bonds

**Port Royal Homes
5300 block of W. Military Drive
San Antonio, Texas
Woodshire, L.P.
250 Units
Priority 2 – 100% of units at 60% AMFI
\$12,200,000 Tax Exempt – Series 2005**

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation
TAB 2	Bond Resolution
TAB 3	HTC Profile and Board Summary
TAB 4	Sources & Uses of Funds Estimated Cost of Issuance
TAB 5	Department's Real Estate Analysis
TAB 6	Rental Restrictions Explanation Results and Analysis
TAB 7	Development Location Maps
TAB 8	TDHCA Compliance Summary Report
TAB 9	Public Input and Hearing Transcript (December 14, 2004)

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2005 and Housing Tax Credits for the Port Royal Homes development.

Summary of the Port Royal Homes Transaction

The pre-application was received on September 2, 2003. The application was scored and ranked by staff. The application ranked forty-third out of a total of forty-four applications. The application was induced at the October 2003 Board meeting and submitted to the Texas Bond Review Board for inclusion to the lottery. The application received a Reservation of Allocation on September 8, 2004. This application was submitted under the Priority 2 category. 100% of the units will serve families at 60% of the AMFI. A public hearing was held on December 15, 2004. There were nineteen (19) people in attendance with five (5) people speaking for the record. A copy of the transcript is behind Tab 9 of this presentation. The proposed site is located at the 5300 block of W. Military Drive, San Antonio, Bexar County, Texas.

Summary of the Financial Structure

The applicant is requesting the Department's approval and issuance of fixed rate tax exempt bonds in the amount of \$12,200,000. The bonds will be unrated and privately placed with Charter MAC Equity Issuer Trust. The term of the bonds will be for 40 years. The construction and lease up period will be for 18 months with payment terms of interest only, followed by a 40 year amortization with a maturity date of February 1, 2045. The interest rate on the bonds during the Construction Loan Period will be 5.00% per annum followed by a permanent interest rate of 6.50% per annum (See Bond Resolution 05-005 Section 1.2 (b) attached).

Recommendation

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2005 and Housing Tax Credits for the Port Royal Homes development because of the demonstrated quality of construction of the proposed development, the feasibility of the development (as demonstrated by the commitments from Charter Mac and Related Capital, the underwriting report by the Departments Real Estate Analysis Division), the demand for additional affordable units as demonstrated by the occupancy rates of other affordable units in the market area, and the support from the community and elected officials.

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD MEMORANDUM
January 7, 2005

DEVELOPMENT: Port Royal Homes (fka Merry Oaks Homes), San Antonio, Bexar County, Texas

PROGRAM: Texas Department of Housing and Community Affairs
2004 Multifamily Housing Mortgage Revenue Bond Program
(Reservation received 09/08/2004)

ACTION REQUESTED: Approve the issuance of multifamily housing mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE: The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Woodshire, L. P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 250 unit multifamily residential rental Development to be located at 5303 W. Military Drive, San Antonio, Bexar County, Texas (the "Development"). The Bonds will be tax-exempt by virtue of the Development's qualifying as a residential rental Development.

BOND AMOUNT: \$12,200,000 Series 2005 Tax Exempt bonds (*)
\$12,200,000 Total bonds

(*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Development and the amount for which Bond Counsel can deliver its Bond Opinion.

ANTICIPATED CLOSING DATE: The Department received a volume cap allocation for the Bonds on September 8, 2004 pursuant to the Texas Bond Review Board's 2004 Private Activity Bond Allocation Program. The Department is required to deliver the Bonds on or before February 6, 2005, the anticipated closing date is February 1, 2005.

BORROWER: Woodshire, L.P., a Texas limited partnership, the general partner of which is Woodshire X, Inc, a Texas corporation, with Saleem Jafar as 85% Owner and Avenidas Group 5019(c)(3) as 15% Owner.

COMPLIANCE HISTORY: The Compliance Status Summary reveals that the principal of the general partner above has seven properties with three properties having been monitored by the Department with no material noncompliance.

ISSUANCE TEAM & ADVISORS:

Charter MAC Equity Issuer Trust (“Bond Purchaser”)
Wells Fargo Bank, National Association (“Trustee”)
Vinson & Elkins L.L.P. (“Bond Counsel”)
RBC Dain Rauscher Inc. (“Financial Advisor”)
McCall, Parkhurst & Horton, L.L.P. (Disclosure Counsel)

BOND PURCHASER:

The Bonds will be purchased by Charter MAC Equity Issuer Trust. The purchaser and any subsequent purchaser will be required to sign the Department’s standard traveling investor letter.

DEVELOPMENT DESCRIPTION:

Site: The proposed affordable housing community is a 250-unit multifamily residential rental development to be constructed on approximately 15.5 acres of land located at 5303 W. Military Drive, San Antonio, Bexar County, Texas 78242 (the "Development"). The proposed density is 17 dwelling units per acre. The land is a well-located tract in an older established neighborhood of south San Antonio. There is no other multifamily development in the immediate area. The location allows access to major transportation linkages, area employers, employment centers, schools, and supporting development. The site is located outside the 100-year floodplain and is ready for development. The proximity to transportation linkages and employment centers makes the site well suited for multifamily development.

Buildings: The development consist of 250 units and will include a total of twelve (12) two and three-story, wood-framed apartment buildings with 100% masonry product containing approximately 237,363 net rentable square feet and having an average unit size of 949 square feet with four (4) basic floor plans. The subject units have a competitive amenity package including the following: cable/internet ready; nine foot ceilings; ceiling fans; full-size washer/dryer connections; the energy star rated kitchen appliances, frost free refrigerator with ice-maker, pantry, dishwasher, microwave, garbage disposal patios/balcony; vinyl tile flooring in entry, kitchen and bath; and mini blinds. Development amenities include: on-site leasing/management office, gated access/perimeter fencing, pool, laundry facilities, clubhouse with business center, fitness center, furnished and staffed children’s activity center, playground and sport court.

Units	Unit Type	Square Feet	Proposed Net Rent
50	1-Bed/1-Bath	750 s.f.	\$533.00 60%
57	2-Bed/1-Bath	836 s.f.	\$644.00 60%
57	2-Bed/2-Bath	973 s.f.	\$644.00 60%
86	3-Bed/2-Bath	1125 s.f.	\$744.00 60%
250	Total Units		

SET-ASIDE UNITS:

For Bond covenant purposes, at least forty (40%) of the residential

units in the development are set aside for persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each Development will be set aside on a priority basis for persons with special needs.

(The Borrower has elected to set aside 100% of the units for tax credit purposes.)

RENT CAPS:

For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty percent (60%) of the area median income which is Priority 2 of the Bond Review Board's Priority System.

TENANT SERVICES:

Tenant Services will be performed by ALT Affordable Housing Services, a Texas non-profit corporation .

**DEPARTMENT
ORIGINATION
FEES:**

\$1,000 Pre-Application Fee (Paid).
\$10,000 Application Fee (Paid).
\$61,000 Issuance Fee (.50% of the bond amount paid at closing).

**DEPARTMENT
ANNUAL FEES:**

\$12,200 Bond Administration (0.10% of first year bond amount)
\$6,250 Compliance (\$25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

**ASSET OVERSIGHT
FEE:**

\$6,250 to TDHCA or assigns (\$25/unit/year adjusted annually for CPI)

TAX CREDITS:

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to approximately \$844,349 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of its limited partnership interests, typically 99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$7,176,438 of equity for the transaction.

BOND STRUCTURE:

The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds will be privately placed with the Bond Purchaser, and will mature over a term of 40 years. During the construction and lease-up period, the Bonds will pay as to interest only. The loan will be secured by a first lien on the Development.

The Bonds are mortgage revenue bonds and, as such, create no

potential liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the Development financed through the issuance of the Bonds.

BOND INTEREST RATES: The interest rate on the Bonds will be 5.0% from the date of issuance until the July 31, 2006. On and after the July 31, 2006, the interest rate on the Bonds will be 6.5%.

CREDIT ENHANCEMENT: The bonds will be unrated with no credit enhancement.

FORM OF BONDS: The Bonds will be issued in book entry (typewritten or lithographical) form and in denominations of \$100,000 and any amount in excess of \$100,000.

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

TERMS OF THE MORTGAGE LOAN: The Mortgage Loan is a non-recourse obligation of the Borrower (which means, subject to certain exceptions, the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. A Deed of Trust and related documents convey the Borrower's interest in the Development to secure the payment of the Mortgage Loan.

REDEMPTION OF BONDS PRIOR TO MATURITY: The Bonds may be subject to redemption under any of the following circumstances:

Mandatory Redemption:

- (a) (i) In whole or in part, to the extent excess funds remain on deposit in the Loan Account of the Construction Fund after the Development's Completion Date; and (ii) under certain circumstances, upon request by the Majority Owner to redeem Bonds from amounts on deposit in the Earnout Account of the Construction Fund; or
- (b) in part, if (i) the development has not achieved Stabilization

within twenty-four (24) months after the earlier of (A) the date the Development achieves Completion or (B) the Completion Date or (ii) upon request by the Majority Owner to redeem Bonds from amount on deposit in the Earnout Account of the Construction Fund; or

- (c) in whole or in part, if there is damage to or destruction or condemnation of the Development, to the extent that Insurance Proceeds or a Condemnation Award in connection with the Development are deposited in the Revenue Fund and are not to be used to repair or restore the Development; or
- (d) upon the determination of Taxability if the owner of a Bond presents his Bond or Bonds for redemption on any date selected by such owner specified in a written notice delivered to the Borrower and the Issuer at least thirty (30) days' prior to such date; or
- (e) in whole on any interest payment date on or after February 1, 2022, if the Owners of all of the Bonds elect redemption and provide not less than 180 days' written notice to the Issuer, Trustee and Borrower; or
- (f) In part, according to the dates and amounts indicated on the Mandatory Sinking Fund Schedule of Redemptions.

Optional Redemption:

The Bonds are subject to redemption, in whole, any time on or after February 1, 2022, from the proceeds of an optional prepayment of the Loan by the Borrower.

**FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:**

Under the Trust Indenture, the Trustee will serve as registrar and authenticating agent for the Bonds and as trustee of certain of the accounts created under the Trust Indenture (described below). The Trustee will also have responsibility for a number of loan administration and monitoring functions.

Moneys on deposit in Trust Indenture accounts are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create the following Funds and Accounts:

1. Construction Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Construction Fund which may consist of six (6) accounts as follows:

- (a) Loan Account – represents a portion of the proceeds of the

sale of the Bonds that will be used to pay for Development Costs;

- (b) Insurance and Condemnation Proceeds Account - represents Condemnation Award and Insurance Proceeds allocated to restore the Development pursuant to the Loan Documents;
 - (c) Capitalized Interest Account – represents a portion of the proceeds of the Bonds and/or a portion of the initial equity contribution of the Borrower which may be transferred to the Revenue Fund from this account in order to pay interest on the Bonds until the Completion Date of the Development;
 - (d) Costs of Issuance Account – represents a portion of the proceeds of the Bonds and/or a portion of the initial equity contribution of the Borrower from which the costs of issuance are disbursed;
 - (e) Earnout Account – represents a portion of the initial equity contribution of the Borrower, the disbursements from which are to be requested in writing by the Developer and approved by the Majority Owner of the Outstanding Bonds; and
 - (f) Equity Account – represents the balance of the initial equity contribution of the Borrower.
2. Replacement Reserve Fund – Amounts which are held in reserve to cover replacement costs and ongoing maintenance to the Development.
 3. Tax and Insurance Fund – The Borrower must deposit certain moneys in the Tax and Insurance Fund to be applied to the payment of real estate taxes and insurance premiums.
 4. Revenue Fund – Revenues from the Development are deposited to the Revenue Fund and disbursed to sub-accounts for payment to the various funds according to the order designated under the Trust Indenture: (1) to the payment of interest on the Bonds; (2) to the payment of the principal or redemption price, including premium, if any, on the Bonds; (3) to the payment of any required deposit in the Tax and Insurance Fund; (4) to the payment of any required deposit in the Replacement Reserve Fund; (5) to the payment of the fees of the Trustee, the Servicer, the Issuer and the Asset Oversight Agent, if any, due and owing under the Loan Documents and the Indenture; (6) to the payment of any other amounts then due and owing under the Loan Documents; and (7) the remaining balance to the Borrower.

5. Rebate Fund – Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

The majority of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase to finance the construction of the Development. Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Tax-Exempt Bond proceeds. It is currently anticipated that costs of issuance will be paid by Taxable Bond proceeds.

**DEPARTMENT
ADVISORS:**

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee - Wells Fargo Bank, National Association (formerly Norwest Bank, N.A.) was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.
3. Financial Advisor – RBC Dain Rauscher Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.
4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 2003.

**ATTORNEY GENERAL
REVIEW OF BONDS:**

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

RESOLUTION NO. 05-005

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (PORT ROYAL HOMES^{*}) SERIES 2005; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Port Royal Homes^{*}) Series 2005 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Woodshire, L.P., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

* Formerly known as Merry Oaks Homes

WHEREAS, the Board, by resolution adopted on October 9, 2003, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust and Security Agreement (with Power of Sale) (the "Deed of Trust") from the Borrower for the benefit of the Department and the Trustee; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Borrower and CharterMac, a Delaware statutory trust (the "Purchaser"), will execute a Bond Purchase Agreement (the "Purchase Agreement"), with respect to the sale of the Bonds; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Bexar County, Texas; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Purchase Agreement and the Asset Oversight Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.13, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

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

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Bonds shall be 5.00% per annum from the date of issuance thereof to and including July 31, 2006 or earlier redemption or acceleration thereof (subject to adjustment as provided in the Indenture; provided, however, that the default interest rate on the Bonds shall not exceed the maximum rate permitted by applicable law) and, after July 31, 2006, the interest rate on the Bonds shall be 6.50% per annum until the maturity date or earlier redemption or acceleration thereof (subject to adjustment as provided in the Indenture; provided, however, that the default interest rate on the Bonds shall not exceed the maximum rate permitted by applicable law); (ii) the aggregate principal amount of the Bonds shall be \$12,200,000; and (iii) the final maturity of the Bonds shall occur on February 1, 2045.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5--Acceptance of the Deed of Trust and Note. That the Deed of Trust and the Note are hereby accepted by the Department.

Section 1.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.7--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized

representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement to the Borrower and the Purchaser.

Section 1.8--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Loan Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Assignments
- Exhibit F - Purchase Agreement
- Exhibit G - Asset Oversight Agreement

Section 1.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary of the Board.

Section 1.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or the Acting Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into or direct the Trustee to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit O to the Loan Agreement and shall be annually redetermined by the Issuer as stated in the Loan Agreement.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director or Acting Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department,

including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) that the Borrower is financially responsible,

(iv) that the financing of the Project is a public purpose and will provide a public benefit, and

(v) that the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms, and

(iii) that the Borrower is not, or will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 33 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--Notice of Meeting. 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.

[Remainder of page intentionally left blank.]

PASSED AND APPROVED this 7th day of January, 2005.

By: _____
Elizabeth Anderson, Chair

Attest: _____
Delores Groneck, Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Woodshire, L.P., a Texas limited partnership

Project: The Project is a 250-unit multifamily facility to be known as Port Royal Homes* and to be located at approximately 5303 W. Military Drive, San Antonio, Bexar County, Texas 78242. The Project will include a total of twelve (12) residential apartment buildings with a total of approximately 237,363 net rentable square feet and an average unit size of approximately 949 square feet. The unit mix will consist of:

50 one-bedroom/one-bath units
57 two-bedroom/one-bath units
57 two-bedroom/two-bath units
86 three-bedroom/two-bath units
250 Total Units

Unit sizes will range from approximately 750 square feet to approximately 1,125 square feet.

Common areas will include a pool, clubhouse with business center, computer lab laundry facilities, playground, sports court, barbeque and picnic area and children's activity area.

* Formerly known as Merry Oaks Homes



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Port Royal Homes Apartments**

TDHCA#: 04489

DEVELOPMENT AND OWNER INFORMATION

Development Location: San Antonio QCT: Y DDA: N TTC: N
 Development Owner: Woodshire, LP
 General Partner(s): Woodshire X, Inc, 100%, Contact: Jerry Du Terroil
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA
 Development Type: General
 Population

Annual Tax Credit Allocation Calculation

Applicant Request: \$859,828 Eligible Basis Amt: \$844,349 Equity/Gap Amt.: \$1,075,210
Annual Tax Credit Allocation Recommendation: \$844,349
 Total Tax Credit Allocation Over Ten Years: \$ 8,443,490

PROPERTY INFORMATION

Unit and Building Information

Total Units: 250 HTC Units: 250 % of HTC Units: 100
 Gross Square Footage: 241,978 Net Rentable Square Footage: 237,363
 Average Square Footage/Unit: 949
 Number of Buildings: 12
 Currently Occupied: N

Development Cost

Total Cost: \$20,758,616 Total Cost/Net Rentable Sq. Ft.: \$87.46

Income and Expenses

Effective Gross Income:¹ \$1,876,455 Ttl. Expenses: \$978,542 Net Operating Inc.: \$897,913
 Estimated 1st Year DCR: 1.07

DEVELOPMENT TEAM

Consultant: Not Utilized	Manager: To Be Determined
Attorney: Shackelford, Melton & McKinley	Architect: To Be Determined
Accountant: Novogradac & Co.	Engineer: Carter Burgess
Market Analyst: Butler Burgher	Lender: Charter Mac Capital Solutions
Contractor: To Be Determined	Syndicator: Related Capital Company, LLC

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
Letters # in Support: 0 # in Opposition: 0	Sen. Frank Madla, District 19 - NC Rep. Ken Mercer, District 117 - NC Mayor Ed Garza - NC
Public Hearing # in Support: 11 # in Opposition: 0 # Neutral: 8	State Rep. Elect Leibowitz - S Andrew Cameron, Department of Housing and Community Development Director, City of San Antonio The proposed development is consistent with the Consolidated Plan of the City of San Antonio.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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 by the Board of the anticipated likely redemption of up to \$580,000 in bonds at the conversion to permanent.
3. 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.
4. Receipt, review, and acceptance of documentation from a third party environmental engineer which indicates that all issues of environmental concern identified in the Phase I ESA with regard to the site have been mitigated and that there is no condition or circumstance that warrants further investigation or analysis, prior to the initial closing on the property.
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.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.

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:

Date

Elizabeth Anderson,

Port Royal Homes

Estimated Sources & Uses of Funds

Sources of Funds

Series 2004 Tax-Exempt Bond Proceeds	\$ 12,200,000
Tax Credit Proceeds	7,308,000
Deferred Developer's Fee	1,133,568
Estimated Interest Earning	80,298
Total Sources	<u><u>\$ 20,721,866</u></u>

Uses of Funds

Deposit to Mortgage Loan Fund (Construction funds)	\$ 16,559,035
Construction Period Interest	915,000
Developer's Overhead & Fee	2,423,325
Costs of Issuance	
Direct Bond Related	297,200
Bond Purchaser Costs	311,500
Other Transaction Costs	40,806
Real Estate Closing Costs	175,000
Total Uses	<u><u>\$ 20,721,866</u></u>

Estimated Costs of Issuance of the Bonds

Direct Bond Related

TDHCA Issuance Fee (.50% of Issuance)	\$ 61,000
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee (\$25 per unit)	6,250
TDHCA Bond Counsel and Direct Expenses (Note 1)	75,000
TDHCA Financial Advisor and Direct Expenses	30,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	2,500
Borrower's Bond Counsel	60,000
Bond Administration Fee (2 years)	24,400
Trustee Fee	7,500
Trustee's Counsel (Note 1)	6,500
Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)	1,250
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,050
TEFRA Hearing Publication Expenses	3,750
Total Direct Bond Related	<u><u>\$ 297,200</u></u>

Port Royal Homes

Bond Purchase Costs	
CharterMac Origination Fee	122,000
CharterMac Servicing and Guarante Fee	122,000
CharterMac Due Diligence Fee	12,500
Lender's Attorney	35,000
CharterMac Inspection Fee	20,000
Total	<u>\$ 311,500</u>

Other Transaction Costs	
Tax Credit Determination Fee (4% annual tax cr.)	35,806
Tax Credit Application Fee (\$20/u)	5,000
Total	<u>\$ 40,806</u>

Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	125,000
Property Taxes	50,000
Total Real Estate Costs	<u>\$ 175,000</u>

Estimated Total Costs of Issuance	<u>\$ 824,506</u>
--	-------------------

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

CONDITIONS

1. Acceptance by the Board of the anticipated likely redemption of up to \$580,000 in bonds at the conversion to permanent;
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 documentation from a third party environmental engineer which indicates that all issues of environmental concern identified in the Phase I ESA with regard to the site have been mitigated and that there is no condition or circumstance that warrants further investigation or analysis, prior to the initial closing on the property;
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

The subject was submitted and underwritten in the 2003 9% HTC cycle as a 170-unit mixed-rate development named Merry Oaks Apartments involving some of the same principals of the current applicant. The underwriting analysis recommended the project be approved subject to the following conditions:

1. 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;
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.

The project did not receive an allocation in the 2003 cycle.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	<u>250</u>	# Rental Buildings	<u>12</u>	# Non-Res. Buildings	<u>1</u>	# of Floors	<u>3</u>	Age:	<u>0</u> yrs	Vacant:	<u>N/A</u>	at	<u>/</u>	/	<u>/</u>
Net Rentable SF:	<u>237,363</u>	Av Un SF:	<u>949</u>	Common Area SF:	<u>4,615</u>	Gross Bldg SF:	<u>241,978</u>								

STRUCTURAL MATERIALS

The structures will be wood frame on post-tensioned concrete slabs on grade. According to the plans provided in the application the exterior will be comprised as follows: 55% stucco/35% masonry veneer/10% cement fiber siding. The interior wall surfaces will be drywall and the pitched roofs will be finished with composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, a central boiler water heating system, individual unit air conditioning, & 9-foot ceilings.

ONSITE AMENITIES

A 4,615-square foot community building will include activity rooms, management offices, fitness, maintenance, & laundry facilities, a kitchen, restrooms, a computer/business center, & a central mailroom. The community building, swimming pool, sports court, & equipped children's play area are located at the entrance to the property. In addition, perimeter fencing is planned for the site.

Uncovered Parking:	<u>500</u>	spaces	Carports:	<u>0</u>	spaces	Garages:	<u>0</u>	spaces
---------------------------	------------	--------	------------------	----------	--------	-----------------	----------	--------

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Port Royal Homes is a 15.6-unit per acre, new construction development of 250 units of affordable housing located in southwest San Antonio. The development is comprised of 12 fairly evenly distributed large, garden style, walk-up residential buildings as follows:

€ Seven Building Type I with six two-bedroom/one-bath units, six two-bedroom/one-bath units, and eight

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

three-bedroom/two-bath units;

- € Five Building Type II with ten one-bedroom/one-bath units, three two-bedroom/one-bath units, three two-bedroom/two-bath units, and six three-bedroom/two-bath units.

Architectural Review: The building and unit plans are of good design, sufficient size, and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with simple fenestration.

SITE ISSUES

SITE DESCRIPTION

Size:	16.056	acres	699,399	square feet	Zoning/ Permitted Uses:	MF-25, Multi-Family District
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 southwestern area of the city, approximately two miles from the central business district. The site is situated on the southwest side of Military Drive and the west side of Merry Oaks Drive.

Adjacent Land Uses:

- € **North:** Military Drive immediately adjacent and Lackland Air Force Base beyond;
- € **South:** single-family residential;
- € **East:** Merry Oaks Drive immediately adjacent and vacant land beyond; and
- € **West:** multifamily residential, a school, and a fast food restaurant immediately adjacent and single-family residential and Lackland Air Force Base beyond.

Site Access: Access to the property is from the southeast or northwest along Military Drive or the north or south from Merry Oaks Drive. The development is to have two entries, one each from Military Drive and Merry Oaks Drive. Access to Interstate Highway 410 is two miles west, which provides connections to all other major roads serving the San Antonio area.

Public Transportation: Public transportation to the area is provided by the city bus system, with stops on Military Drive.

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

Special Adverse Site Characteristics: The title commitment lists a vendor's lien that must be cleared by the closing. 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 is a condition of this report.

Site Inspection Findings: TDHCA staff performed a site inspection on December 14, 2004 and found the location to be acceptable for the proposed development. The inspector noted the site is in an older, established area of the city with many employment opportunities, and that the proposed development would contribute to the revitalization of the area.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated November 17, 2004 was prepared by MAS-D Environmental & Associates, Inc. ("Analyst") and contained the following findings and recommendations:

Findings: "MAS-D Environmental makes the following significant findings and conclusions based on our Phase I ESA:

- € Two rusted pole-mounted electrical transformers were observed as a potential on-site environmental concern or recognized environmental condition [due to the possibility of soil contamination by polychlorinated biphenyls (PCBs)] during the site visit;
- € The Lackland Air Force Base LUST [leaking underground storage tank] site, located north of the subject property, was identified with groundwater impacts to a public and/or domestic water supply well. The site has not received closure from the state..." (p. 18)

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Recommendations: “Based on the above findings and conclusions of the Phase I ESA, MAS-D Environmental makes the following recommendations:

- ∄ Either investigate the PCBs content of the two observed rusted pole-mounted electrical transformers located along the southern boundary of the subject property or collect shallow soil samples around the transformer poles to determine if the soil is impacted with PCBs.
- ∄ Review the TCEQ LUST state files for the Lackland Air Force Base property to determine the groundwater gradient and size of the contaminated plume.” (p. 18)

The Underwriter sought clarification of these issues from the Analyst and received the following update in a letter dated December 17, 2004:

- ∄ “...We conclude that the contamination at Kelly [sic] is not likely to impact the subject property.”
- ∄ “...we made a return site visit on December 15. We did not observe significant rust on the transformers in question...We took soil samples. Preliminary results are negative. However, the analysis is incomplete as of this writing. We will notify you of the final results.”

Receipt, review, and acceptance of documentation by a third party environmental engineer which indicates that all issues of environmental concern identified in the Phase I ESA with regard to the site have been mitigated and that there is no condition or circumstance that warrants further investigation or analysis, prior to the initial closing on the property, is a condition of this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 2 private activity bond lottery development the Applicant has elected the 100% at 60% option and all 250 of the units will be reserved for low-income tenants.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$21,660	\$24,720	\$27,840	\$30,900	\$33,360	\$35,820

MARKET HIGHLIGHTS

A market feasibility study dated November 15, 2004 was prepared by Butler Burgher, Inc. (“Market Analyst”) and highlighted the following findings:

Definition of Primary Market Area (PMA): “The subject’s primary market is the area bounded by U.S. Highway 90 (north border), Interstate Highway 35 (southeast border), and FM 1604 (southwest border)” (p. 2. This area encompasses approximately 32.4 square miles and is equivalent to a circle with a radius of 3.2 miles.

Population: The estimated 2004 population of the PMA is 110,776 and is expected to increase by 1.8% to approximately 112,776 by 2009. Within the primary market area there were estimated to be 30,492 households in 2004.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 1,706 qualified households in the PMA, based on the current estimate of 30,492 households, the projected annual household growth rate of 0.4%, renter households estimated at 37.39% of the population, income-qualified households estimated at 21%, and an annual renter turnover rate of 70.5 % (p. 56). The Market Analyst used an income band of \$19,851 to \$32,130.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	21*	1%	10	1%
Resident Turnover	1,686	99%	1,688	99%
Other Sources:	0	0%	0	0%
TOTAL ANNUAL DEMAND	1,706	100%	1,698	100%

Ref: p. 56 * Analyst used two years of growth demand as permitted under TDHCA guidelines.

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 22.86% based upon 1,706 units of demand and 390 unstabilized affordable housing units in the PMA (the subject and the 140 rent-restricted units of the Rosemont at Miller’s Pond development (#02075, fka Heatherwilde Apartments, currently leasing up) (p. 3). The Underwriter calculated an inclusive capture rate of 23.0% based upon a slightly lower demand estimate of 1,698 households.

Local Housing Authority Waiting List Information: “According to Ms. Pat Ortega with the San Antonio Housing Authority, the available inventory of public and subsidized housing is fully occupied, with several hundred families with vouchers currently looking for qualified housing in the local market. Waiting periods have been as long as three years due to limited supply and strong demand for all unit types. San Antonio Housing Authority’s enrollment for Section 8 vouchers is closed as 12,000 qualified households are using vouchers with approximately 4,000 more on a waiting list. Furthermore, Bexar County has a substantial list of qualified families waiting for affordable housing.” (p. 50)

Market Rent Comparables: The Market Analyst surveyed eight comparable apartment properties totaling 1,624 units in the market area. Seven of these properties were mixed rate HTC developments. “While incentives have been prevalent for market rate properties in the northern tier submarkets of San Antonio, leasing concessions are generally less common in the southern San Antonio submarkets, with incentives for LIHTC projects in the local market typically limited to the lease-up period in isolated cases. The rent comparables revealed minimal rental incentives that would affect the leasing of the subject property. (p. 60)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (60%)	\$542	\$542	\$0	\$635	-\$93
2-Bedroom (60%)	\$652	\$652	\$0	\$750	-\$98
3-Bedroom (60%)	\$752	\$752	\$0	\$875	-\$123

(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 the S1 submarket increased steadily from 86% in 1997 (well below the overall market) to 97% in 2002 (above the overall market). Like the overall market, occupancies in the subject’s submarket decreased slightly since peaking in 2000 but remain at healthy levels in the low to mid 90% range [95.9% in June 2004].” (p. 36).

Absorption Projections: “An absorption level of 20 units/month after completion of the first available units is reasonable for the subject, as encumbered, considering the demand in the market for newly developed, affordable rental housing.” (p. 3)

Known Planned Development: “Rosemont at Miller’s Pond represents a new LIHTC property located approximately three miles southwest of the subject property. 140 of the property’s 176 units are offered at below-market rates and are restricted to households earning between 20% and 50% of the area median income. (AMI). The project began leasing in July 2004 with the first units becoming available in August 2004. According to representatives of the owner, the property has leased 110 units (62.5% occupancy)

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

resulting in an absorption rate of 27 units/month. No other planned projects have been identified by [Apartment MarketData Research] in the S1 submarket and we are not aware of any planned projects other than those identified above in the subject's submarket." (p. 38)

Effect on Existing Housing Stock: "The addition of the subject units is not expected to significantly impact the overall vacancy rate of the submarket since the subject is expected to quickly lease up to stabilization with occupancy in the mid-90% range." (p.68)

Market Study Analysis/Conclusions: 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 HTC program guidelines, and are achievable according to the Market Analyst. The Applicant stated that the property will provide hot water from a central boiler system, and rents and expenses were calculated accordingly. The Applicant used a secondary income estimate of \$20/unit/month which includes cable TV and telephone submetering; the Underwriter regards this estimate as reasonable based on historical data from this area. The Applicant utilized a lower vacancy and collection loss rate of 7%, and as a result the Applicant's effective gross income estimate is \$10,137 (0.5%) greater than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of \$3,604 per unit is 7.9% lower than the Underwriter's database-derived estimate of \$3,914 per unit for comparably-sized developments in this area. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative (\$26.5K lower), payroll (\$34.4K lower), and property tax (\$10.3K lower). The Applicant and Underwriter are using a 4% management fee based on an unexecuted draft management agreement with the related property manager. The Applicant's expenses do not include a CHDO property tax exemption and indicated no intention to apply for one, but the Applicant appears to be eligible for one and receipt of same would increase NOI by \$80K and improve the feasibility of the development.

Conclusion: Although the Applicant's estimated income is consistent with the Underwriter's expectations, the total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income (NOI) estimate 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 expense estimates, the Underwriter's estimated debt coverage ratio (DCR) of 1.03 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to approximately \$816K by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. The Underwriter has therefore completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of \$11,620,000. In addition, the issuer fees and asset management fees may need to be deferred or paid out of cash flow for the first year of operations. If a property tax exemption were achieved, the full amount of the debt and all servicing fees would be fully serviced at above a 1.10 DCR.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 15.521 acres	\$115,400	Assessment for the Year of:	2004
Per Acre:	\$7,435	Valuation by:	Bexar Appraisal District
Prorated Value:, 16.056	\$119,378	Tax Rate:	3.015374

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Purchase and sale agreement (16.056 acres)					
Contract Expiration Date:	2/	15/	2005	Anticipated Closing Date:	12/	31/ 2004
Acquisition Cost:	\$1,000,000			Other Terms/Conditions:	\$5K earnest money, \$5K/month extension fee	

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

after 3/31/2004

Seller: PRS Realty II, L.P.

Related to Development Team Member: No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of \$1,000,000 (\$1.43/SF, \$62,282/acre, or \$4,000/unit), although over eight times the tax assessed value, is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Costs: The Applicant claimed off-site costs of \$150K for the extension of water and sewer lines to the property, but provided third party certification of only \$105K to justify these costs, and therefore the Underwriter has used this lower amount in estimating the development cost.

Sitework Cost: The Applicant's claimed sitework costs of \$6,900 per unit are within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$32.4K or 0.3% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by \$172,708 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Fees: The Applicant's contractor general requirements, contractor general and administrative fees, and contractor profit exceed the 6%, 2%, and 6% maximums allowed by HTC guidelines by \$21K based on their own construction costs. Consequently the Applicant's eligible fees in these areas have been reduced by the same amount with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis by \$30,181 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Other Costs: The Applicant's contingency allowance exceeds the TDHCA 5% maximum guideline by \$7.5K and therefore eligible basis will be reduced by an equivalent amount.

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 by the Underwriter, is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of \$18,347,434 is used to determine a credit allocation of \$844,349 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM TO PERMANENT BOND FINANCING

Source: Charter Mac Capital Solutions

Contact: Marnie Miller

Construction Loan Amount: \$12,200,000

Interest Rate: 5%

Permanent Loan Amount: \$12,200,000

Interest Rate: 6.5%

Additional Information: 24-month interest-only construction period

Amortization: 40 yrs Term: 40 yrs Commitment: LOI Firm Conditional

Annual Payment: \$857,109 Lien Priority: 1st Date: 12/ 13/ 2004

TAX CREDIT SYNDICATION

Source: Related Capital Company LLC

Contact: Justin Ginsburg

Net Proceeds: \$7,308,000

Net Syndication Rate (per \$1.00 of 10-yr HTC)

85¢

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

Commitment: LOI Firm Conditional **Date:** 12/ 13/ 2004

Additional Information: Based on allocation of \$859,828

APPLICANT EQUITY

Amount: \$1,085,056 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by TDHCA and purchased by CharterMac. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

GIC Income: The Applicant included \$165,753 in anticipated income from investment of the bond proceeds in a guaranteed investment contract (GIC) during the construction stage. The Underwriter has included this source with developer fee in the following analysis.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,085,056 amount to 45% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation should not exceed \$844,349 annually for ten years, resulting in syndication proceeds of approximately \$7,176,438. Due to the difference in estimated net operating income, the Underwriter's debt coverage ratio (DCR) of 1.04 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this development should not exceed approximately \$816K by a reduction of the permanent loan amount and/or a reduction in the interest rate and/or an extension of the term. At the terms specified in the permanent financing commitment this would result in a reduced first lien debt amount of \$11.8M. To compensate for the potential reduction in loan funds the Applicant's deferred developer fee will be increased to \$1,962,178, which amounts to approximately 82% of the total fee and which should be repayable in approximately 13 years.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager firm are all related entities. These are common relationships for HTC-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.
- € ALT Affordable Housing Services, Inc. – Arbor Place, the nonprofit sole owner of the General Partner, submitted an audited financial statement as of May 31, 2004 reporting total assets of \$7.7M and consisting of \$46K in cash, \$20K in receivables, \$873K in restricted assets, \$6.3M in real property and equipment, and \$428K in bond issuance costs. Liabilities totaled \$8.6M, resulting in a net assets deficit of (\$885K).
- € Mr. Saleem Jafar, the principal of the Developer, submitted an unaudited financial statement as of September 1, 2004 and is anticipated to be a guarantor of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

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.
- € A significant environmental risk exists regarding potential soil contamination by PCBs from pole-mounted electrical transformers.
- € 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: December 28, 2004

Director of Real Estate Analysis:

Tom Gouris

Date: December 28, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Port Royal Homes, San Antonio, MFB #2004-039/4% HTC #04489

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-Fd Util	Wtr, Swr, Trash
TC 60%	50	1	1	750	\$579	\$533	\$26,650	\$0.71	\$45.66	\$25.28
TC 60%	57	2	1	836	696	\$644	36,708	0.77	51.91	29.28
TC 60%	57	2	2	973	696	\$644	36,708	0.66	51.91	29.28
TC 60%	86	3	2	1,125	803	744	63,984	0.66	58.70	37.68
TOTAL:	250		AVERAGE:	949	\$709	\$656	\$164,050	\$0.69	\$53.00	\$31.37

INCOME

Total Net Rentable Sq F **237,363**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$20.00
Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%
Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.87%	\$366	0.39
Management	4.00%	300	0.32
Payroll & Payroll Tax	12.49%	937	0.99
Repairs & Maintenance	5.74%	431	0.45
Utilities	3.83%	288	0.30
Water, Sewer, & Trash	4.30%	323	0.34
Property Insurance	3.16%	237	0.25
Property Tax 3.015374	8.54%	641	0.68
Reserve for Replacements	2.66%	200	0.21
Spt svcs, compl fees, sec,	2.55%	191	0.20
TOTAL EXPENSES	52.15%	\$3,914	\$4.12
NET OPERATING INC	47.85%	\$3,592	\$3.78

DEBT SERVICE

First Lien Mortgage (Charter)	45.68%	\$3,428	\$3.61
Issuer and Asset Management I	0.98%	\$74	\$0.08
Trustee Servicing Fee	0.24%	\$18	\$0.02
NET CASH FLOW	0.95%	\$71	\$0.08

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bl)		5.42%	\$4,576	\$4.82
Off-Sites		0.50%	420	0.44
Sitework		8.17%	6,900	7.27
Direct Construction		48.08%	40,617	42.78
Contingency	5.00%	2.81%	2,376	2.50
General Req'ts	6.00%	3.37%	2,851	3.00
Contractor's G &	2.00%	1.12%	950	1.00
Contractor's Prof	6.00%	3.37%	2,851	3.00
Indirect Construction		4.71%	3,978	4.19
Ineligible Costs		5.01%	4,234	4.46
Developer's G & A	2.88%	2.18%	1,841	1.94
Developer's Profi	12.12%	9.18%	7,755	8.17
Interim Financing		4.08%	3,448	3.63
Reserves		2.00%	1,686	1.78
TOTAL COST		100.00%	\$84,483	\$88.98
Recap-Hard Construction Cost:		66.93%	\$56,545	\$59.56

SOURCES OF FUNDS

First Lien Mortgage (Charter)	57.76%	\$48,800	\$51.40
GIC Income	0.78%	\$663	\$0.70
HTC Syndication Proceeds (Rel	34.60%	\$29,231	\$30.79
Deferred Developer Fees	5.14%	\$4,340	\$4.57
Additional (excess) Funds Rec	1.71%	\$1,448	\$1.53
TOTAL SOURCES			

	TDHCA	APPLICANT
	\$1,968,600	\$1,968,600
	60,000	60,000
	0	0
	\$2,028,600	\$2,028,600
	(152,145)	(142,008)
	0	0
	\$1,876,455	\$1,886,592
	\$91,467	\$65,000
	75,058	75,464
	234,348	199,920
	107,711	112,000
	71,882	71,063
	80,684	76,250
	59,341	53,407
	160,272	150,000
	50,000	50,000
	47,780	47,780
	\$978,542	\$900,884
	\$897,913	\$985,708
	\$857,109	\$857,109
	18,450	12,200
	4,500	4,500
	\$17,854	\$111,899
	1.02	1.13
	1.07	

Comptroller's Region 9
IREM Region: San Antonio
Per Unit Per Month

-7.00% of Potential Gross Rent

PER SQ FT	PER UNIT	% OF EGI
\$0.27	\$260	3.45%
0.32	302	4.00%
0.84	800	10.60%
0.47	448	5.94%
0.30	284	3.77%
0.32	305	4.04%
0.23	214	2.83%
0.63	600	7.95%
0.21	200	2.65%
0.20	191	2.53%
\$3.80	\$3,604	47.75%
\$4.15	\$3,943	52.25%

	TDHCA	APPLICANT
	\$1,144,000	\$1,144,000
	105,000	150,000
	1,725,001	1,725,001
	10,154,288	10,121,882
	593,964	599,844
	712,757	719,813
	237,586	239,938
	712,757	719,813
	994,500	994,500
	1,058,500	1,058,500
	460,268	484,665
	1,938,660	1,938,660
	862,000	862,000
	421,441	0
	\$21,120,723	\$20,758,616
	\$14,136,354	\$14,126,291

RECOMMENDED	
\$11,620,000	Developer Fee Available
0	\$2,393,144
7,176,438	% of Dev. Fee Deferred
1,962,178	82%
0	15-Yr Cumulative Cash Flow
\$20,758,616	\$2,729,938

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Port Royal Homes, San Antonio, MFB #2004-039/4% HTC #04489

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.82	\$10,401,931
Adjustments				
Exterior Wall Fini	2.80%		\$1.23	\$291,254
9-Ft. Ceilings	3.35%		1.47	348,465
Roofing			0.00	0
Subfloor			(0.81)	(192,739)
Floor Cover			2.00	474,726
Porches/Balconies	\$16.71	31,788	2.24	531,177
Plumbing	\$605	179	0.46	108,295
Built-In Appliance	\$1,650	250	1.74	412,500
Stairs	\$1,475	96	0.60	141,600
Enclosed Corridors	\$33.90		0.00	0
Heating/Cooling			1.53	363,165
Garages/Carports		0	0.00	0
Comm &/or Aux Bldg	\$60.46	4,615	1.18	279,028
Other:			0.00	0
SUBTOTAL			55.44	13,159,403
Current Cost Multiplier	1.10		5.54	1,315,940
Local Multiplier	0.85		(8.32)	(1,973,910)
TOTAL DIRECT CONSTRUCTION COSTS			\$52.67	\$12,501,432
Plans, specs, survy, b	3.90%		(\$2.05)	(\$487,556)
Interim Construction I	3.38%		(1.78)	(421,923)
Contractor's OH & Prof	11.50%		(6.06)	(1,437,665)
NET DIRECT CONSTRUCTION COSTS			\$42.78	\$10,154,288

PAYMENT COMPUTATION

Primary	\$12,200,000	Term	480
Int Rate	6.50%	DCR	1.05

Secondary		Term	
Int Rate	0.00%	Subtotal DCR	1.03

Additional		Term	
Int Rate		Aggregate DCR	1.02

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$816,361
Issuer and Asset Management Fee	18,450
Trustee Servicing Fee	4,500
NET CASH FLOW	\$58,602

Primary	\$11,620,000	Term	480
Int Rate	6.50%	DCR	1.10

Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.08

Additional	\$0	Term	0
Int Rate	0.00%	Aggregate DCR	1.07

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME	at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	#####	#####	#####	\$2,088,488	\$2,151,142	\$2,215,677	\$2,568,576	\$2,977,684	\$3,451,952	\$4,639,135
Secondary Income		60,000	61,800	63,654	65,564	67,531	78,286	90,755	105,210	141,394
Other Support Income:		0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME		2,028,600	2,089,458	2,152,142	2,216,706	2,283,207	2,646,863	3,068,440	3,557,162	4,780,529
Vacancy & Collection Los		(152,145)	(156,709)	(161,411)	(166,253)	(171,241)	(198,515)	(230,133)	(266,787)	(358,540)
Employee or Other Non-Re		0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	#####	#####	#####	\$1,990,731	\$2,050,453	\$2,111,967	\$2,448,348	\$2,838,307	\$3,290,375	\$4,421,989
EXPENSES	at 4.00%									
General & Administrative		\$91,467	\$95,126	\$98,931	\$102,888	\$107,004	\$130,186	\$158,391	\$192,707	\$285,254
Management		75,058	77,310	79,629	82,018	84,479	97,934	113,532	131,615	176,880
Payroll & Payroll Tax		234,348	243,722	253,471	263,609	274,154	333,550	405,814	493,735	730,849
Repairs & Maintenance		107,711	112,019	116,500	121,160	126,007	153,306	186,521	226,931	335,913
Utilities		71,882	74,757	77,747	80,857	84,091	102,310	124,476	151,444	224,174
Water, Sewer & Trash		80,684	83,911	87,268	90,758	94,389	114,838	139,718	169,989	251,625
Insurance		59,341	61,714	64,183	66,750	69,420	84,460	102,759	125,022	185,063
Property Tax		160,272	166,683	173,350	180,284	187,496	228,117	277,539	337,669	499,833
Reserve for Replacements		50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other		47,780	49,691	51,679	53,746	55,896	68,006	82,740	100,665	149,009
TOTAL EXPENSES		\$978,542	#####	\$1,056,838	\$1,098,315	\$1,141,427	\$1,383,873	\$1,678,074	\$2,035,120	\$2,994,531
NET OPERATING INCOME		\$897,913	\$915,815	\$933,894	\$952,138	\$970,539	\$1,064,475	\$1,160,232	\$1,255,256	\$1,427,458
DEBT SERVICE										
First Lien Financing		\$816,361	\$816,361	\$816,361	\$816,361	\$816,361	\$816,361	\$816,361	\$816,361	\$816,361
Second Lien		18,450	18,450	18,450	18,450	18,450	18,450	18,450	18,450	18,450
Other Financing		4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
NET CASH FLOW		\$58,602	\$76,504	\$94,583	\$112,827	\$131,228	\$225,164	\$320,921	\$415,945	\$588,147
DEBT COVERAGE RATIO		1.07	1.09	1.11	1.13	1.16	1.27	1.38	1.50	1.70

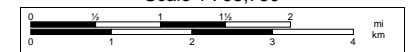
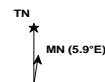
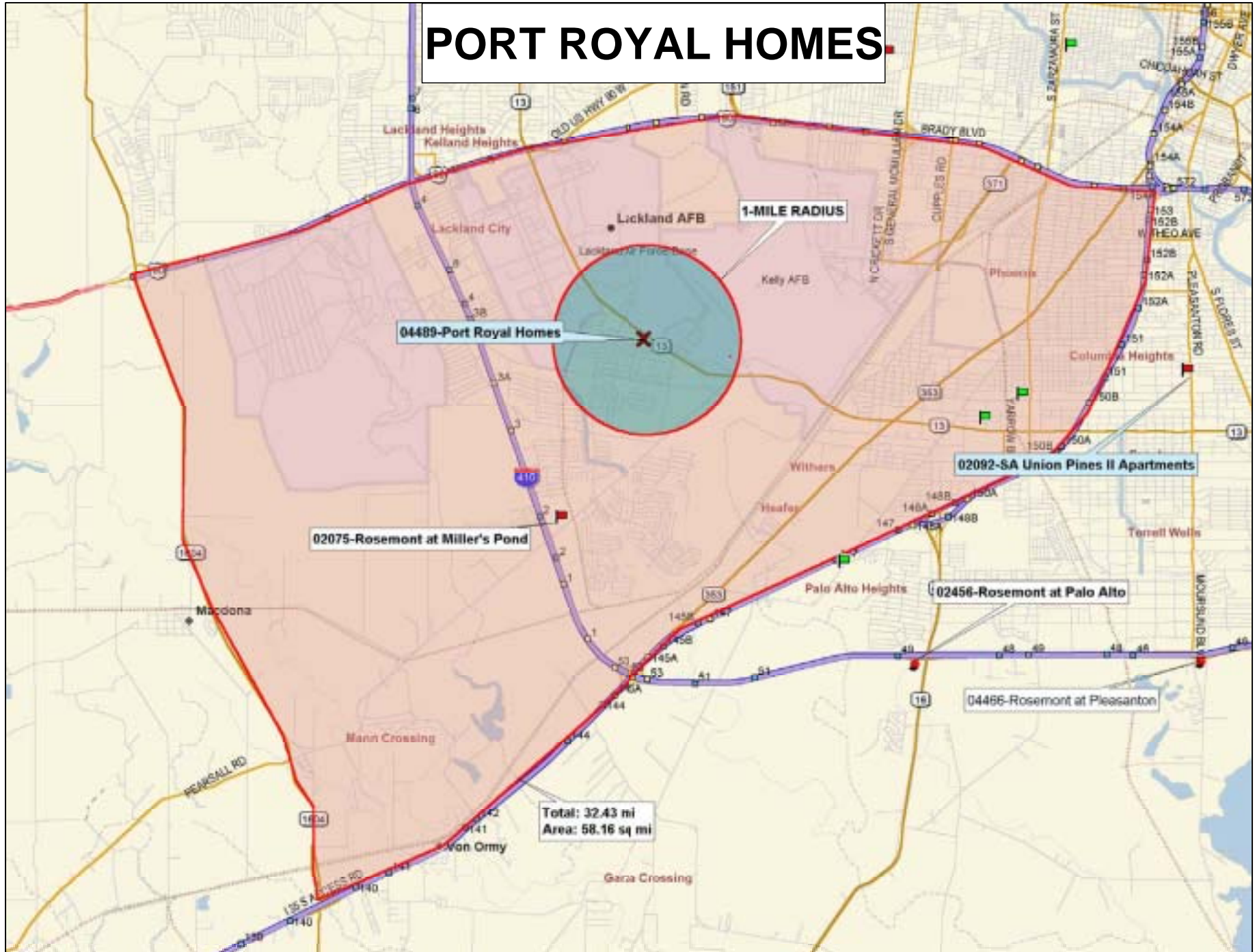
LIHTC Allocation Calculation - Port Royal Homes, San Antonio, MFB #2004-039/4% HTC #0

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	\$1,144,000	\$1,144,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,725,001	\$1,725,001	\$1,725,001	\$1,725,001
Off-site improvements	\$150,000	\$105,000		
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$10,121,882	\$10,154,288	\$10,121,882	\$10,154,288
(4) Contractor Fees & General Requirements				
Contractor overhead	\$239,938	\$237,586	\$236,938	\$237,586
Contractor profit	\$719,813	\$712,757	\$710,813	\$712,757
General requirements	\$719,813	\$712,757	\$710,813	\$712,757
(5) Contingencies				
	\$599,844	\$593,964	\$592,344	\$593,964
(6) Eligible Indirect Fees				
	\$994,500	\$994,500	\$994,500	\$994,500
(7) Eligible Financing Fees				
	\$862,000	\$862,000	\$862,000	\$862,000
(8) All Ineligible Costs				
	\$1,058,500	\$1,058,500		
(9) Developer Fees				
			\$2,393,144	
Developer overhead	\$484,665	\$460,268		\$460,268
Developer fee	\$1,938,660	\$1,938,660		\$1,938,660
(10) Development Reserves				
		\$421,441		
TOTAL DEVELOPMENT COSTS	\$20,758,616	\$21,120,723	\$18,347,434	\$18,391,783

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		\$18,347,434	\$18,391,783
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$23,851,665	\$23,909,317
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$23,851,665	\$23,909,317
Applicable Percentage		3.54%	3.54%
TOTAL AMOUNT OF TAX CREDITS		\$844,349	\$846,390

Syndication Proceeds	0.8499	\$7,176,438	\$7,193,784
Total Credits (Eligible Basis Method)		\$844,349	\$846,390
Syndication Proceeds		\$7,176,438	\$7,193,784
Requested Credits		\$859,828	
Syndication Proceeds		\$7,308,000	
Gap of Syndication Proceeds Needed		\$9,138,616	
Credit Amount		\$1,075,210	

PORT ROYAL HOMES



RENT CAP EXPLANATION San Antonio MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2004

MSA/County: San Antonio **Area Median Family Income (Annual):** \$51,500

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)		
# of Persons	At or Below			Unit Type	At or Below				At or Below		
	50%	60%	80%		50%	60%	80%		50%	60%	80%
1	\$ 18,050	\$ 21,660	\$ 28,850	Efficiency	\$ 451	\$ 541	\$ 721		\$ 451	\$ 541	\$ 721
2	20,600	24,720	32,950	1-Bedroom	483	579	772	45.00	438	534	727
3	23,200	27,840	\$ 37,100	2-Bedroom	580	696	927	52.00	528	644	875
4	25,750	30,900	41,200	3-Bedroom	669	803	1,071	58.00	611	745	1,013
5	27,800	33,360	44,500								
6	29,850	35,820	47,800	4-Bedroom	746	895	1,195		746	895	1,195
7	31,950	38,340	\$ 51,100	5-Bedroom	824	989	1,318		824	989	1,318
8	34,000	40,800	\$ 54,400								
FIGURE 1				FIGURE 2				FIGURE 3	FIGURE 4		

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$33,000 per year would fall in the 60% set-aside group. A family of three earning \$28,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 50% income bracket earning \$23,200 could not pay more than \$580 for rent and utilities under the affordable definition.

- 1) \$23,200 divided by 12 = **\$1,933** monthly income; then,
- 2) **\$1,933** monthly income times 30% = **\$580** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in **Figure 3** from the maximum total housing expense for each unit type found in **Figure 2**.

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

Port Royal Homes

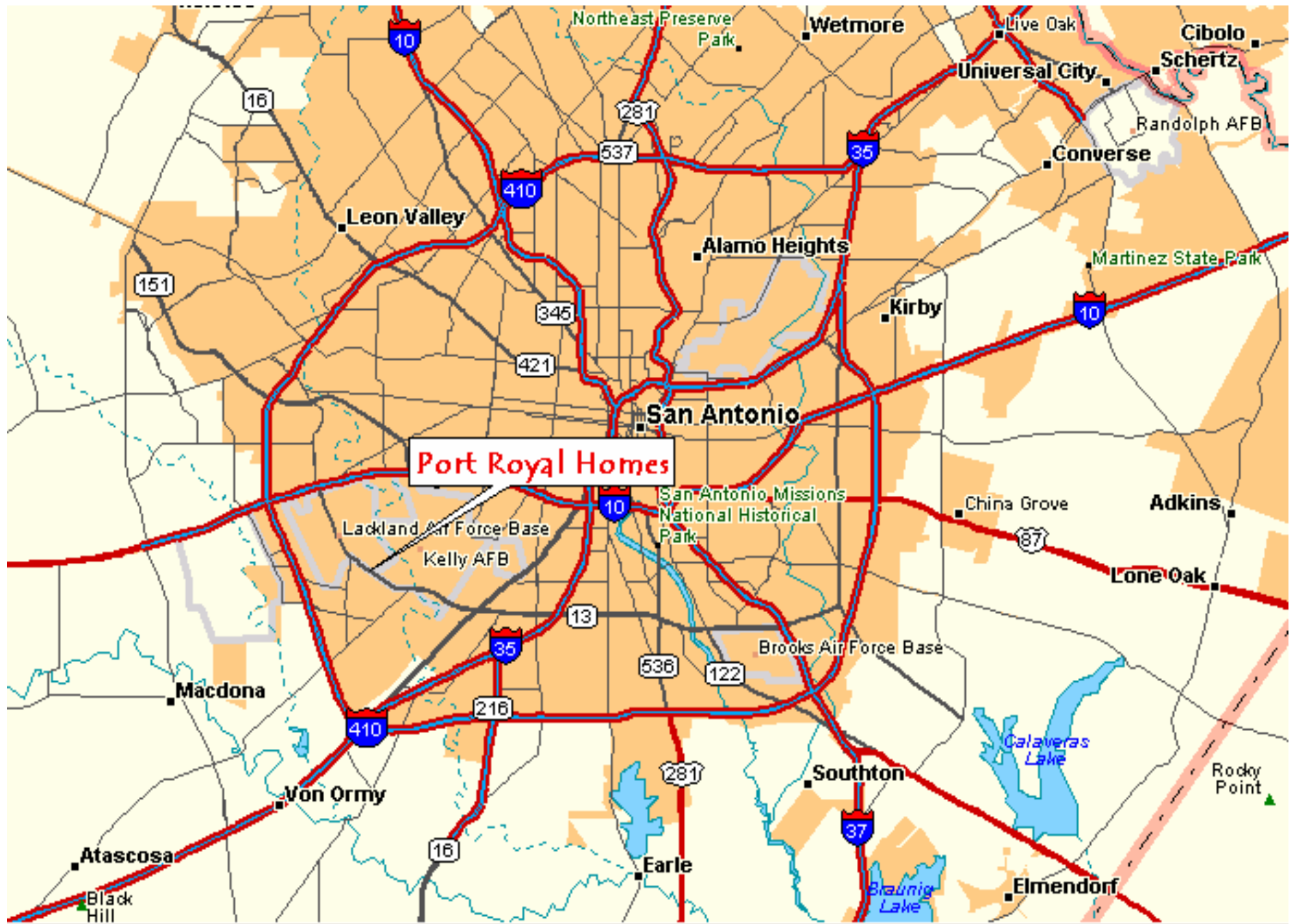
RESULTS & ANALYSIS: for 60% AMFI units

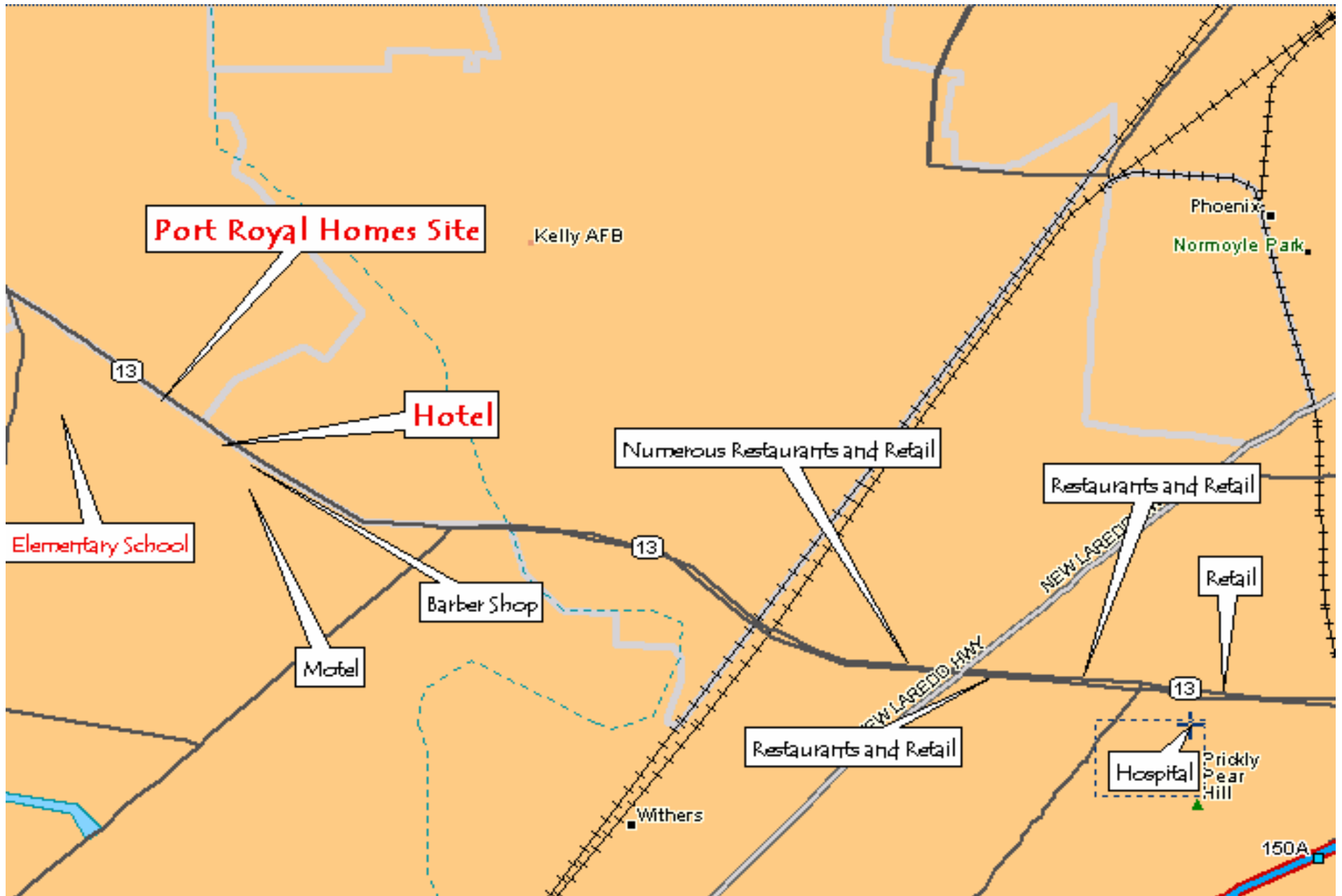
Tenants in the 60% AMFI bracket will **save \$100 to \$130** per month (leaving **4.6% to 4.9%** more of their monthly income for food, child care and other living expenses).
This is a monthly savings off the market rents of **14.1% to 15.7%**.

PROJECT INFORMATION			
	Unit Mix		
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom
Square Footage	750	960	1,120
Rents if Offered at Market Rates	\$635	\$750	\$875
Rent per Square Foot	\$0.85	\$0.78	\$0.78

SAVINGS ANALYSIS FOR 60% AMFI GROUPING			
Rent Cap for 60% AMFI Set-Aside	\$535	\$644	\$745
Monthly Savings for Tenant	\$100	\$106	\$130
Rent per square foot	\$0.71	\$0.67	\$0.67
Maximum Monthly Income - 60% AMFI	\$2,060	\$2,320	\$2,678
Monthly Savings as % of Monthly Income	4.9%	4.6%	4.9%
% DISCOUNT OFF MONTHLY RENT	15.7%	14.1%	14.9%

Information provided by: Butler Burgher, Inc. 8150 N. Central Expressway, Suite 801, Dallas, Texas 75206. Report dated December 10, 2004.





Applicant Evaluation

Project ID # **04489**

Name: **Port Royal Homes**

City: **San Antonio**

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 3

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 3
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 3

Projects not reported Yes
in application No

not yet monitored or pending review: 4

of projects not reported 0

Portfolio Monitoring

Single Audit

Contract Administration

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that warrant disqualification
(Comments attached)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewed by Patricia Murphy

Date 12/29/2004

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer R Meyer
Date 12/28/2004

Single Family Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer EEF
Date 12/28/2004

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer _____
Date _____

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Stephanie A. D'Couto
Date 12/28/2004

Executive Director: Edwina Carrington

Executed: day, December 29, 2004

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Production Division

Public Comment Summary

Port Royal Homes

Public Hearing

<i>Total Number Attended</i>	19
<i>Total Number Opposed</i>	0
<i>Total Number Supported</i>	11
<i>Total Number Neutral</i>	8
<i>Total Number that Spoke</i>	5

Public Officials Letters Received

<i>Opposition</i>	0
<i>Support</i>	1
<i>State Representative Elect Leibowitz</i>	

General Public Letters and Emails Received

<i>Opposition</i>	0
<i>Support</i>	0

Summary of Public Comment

- 1 Good for revitalization of the area
- 2 Support as long as there is no property tax abatement

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS
PORT ROYAL HOMES

PUBLIC HEARING

Royalgate Elementary School
6100 Royalgate Drive
San Antonio, Texas 78242

December 14, 2004
6:00 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Bond Administrator

I N D E X

<u>SPEAKER</u>	<u>PAGE</u>
Bill Fisher	7
Richard Perez	10
Jim Myers	11
David Leibowitz	15
Craig Blume	17

P R O C E E D I N G S

1
2 MS. MEYER: My name is Robbye Meyer and I'm
3 with the Texas Department of Housing and Community
4 Affairs. We are the issuer for the bond transaction
5 piece of this, and also the housing tax credits. And I'll
6 explain those two programs here in just a minute.

7 First of all, I'd like to welcome you and thank
8 you for participating in this meeting. It's nice to have
9 people here. Occasionally I go in, there's nobody there,
10 and then others I go in and there's thousands of people
11 there.

12 I will ask you, if you have mobile phones or
13 pagers, if you'll turn them to silent or turn them off.

14 Tonight I'm here to receive public comment on
15 the Port Royal Homes. It's right up here on West Military
16 Drive. The developer has applied for housing tax credits
17 and also tax exempt bonds, which the Department is the
18 issuer for.

19 The federal government created both of these
20 programs to encourage developers to build affordable
21 housing. In essence, to get the federal government out of
22 the housing industry in a way, but to privatize it and
23 have it privately managed and privately owned.

24 The tax exempt bonds are actually administered

1 through the bond review board. And, again, the Texas
2 Department of Housing is an issuer to help move that
3 process along through the bond review board. The tax
4 exempt bonds are a tax exemption to the bond purchaser.
5 It's not property tax exemption. This developer will be
6 paying full property taxes.

7 VOICE: Excuse me, Robbye. Some of the people
8 are having trouble hearing because of that refrigerator
9 over there, and I'm going to ask, if they wish, they could
10 move over here where they could hear you better.

11 MS. MEYER: Okay. If you can't hear because of
12 that refrigerator, I mean, if you want to move this
13 direction a little bit, that's fine. I don't necessarily
14 want to unplug this school's refrigerator.

15 Okay. On the tax exempt bonds, again, the tax
16 exemption is not to property tax. This developer will be
17 paying full property tax as required by law.

18 But, with the tax exemption that goes to the
19 purchaser of the bonds, since he doesn't have to pay
20 income tax on his investment, he will take a lower rate of
21 return, and that, in turn, gives the lender that will be
22 involved an opportunity to charge a lower rate, in turn
23 that goes to the development in order to build a higher
24 quality product at a lower cost. And so that's the

1 advantage to using the bonds.

2 It's also coupled with what we call tax
3 credits. And both of these programs have the same net
4 effect to the IRS as if you deducted your mortgage on your
5 income tax every year. It's the same net effect to the
6 IRS as far as the tax exemptions to the bond purchaser and
7 also to the syndicator and the purchaser of the tax
8 credits.

9 This is -- the tax exempt bond program and
10 housing tax credit is not a Section 8 project based
11 housing. It is affordable housing and there will be rent
12 restrictions placed on the property and I'll explain those
13 here in a just a minute what those rent restrictions will
14 be. But it is not a Section 8 project based housing where
15 HUD would be the owner and operator and that kind of
16 thing.

17 This development will be privately owned and
18 privately managed. And you'll also have private lenders
19 and investors, and there will be an actual mortgage on the
20 property.

21 There are tenants screenings that they go
22 through. They do credit checks on their tenancy, they do
23 criminal background checks, they check employment and
24 income, and also they do rental histories to screen their

1 tenants.

2 Again, the name of this development will be
3 Port Royal Homes. It will be located at approximately the
4 5300 block of West Military, right there across from
5 Lackland Air Force Base. It will consist of 12 two and
6 three story buildings and one residential building.

7 It'll have 250 units. It'll have 50 one
8 bedroom units with approximate square footage of 750;
9 it'll have a 112 two bedroom units with approximate square
10 footage of 960; and it'll have 88 three bedroom units with
11 approximately 1120 square feet.

12 It will service families at 60 percent of the
13 area median income. And to give you an example of what
14 that is, for the San Antonio area, the median income is
15 51,500. So if you take an average family of four, the
16 combined income for that family can't make more than
17 \$30,900. That's what the combined income of the family
18 would have.

19 A one bedroom, maximum rent will be
20 approximately \$542; a two bedroom will be a maximum of
21 \$652; and a three bedroom, a maximum of \$752.

22 Now, we'll ask you, if you haven't signed in, I
23 would ask if you would sign in. And if you want to speak,
24 there's a witness affirmation form that I'll need you to

1 fill out. Once you speak, if you haven't already filled
2 one out, and you want to. If you want to sit here and
3 think about it for a little bit, which I know some of you
4 do, and then you want to speak, that's fine. If you'll
5 just fill out a form after you speak.

6 And I'm going to let the developer, Bill
7 Fisher, speak to you, give you a couple of tidbits about
8 the development, and then I will actually start the public
9 comment section.

10 MR. FISHER: I'll be brief. Good evening. My
11 name is Bill Fisher, I'm with Odyssey Residential
12 Partners. I've had the privilege of working on this
13 development with your community group here for
14 approximately two years. The cit council zoned this
15 property specifically for this development, and it's a
16 privilege to be in your community.

17 Just wanted to reiterate a couple of things,
18 commitments that I've made. This is exactly what we will
19 build in your community, the renderings that you see
20 tonight is exactly what we intend to build, what our plans
21 reflect.

22 Despite all the tax talk, I just want to make
23 sure that you understand that there's no impact to the
24 local community. We are a for profit entity, we pay full

1 property taxes to all taxing jurisdictions. The tax
2 benefits she discussed go to the people that help finance
3 the development, and that's what gives us the opportunity
4 to bring something of very high quality to your area.

5 We're accountable to you, we're the developer,
6 contractor and management company. We do hire all local
7 tradesmen and suppliers to build these properties in your
8 community. Everyone that's been involved in the design of
9 this property, from the architect to the civil engineer to
10 the person who does the geotech studies, has been a local
11 San Antonio based company. And, again, we're privileged
12 that they work with us and for us.

13 I will remain after the meeting to answer any
14 questions that you have, and if you have additional
15 concerns, comments, please feel free to contact me on the
16 information in the sheet that you've been provided.

17 Thanks so much.

18 MS. MEYER: Does anybody -- before I start the
19 public comment section, does anybody have any specific
20 questions that you would like to have answered before we
21 start the public comment period?

22 (No response.)

23 MS. MEYER: Okay. Then I will go on and -- I
24 have to read a brief speech per our RERS requirements, so

1 I'm going to do that real quick, and then I will open the
2 floor up for any public comment.

3 Again, my name is Robbye Meyer, and I would
4 like to proceed with the public hearing. And let the
5 record show that it is 6:21 on Tuesday, December 14, 2004.

6 We're at the Royalgate Elementary School located at 6100
7 Royalgate Drive in San Antonio, Texas.

8 I'm here to conduct a public hearing on behalf
9 of the Texas Department of Housing and Community Affairs
10 with respect of an issuance of tax exempt multifamily
11 revenue bonds for a residential rental community.

12 This hearing is required by the Internal
13 Revenue Code and the sole purpose of this hearing is to
14 provide a reasonable opportunity for interested
15 individuals to express their views regarding the
16 development and the proposed bond issuance. No decisions
17 regarding this development will be made at this hearing.

18 The Department's board is scheduled to meet on
19 January 13, 2005. In addition to providing your comments
20 at this hearing, you can also send them in written form,
21 or you can direct them directly to the board at the board
22 meeting on the 13th if you'd like. Any public comment
23 that is in written form needs to be to the Department no
24 later than December 30.

1 The bonds will be issued as tax exempt
2 multifamily revenue bonds in the aggregate principal
3 amount not to exceed 13,300,000 and taxable bonds, if
4 necessary, in an amount to be determined and issued by one
5 or more series by the Texas Department of Housing and
6 Community Affairs.

7 The proceeds of the bonds will belong to
8 Woodshire, L.P., or a related person or affiliate entity
9 thereof, to finance a portion of the cost of acquiring,
10 constructing and equipping a multifamily rental housing
11 community described as follows: 250 multifamily
12 residential development to be constructed on approximately
13 15.5 acres of land located at approximately the 5300 block
14 of West Military Drive in Bexar County.

15 The proposed multifamily rental housing
16 community will be initially owned and operated by the
17 borrower, or related person or affiliate entity thereof.

18 I will now open the floor up for public
19 comment, and the first one is Councilman Perez.

20 MR. PEREZ: Good afternoon everyone -- or, good
21 evening. My name is Richard Perez, and I'm the city
22 councilman for District 4, which is this area. I met with
23 Mr. Fisher on several occasions, talked about the project,
24 and been sort of hanging around for several months.

1 I think it's a pretty good project. I think
2 that piece of property has been vacant for a long time. I
3 think it definitely, based on what I've seen, will be a
4 project that will be in the best interest of the city.

5 I will say, however, that I would not be
6 interested in supporting the project if there was any type
7 of public subsidy, save the stuff that they're coming to
8 the state for, i.e. the tax credits and the bond funding.

9 I think if we're going to need to use CDBG or other kinds
10 of dollars, then I would definitely take pause and have
11 re-evaluate my desire to help with the project, or to help
12 support the project.

13 But I do think it's a good project, and I think
14 it's necessary. I think it'll provide some good housing
15 stock for a segment of our community that's in need. And
16 so I'll leave my comments at that. Thank you.

17 MS. MEYER: Thank you.

18 The next speaker I have is Jim Myers.

19 MR. MYERS: Good evening, folks. Robbye,
20 thanks for coming down on such a cold evening.

21 MS. MEYER: I like it.

22 MR. MYERS: She loves it. My name is Jim Myers
23 and it's my pleasure to serve as president of the Pace
24 Homeowner's Group in which this project falls.

1 There's so many pluses to this, I hardly know
2 where to start. I've been watching this type of project
3 grow now for about five years. The first one I got
4 involved in, I questioned the need, the quality and so
5 forth, not understanding all I needed to know about tax
6 abatements and tax increment financing.

7 I went up to Dallas to look at some similar
8 projects that were being built. I came away so impressed
9 that I became a born again advocate for this type of
10 development.

11 What I can tell you briefly is this, our
12 concerns in the neighborhood are the effect that it has on
13 the school districts. Now I've met with the school
14 superintendent's office. The good thing about it is this,
15 that particular piece of property now, as these ladies
16 here will attest, is the collection for trash, it has an
17 enormous drainage problem, and it pays the school district
18 the grand enormous sum of \$1780 a year in taxes.

19 When this project is finished, because of the
20 fact that it does pay it's full share of taxes, it will
21 pay the school district \$162,000 a year based on the
22 current tax rate. Not that's a lot of money. And as you
23 look around these schools in this area, which are
24 literally falling apart, that's a lot of dough.

1 And I've met with the school principal, we
2 discussed the fact that, under the new requirements from
3 the state, in order to pass science in the school
4 district, it requires a score of 75. A few years ago it
5 was a 70. At one time, 75 was a C, now it's just barely
6 passing.

7 In this school right here, there's insufficient
8 electricity into the school to supply the computers, which
9 they have a few of and not too many. This new project has
10 an enormous computer lab for the children. I've visited
11 one not too long ago just down on Pearsoll Road.

12 You could -- if you could pick that project up,
13 and literally transplant it over to IH-10 where the
14 Dominion is across the street, it would be right at home.
15 It's absolutely beautiful. And this is what you're going
16 to get.

17 The effect that it's going to have is
18 tremendous, not only it's going to give a decent
19 affordable place for people to live, it's going to force
20 all the other landlords who are in this immediate area,
21 who have less than desirable housing, it's going to make
22 them improve their property. So what we have, folks, is a
23 win-win-win situation.

24 Mr. Fisher touched on it briefly, you're going

1 to have a project here that would take probably two years
2 to complete. It'll have enormous impact on the tradesmen,
3 the workers that need the work in our area during the
4 building -- construction phase of it. The good thing is,
5 that these contracts are let to local contractors and
6 supplied by local workmen.

7 I've noticed one thing -- I'm going to sit
8 down, I've got so many things I want to say to you, I
9 don't hardly know where to start, but I have observed one
10 thing. That inadequate housing has two first cousins,
11 poor education and poverty. And they're joined at the hip
12 and they travel down the road together.

13 And what we need to do is just break the cycle.
14 I'm convinced, if you give people a decent place to live,
15 with all the social amenities that this development
16 provides, computer labs, latch key care for the children
17 after they're out of school, where most of them get into
18 trouble before the -- now, most parent -- in most cases,
19 both parents have to work.

20 So the time the kids get out of school at 3:00
21 until 5:00 or 7:00 when the parents get home, then is when
22 they get into trouble. With this latch care system, there
23 would be supervision, they'd be properly supervised and
24 cared for in a controlled, gated community which will have

1 security service 24 hours a day.

2 I'm sure you're going to have a lot of
3 questions that Mr. Fisher will be able to answer for you
4 later. I know -- some of you, I know very well from
5 having seen you before -- I know Bob Hurst is here
6 tonight. He's president of the Valley Forest Neighborhood
7 Association, which is our meeting area. And Bob and I,
8 for years, have worked very closely together and we shared
9 and tried to solve the mutual problems. And I appreciate
10 Bob being here tonight.

11 Mr. Flores is here from the school
12 superintendent's office, which I'm delighted to see a mix
13 of all the people that will -- you'll have a chance to
14 meet tonight, because, ladies and gentlemen, the days are
15 gone when things that affect one neighborhood association
16 do not affect all the associations.

17 That's all I'm going to say. There are a lot
18 of other things I could say, but I know we don't want to
19 stay here all night. But I'm sure Bill will be able to
20 answer any questions that you might have after closing.

21 And thank you for coming tonight and thank you
22 for the opportunity to get up here and talk to you. If
23 you look at this picture -- these pictures, this is
24 exactly what you're going to get. Thank you.

1 MS. MEYER: Thank you. The last witness
2 affirmation form I have is representative elect Leibowitz.

3 If there's anybody else that would like to
4 speak, if I could get you to fill out a form, we'll bring
5 you up as soon as he gets through.

6 MR. LEIBOWITZ: Thank you, ma'am. My name is
7 David Leibowitz. I'm the state representative elect for
8 this area. And I visited with Mr. Fisher regarding this
9 development.

10 I want to tell you all that I was very
11 pleasantly surprised to become aware of all the different
12 things that were going to come into existence as a result
13 of this development. I've been a strong proponent
14 historically of the habitat for humanity and candidly, my
15 immediate family has actually built some habitat homes.

16 I believe that -- and they've done studies on
17 habitat homes, that children have a decent place to live
18 and their roof is not leaking and the home is not freezing
19 in the winter and burning up in the summer, the children
20 stay in school longer, they make better grades, they stay
21 out of trouble with the authorities, and a lot of things
22 come from having decent housing.

23 And I echo what Mr. Myers said with respect to
24 that. I think it's an extremely win-win proposition for

1 everyone involved. When I looked at the different things
2 that were going to be available with respect to the after
3 school tutoring and the computer labs, adult education,
4 they were going to have a program for English as a second
5 language, nutrition classes, crisis counseling, just a lot
6 of different things that were going to really help the
7 families that were going to live in this community.

8 And I think that if you have decent housing,
9 it's a real building block to society. And it will go a
10 long way in bringing down crime and helping kids progress
11 and do better in school and improve their station in life.

12 One thing that I recommended to Mr. Fisher, and
13 that was that, as an aside, I think to add to this
14 wonderful mix of services that you're going to provide, I
15 think it might be a good idea to consider having a notary
16 public on site because a lot of people need access to that
17 sort of service.

18 And unfortunately, in some areas of this city
19 and in some areas of this state, people are charged to get
20 something notarized an excessive amount, and they're
21 gouged, and consequently I think it would be a great idea
22 to -- a big compliment to what is going to be offered in
23 this development, if having a notary was a consideration.

24 I'm in favor of the development. I think that

1 it can go a long way, as Mr. Myers outlined as well,
2 causing other ones to raise their standards and
3 consequently, I think it's a very positive thing.

4 Thank you, ma'am.

5 MS. MEYER: Okay. Do you want to come up?

6 Craig Blume.

7 Is there anybody else that would like to speak?

8 (No response.)

9 MR. BLUME: Thank you very much. My name is
10 Craig Blume, I'm residing at -- 228 Losoya Street's my
11 business residence. I'm here to speak in favor of the
12 project.

13 I work in conjunction with the South San
14 Antonio Chamber of Commerce, which this is part of their
15 area. I work with the non-profit part of their group
16 that's an economic development called Avenidas, and
17 they're aware of this project, they've been aware of this
18 project, and they've been supporting it from day one.

19 My mission is to just basically let you know
20 that we're on board and the Chamber of Commerce supports
21 the project.

22 MS. MEYER: Is there anybody else?

23 (No response.)

24 MS. MEYER: I can give you a little bit of

1 information. Again, the board meeting that will
2 actually -- for the TDHCA board to hear this will be on
3 January 13.

4 If you get an information packet over here on
5 the left side of the table, it actually has my contact
6 information. If you'd like to send additional comments
7 in, or if you didn't want to speak tonight, but you want
8 your voice to be heard, it has my e-mail address, my fax
9 numbers, and -- or it -- and it also has my mailing
10 address if you'd like to mail something.

11 As long as I receive that by December 30, the
12 board will have -- privy to that information to make their
13 decision. I also have my business cards up here if you'd
14 like to take one of those instead of taking the whole
15 packet.

16 And, with that being said, I will now conclude
17 the hearing, and let the record show that it is now 6:36
18 and we are adjourned.

19 (Whereupon, at 6:36 p.m., the hearing was
20 concluded.)

C E R T I F I C A T E

1
2
3 IN RE:Port Royal Homes

4 LOCATION:San Antonio, Texas

5 DATE:December 14, 2004

6 I do hereby certify that the foregoing pages,
7 numbers 1 through 20, inclusive, are the true, accurate,
8 and complete transcript prepared from the verbal recording
9 made by electronic recording by Penny Bynum before the
10 Texas Department of Housing and Community Affairs.

12/20/2004

(Transcriber) (Date)

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



WWW.TDHCA.STATE.TX.US

MULTIFAMILY FINANCE PRODUCTION DIVISION

2004 Private Activity Multifamily Revenue Bonds

**Mission Del Rio Homes
647 of Riverside Drive
San Antonio, Texas
Chicory Court II, L.P.
240 Units**

Priority 2 – 100% of units at 60% AMFI

\$11,490,000 Tax Exempt – Series 2005

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation
TAB 2	Bond Resolution
TAB 3	HTC Profile and Board Summary
TAB 4	Sources & Uses of Funds Estimated Cost of Issuance
TAB 5	Department's Real Estate Analysis
TAB 6	Rental Restrictions Explanation Results and Analysis
TAB 7	Development Location Maps
TAB 8	TDHCA Compliance Summary Report
TAB 9	Public Input and Hearing Transcript (December 15, 2004)

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Item

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2005 and Housing Tax Credits for the Mission Del Rio Homes development.

Summary of the Mission Del Rio Homes Transaction

The pre-application was received on September 2, 2003. The application was scored and ranked by staff. The application ranked forty-second out of a total of forty-four applications. The application was induced at the October 2003 Board meeting and submitted to the Texas Bond Review Board for inclusion to the lottery. The application received a Reservation of Allocation on September 8, 2004. This application was submitted under the Priority 2 category. 100% of the units will serve families at 60% of the AMFI. A public hearing was held on December 15, 2004. There were four (4) people in attendance with one (1) person speaking for the record. A copy of the transcript is behind Tab 9 of this presentation. The proposed site is located at the 600-700 blocks of Riverside Drive, San Antonio, Bexar County, Texas.

Summary of the Financial Structure

The applicant is requesting the Department's approval and issuance of fixed rate tax exempt bonds in the amount of \$11,490,000. The bonds will be unrated and privately placed with Charter MAC Equity Issuer Trust. The term of the bonds will be for 40 years. The construction and lease up period will be for 18 months with payment terms of interest only, followed by a 40 year amortization with a maturity date of February 1, 2045. The interest rate on the bonds during the Construction Loan Period will be 5.00% per annum followed by a permanent interest rate of 6.50% per annum (See Bond Resolution 05-006 Section 1.2 (b) attached).

Recommendation

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2005 and Housing Tax Credits for the Mission Del Rio Homes development because of the demonstrated quality of construction of the proposed development, the feasibility of the development (as demonstrated by the commitments from Charter Mac and Related Capital, the underwriting report by the Departments Real Estate Analysis Division), the demand for additional affordable units as demonstrated by the occupancy rates of other affordable units in the market area, and the support from the community.

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD MEMORANDUM
January 7, 2005

DEVELOPMENT: Mission Del Rio Homes (fka Rose Court at Riverside), San Antonio, Bexar County, Texas

PROGRAM: Texas Department of Housing and Community Affairs
2004 Multifamily Housing Mortgage Revenue Bond Program.
(Reservation received 09/08/2004)

ACTION REQUESTED: Approve the issuance of multifamily housing mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, the Department's Enabling Act (the "Act"), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE: The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Chicory Court II, L. P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 240 unit multifamily residential rental Development to be located at the 647 Riverside Drive, San Antonio, Bexar County, Texas (the "Development"). The Bonds will be tax-exempt by virtue of the Development's qualifying as a residential rental Development.

BOND AMOUNT: \$11,490,000 Series 2005 Tax Exempt bonds (*)
\$11,490,000 Total bonds

(*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Development and the amount for which Bond Counsel can deliver its Bond Opinion.

ANTICIPATED CLOSING DATE: The Department received a volume cap allocation for the Bonds on September 8, 2004 pursuant to the Texas Bond Review Board's 2004 Private Activity Bond Allocation Program. The Department is required to deliver the Bonds on or before February 6, 2005, the anticipated closing date is February 1, 2005.

BORROWER: Chicory Court II, L.P., a Texas limited partnership, the general partner of which is Chicory GP II, Inc., a Texas corporation, with ALT Affordable Housing Services – Arbor Place 501(c)(3) as 100% Ownership.

COMPLIANCE HISTORY: The Compliance Status Summary reveals that the principal of the general partner above has seven properties with three having been monitored by the Department with no material noncompliance.

ISSUANCE TEAM & ADVISORS:

Charter MAC Equity Trust (“Bond Purchaser”)
Wells Fargo Bank, National Association., (“Trustee”)
Vinson & Elkins L.L.P. (“Bond Counsel”)
RBC Dain Rauscher Inc. (“Financial Advisor”)
McCall, Parkhurst & Horton, L.L.P. (Disclosure Counsel)

BOND PURCHASER:

The Bonds will be purchased by Charter MAC Equity Issuer Trust. The purchaser and any subsequent purchaser will be required to sign the Department’s standard traveling investor letter.

DEVELOPMENT DESCRIPTION:

Site: The proposed affordable housing community is a 240-unit multifamily residential rental development to be constructed on approximately 13.0 acres of land located at the 647 Riverside Drive, San Antonio, Bexar County, Texas 78223 (the "Development"). The proposed density is 18.0 dwelling units per acre. The land is located in an older area of southeast San Antonio within the defined Primary Market Area. The location allows access to major transportation linkages, public transportation, area employers, employment centers, schools, and supporting development. The site is located outside the 100-year floodplain and is ready for development. There is limited multifamily development in the surrounding area. There is a new single family development planned for the intersection of Riverside and Military Drive which is about one mile south of the proposed site.

Buildings: The development consist of 240 units and will include a total of ten (10) two and three-story, wood-framed apartment buildings with 100% masonry finish containing approximately 226,295 net rentable square feet and having an average unit size of 943 square feet with five (5) basic floor plans. The subject units have a competitive amenity package including the following: cable/internet ready; nine foot ceilings; ceiling fans; full-size washer/dryer connections; the energy star rated kitchen appliances, frost free refrigerator with ice-maker, pantry, dishwasher, microwave, garbage disposal patios/balcony; vinyl tile flooring in entry, kitchen and bath; and mini blinds. Development amenities include: on-site leasing/management office, gated access/perimeter fencing, pool, laundry facilities, clubhouse with business center, fitness center, furnished and staffed children’s activity center, playground, and sport court.

Table with 5 columns: Units, Unit Type, Square Feet, Proposed Net Rent, and percentage. Rows include unit types like 1-Bed/1-Bath, 2-Bed/1-Bath, 2-Bed/2-Bath, 3-Bed/2-Bath, and a Total Units row.

SET-ASIDE UNITS:

For Bond covenant purposes, at least forty (40%) of the residential units in the development are set aside for persons or families earning

not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in each Development will be set aside on a priority basis for persons with special needs.

(The Borrower has elected to set aside 100% of the units for tax credit purposes.)

RENT CAPS:

For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for sixty percent (60%) of the area median income which is Priority 2 of the Bond Review Board's Priority System.

TENANT SERVICES:

Tenant Services will be performed by ALT Affordable Housing Services – Arbor Place 501(c)(3), a Texas non-profit corporation .

**DEPARTMENT
ORIGINATION
FEES:**

\$1,000 Pre-Application Fee (Paid).
\$10,000 Application Fee (Paid).
\$57,450 Issuance Fee (.50% of the bond amount paid at closing).

**DEPARTMENT
ANNUAL FEES:**

\$11,490 Bond Administration (0.10% of first year bond amount)
\$6,000 Compliance (\$25/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

**ASSET OVERSIGHT
FEE:**

\$6,000 to TDHCA or assigns (\$25/unit/year adjusted annually for CPI)

TAX CREDITS:

The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to approximately \$787,746 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of its limited partnership interests, typically 99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately \$6,695,168 of equity for the transaction.

BOND STRUCTURE:

The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

The Bonds will be privately placed with the Bond Purchaser, and will mature over a term of 40 years. During the construction and lease-up period, the Bonds will pay as to interest only. The loan will be secured by a first lien on the Development.

The Bonds are mortgage revenue bonds and, as such, create no potential liability for the general revenue fund or any other state fund.

The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the Development financed through the issuance of the Bonds.

BOND INTEREST RATES: The interest rate on the Bonds will be 5.0% from the date of issuance until the July 31, 2006. On and after the July 31, 2006, the interest rate on the Bonds will be 6.5%.

CREDIT ENHANCEMENT: The bonds will be unrated with no credit enhancement.

FORM OF BONDS: The Bonds will be issued in book entry (typewritten or lithographical) form and in denominations of \$100,000 and any amount in excess of \$100,000.

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

TERMS OF THE MORTGAGE LOAN: The Mortgage Loan is a non-recourse obligation of the Borrower (which means, subject to certain exceptions, the Borrower is not liable for the payment thereof beyond the amount realized from the pledged security) providing for monthly payments of interest during the construction phase and level monthly payments of principal and interest upon conversion to the permanent phase. A Deed of Trust and related documents convey the Borrower's interest in the Development to secure the payment of the Mortgage Loan.

REDEMPTION OF BONDS PRIOR TO MATURITY: The Bonds may be subject to redemption under any of the following circumstances:

Mandatory Redemption:

- (a) (i) In whole or in part, to the extent excess funds remain on deposit in the Loan Account of the Construction Fund after the Development's Completion Date; and (ii) under certain circumstances, upon request by the Majority Owner to redeem Bonds from amounts on deposit in the Earnout Account of the Construction Fund; or
- (b) in part, if (i) the development has not achieved Stabilization within twenty-four (24) months after the earlier of (A) the date

the Development achieves Completion or (B) the Completion Date or (ii) upon request by the Majority Owner to redeem Bonds from amount on deposit in the Earnout Account of the Construction Fund; or

- (c) in whole or in part, if there is damage to or destruction or condemnation of the Development, to the extent that Insurance Proceeds or a Condemnation Award in connection with the Development are deposited in the Revenue Fund and are not to be used to repair or restore the Development; or
- (d) upon the determination of Taxability if the owner of a Bond presents his Bond or Bonds for redemption on any date selected by such owner specified in a written notice delivered to the Borrower and the Issuer at least thirty (30) days' prior to such date; or
- (e) in whole on any interest payment date on or after February 1, 2022, if the Owners of all of the Bonds elect redemption and provide not less than 180 days' written notice to the Issuer, Trustee and Borrower; or
- (f) In part, according to the dates and amounts indicated on the Mandatory Sinking Fund Schedule of Redemptions.

Optional Redemption:

The Bonds are subject to redemption, in whole, any time on or after February 1, 2022, from the proceeds of an optional prepayment of the Loan by the Borrower.

**FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:**

Under the Trust Indenture, the Trustee will serve as registrar and authenticating agent for the Bonds and as trustee of certain of the accounts created under the Trust Indenture (described below). The Trustee will also have responsibility for a number of loan administration and monitoring functions.

Moneys on deposit in Trust Indenture accounts are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create the following Funds and Accounts:

1. Construction Fund – On the closing date, the proceeds of the Bonds shall be deposited in the Construction Fund which may consist of six (6) accounts as follows:
 - (a) Loan Account – represents a portion of the proceeds of the sale of the Bonds that will be used to pay for Development Costs;

- (b) Insurance and Condemnation Proceeds Account - represents Condemnation Award and Insurance Proceeds allocated to restore the Development pursuant to the Loan Documents;
 - (c) Capitalized Interest Account – represents a portion of the proceeds of the Bonds and/or a portion of the initial equity contribution of the Borrower which may be transferred to the Revenue Fund from this account in order to pay interest on the Bonds until the Completion Date of the Development;
 - (d) Costs of Issuance Account – represents a portion of the proceeds of the Bonds and/or a portion of the initial equity contribution of the Borrower from which the costs of issuance are disbursed;
 - (e) Earnout Account – represents a portion of the initial equity contribution of the Borrower, the disbursements from which are to be requested in writing by the Developer and approved by the Majority Owner of the Outstanding Bonds; and
 - (f) Equity Account – represents the balance of the initial equity contribution of the Borrower.
2. Replacement Reserve Fund – Amounts which are held in reserve to cover replacement costs and ongoing maintenance to the Development.
 3. Tax and Insurance Fund – The Borrower must deposit certain moneys in the Tax and Insurance Fund to be applied to the payment of real estate taxes and insurance premiums.
 4. Revenue Fund – Revenues from the Development are deposited to the Revenue Fund and disbursed to sub-accounts for payment to the various funds according to the order designated under the Trust Indenture: (1) to the payment of interest on the Bonds; (2) to the payment of the principal or redemption price, including premium, if any, on the Bonds; (3) to the payment of any required deposit in the Tax and Insurance Fund; (4) to the payment of any required deposit in the Replacement Reserve Fund; (5) to the payment of the fees of the Trustee, the Servicer, the Issuer and the Asset Oversight Agent, if any, due and owing under the Loan Documents and the Indenture; (6) to the payment of any other amounts then due and owing under the Loan Documents; and (7) the remaining balance to the Borrower.
 5. Rebate Fund – Fund into which certain investment earnings are transferred that are required to be rebated periodically to the

federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.

The majority of the bond proceeds will be deposited into the Construction Fund and disbursed therefrom during the Construction Phase to finance the construction of the Development. Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Tax-Exempt Bond proceeds. It is currently anticipated that costs of issuance will be paid by Taxable Bond proceeds.

**DEPARTMENT
ADVISORS:**

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee - Wells Fargo Bank, National Association (formerly Norwest Bank, N.A.) was selected as bond trustee by the Department pursuant to a request for proposals process in June 1996.
3. Financial Advisor – RBC Dain Rauscher Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.
4. Disclosure Counsel – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in 2003.

**ATTORNEY GENERAL
REVIEW OF BONDS:**

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

RESOLUTION NO. 05-006

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS (MISSION DEL RIO HOMES*) SERIES 2005; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multi-family residential rental project loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Mission Del Rio Homes*) Series 2005 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Chicory Court II, L.P., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required

* Formerly known as Rose Court at Riverside

by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on October 9, 2003, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, it is anticipated that the Note will be secured by a Deed of Trust and Security Agreement (with Power of Sale) (the "Deed of Trust") from the Borrower for the benefit of the Department and the Trustee; and

WHEREAS, the Department's interest in the Loan, including the Note and the Deed of Trust, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignments") from the Department to the Trustee; and

WHEREAS, the Board has determined that the Department, the Borrower and CharterMac, a Delaware statutory trust (the "Purchaser"), will execute a Bond Purchase Agreement (the "Purchase Agreement"), with respect to the sale of the Bonds; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), with respect to the Project which will be filed of record in the real property records of Bexar County, Texas; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the "Asset Oversight Agreement"), with respect to the Project for the purpose of monitoring the operation and maintenance of the Project; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Assignments, the Regulatory Agreement, the Purchase Agreement and the Asset Oversight Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.13, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

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

ARTICLE I

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1--Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That: (i) the interest rate on the Bonds shall be 5.00% per annum from the date of issuance thereof to and including July 31, 2006 or earlier redemption or acceleration thereof (subject to adjustment as provided in the Indenture; provided, however, that the default interest rate on the Bonds shall not exceed the maximum rate permitted by applicable law) and, after July 31, 2006, the interest rate on the Bonds shall be 6.50% per annum until the maturity date or earlier redemption or acceleration thereof (subject to adjustment as provided in the Indenture; provided, however, that the default interest rate on the Bonds shall not exceed the maximum rate permitted by applicable law); (ii) the aggregate principal amount of the Bonds shall be \$11,490,000; and (iii) the final maturity of the Bonds shall occur on February 1, 2045.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. That the form and substance of the Loan Agreement and the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Loan Agreement and the Regulatory Agreement and deliver the Loan Agreement and the Regulatory Agreement to the Borrower and the Trustee.

Section 1.5--Acceptance of the Deed of Trust and Note. That the Deed of Trust and the Note are hereby accepted by the Department.

Section 1.6--Approval, Execution and Delivery of the Assignments. That the form and substance of the Assignments are hereby approved and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Assignments and to deliver the Assignments to the Trustee.

Section 1.7--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement are hereby approved, and that the authorized

representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement to the Borrower and the Purchaser.

Section 1.8--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.9--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.10--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Loan Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Assignments
- Exhibit F - Purchase Agreement
- Exhibit G - Asset Oversight Agreement

Section 1.11--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.12--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary of the Board.

Section 1.13--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or the Acting Executive Director; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Project in accordance with the Indenture and to enter into or direct the Trustee to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.5--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit O to the Loan Agreement and shall be annually redetermined by the Issuer as stated in the Loan Agreement.

Section 2.6--Ratifying Other Actions. That all other actions taken by the Executive Director or Acting Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act, and after the Department's consideration of the information with respect to the Project and the information with respect to the proposed financing of the Project by the Department,

including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Project is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the Borrower will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(iii) that the Borrower is financially responsible,

(iv) that the financing of the Project is a public purpose and will provide a public benefit, and

(v) that the Project will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Project in accordance with the requirements of the Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the loan made with the proceeds of the Bonds in accordance with its terms, and

(iii) that the Borrower is not, or will not enter into a contract for the Project with, a housing developer that: (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Project in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Project be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Project is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State of Texas to obtain decent, safe, and sanitary housing by financing the costs of the Project, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Project shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Loan Agreement and the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Project and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Sections 33 and 39, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas. Each Bond shall contain on its face a statement to the effect that the State of Texas is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State of Texas is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--Notice of Meeting. 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.

[Remainder of page intentionally left blank.]

PASSED AND APPROVED this 7th day of January, 2005.

By: _____
Elizabeth Anderson, Chair

Attest: _____
Delores Groneck, Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Chicory Court II, L.P., a Texas limited partnership

Project: The Project is a 240-unit multifamily facility to be known as Mission Del Rio Homes* and to be located at approximately 647 Riverside Drive, San Antonio, Bexar County, Texas 78223. The Project will include a total of ten (10) residential apartment buildings with a total of approximately 226,295 net rentable square feet and an average unit size of approximately 943 square feet. The unit mix will consist of:

60 one-bedroom/one-bath units
45 two-bedroom/one-bath units
55 two-bedroom/two-bath units
80 three-bedroom/two-bath units
240 Total Units

Unit sizes will range from approximately 750 square feet to approximately 1,125 square feet.

Common areas will include a pool, clubhouse with business center, computer lab laundry facilities, playground, sports court, barbeque and picnic area and children's activity area.

* Formerly known as Rose Court at Riverside



**HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Mission del Rio Homes**

TDHCA#: 04488

DEVELOPMENT AND OWNER INFORMATION

Development Location: San Antonio QCT: Y DDA: N TTC: N
 Development Owner: Chicory Court II, LP
 General Partner(s): Chicory GP II, Inc, 100%, Contact: Jerry Du Terroil
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: TDHCA
 Development Type: General
 Population

Annual Tax Credit Allocation Calculation

Applicant Request: \$792,702 Eligible Basis Amt: \$787,746 Equity/Gap Amt.: \$999,671

Annual Tax Credit Allocation Recommendation: \$787,746

Total Tax Credit Allocation Over Ten Years: \$ 7,877,460

PROPERTY INFORMATION

Unit and Building Information

Total Units: 240 HTC Units: 240 % of HTC Units: 100
 Gross Square Footage: 230,910 Net Rentable Square Footage: 226,295
 Average Square Footage/Unit: 943
 Number of Buildings: 10
 Currently Occupied: N

Development Cost

Total Cost: \$19,446,356 Total Cost/Net Rentable Sq. Ft.: \$85.93

Income and Expenses

Effective Gross Income:¹ \$1,780,943 Ttl. Expenses: \$934,760 Net Operating Inc.: \$846,183
 Estimated 1st Year DCR: 1.07

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: To Be Determined
 Attorney: Shackelford, Melton & McKinley Architect: To Be Determined
 Accountant: Novogradac & Co. Engineer: Carter Burgess
 Market Analyst: Butler Burgher Lender: Charter Mac Capital Solutions
 Contractor: To Be Determined Syndicator: Related Capital

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
Letters	Sen. Frank Madla, District 19 - NC
# in Support: 0	Rep. Robert Puente, District 119 - NC
# in Opposition: 0	Mayor Ed Garza - NC
Public Hearing	Andrew Cameron, Department of Housing and Community Development Director,
# in Support: 4	City of San Antonio The proposed development is consistent with the Consolidated
# in Opposition: 0	Plan of the City of San Antonio.
# Neutral: 0	

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).
2. Receipt, review, and acceptance of a site plan indicating the total number and location of planned carports.
3. Receipt, review, and acceptance of clarification of the sitework cost estimate given the potentially extensive drainage work called for in the site plan documentation, if necessary, of the costs of site work if it is to be in excess of the \$7,500 per unit guideline as required under the QAP.
4. Acceptance by the Board of the anticipated likely redemption of up to \$540K in bonds at conversion to permanent.
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.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.

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:
Chairman of the Board

Date

Elizabeth Anderson,

Mission Del Rio Homes

Estimated Sources & Uses of Funds
--

Sources of Funds	
-------------------------	--

Series 2004 Tax-Exempt Bond Proceeds	\$ 11,490,000
Tax Credit Proceeds	6,737,000
Deferred Developer's Fee	1,054,051
Estimated Interest Earning	86,117
Total Sources	<u>\$ 19,367,168</u>

Uses of Funds	
----------------------	--

Deposit to Mortgage Loan Fund (Construction funds)	\$ 15,508,125
Construction Period Interest	813,875
Developer's Overhead & Fee	2,234,138
Costs of Issuance	
Direct Bond Related	315,930
Bond Purchaser Costs	297,300
Other Transaction Costs	32,800
Real Estate Closing Costs	165,000
Total Uses	<u>\$ 19,367,168</u>

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
----------------------------	--

TDHCA Issuance Fee (.50% of Issuance)	\$ 57,450
TDHCA Application Fee	11,000
TDHCA Bond Compliance Fee (\$25 per unit)	6,000
TDHCA Bond Counsel and Direct Expenses (Note 1)	70,000
TDHCA Financial Advisor and Direct Expenses	30,000
Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1)	2,500
Borrower's Bond Counsel	90,000
Bond Administration Fee (2 years)	22,980
Trustee Fee	6,500
Trustee's Counsel (Note 1)	6,500
Attorney General Transcript Fee (\$1,250 per series, max. of 2 series)	1,250
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,000
TEFRA Hearing Publication Expenses	3,750
Total Direct Bond Related	<u>\$ 315,930</u>

Mission Del Rio Homes

Bond Purchase Costs	
CharterMac Origination Fee	114,900
CharterMac Servicing and Guaranttee Fee	114,900
CharterMac Due Diligence Fee	12,500
Lender's Attorney	35,000
CharterMac Inspection Fee	20,000
Total	\$ 297,300

Other Transaction Costs	
Tax Credit Determination Fee (4% annual tax cr.)	28,000
Tax Credit Application Fee (\$20/u)	4,800
Total	\$ 32,800

Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	115,000
Property Taxes	50,000
Total Real Estate Costs	\$ 165,000

Estimated Total Costs of Issuance	\$ 811,030
--	-------------------

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual Bond Counsel and Disclosure Counsel are based on an hourly rate and the above estimate does not include on-going administrative fees.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

extensive drainage work called for in the site plan and documentation, if necessary, of the costs of site work if it is to be in excess of the \$7,500 per unit guideline as required under the QAP.

3. Acceptance by the Board of the anticipated likely redemption of up to \$540K in bonds at conversion to permanent;
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	<u>240</u>	# Rental Buildings	<u>10</u>	# Non-Res. Buildings	<u>1</u>	# of Floors	<u>3</u>	Age:	<u>N/A</u> yrs	Vacant:	<u>N/A</u> at / /	
Net Rentable SF:	<u>226,295</u>	Av Un SF:	<u>943</u>	Common Area SF:	<u>4,615</u>	Gross Bldg SF:	<u>230,910</u>					

STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned slab. According to the plans provided in the application the exterior will be comprised as follows: 10% stone veneer, 35% cement fiber siding, and 55% stucco. The interior wall surfaces will be drywall and the pitched roof will be finished with composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, laminated counter tops, central boiler water heating system, individual heating and air conditioning & 9-foot ceilings.

ONSITE AMENITIES

A 4,615-square foot community building will include activity rooms, management offices, fitness room, maintenance room, laundry facility, restrooms, business center, and central mailroom. The community building and swimming pool are located at the middle of the property. In addition, an equipped children's play area, sport court, and perimeter fencing are planned for the site.

Uncovered Parking: 424 spaces **Carports:** Unknown spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

The submitted application proposed a 200-unit development on approximately 7 acres. Updates to the application in December 2004 propose 240 units on approximately 13 acres. Due to these changes, as of the date of this underwriting report, exhibits within the application packet are inconsistent. Therefore, the information presented and used in this analysis is based on the most current Applicant submissions.

Description: Mission del Rio is a relatively dense 19 units per acre development with 10 garden style, walk-up residential buildings as follows:

- € Five buildings with 14 two-bedroom and 10 three-bedroom units; and
- € Five buildings with 12 one-bedroom, six two-bedroom and six three-bedroom units.

The two tracts are divided by a public street. Five residential buildings are located on each tract and the community building is located on the southern tract.

Architectural Review: The building and unit plans are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The Applicant plans to construct carports, but failed to include the total number and location of the carports on the submitted site plan. Receipt, review, and acceptance of a site plan indicating the total number and location of planned carports is a condition of this report.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

SITE ISSUES					
SITE DESCRIPTION					
Size:	13.0293	acres	567,557	square feet	Zoning/ Permitted Uses: MF33
Flood Zone Designation:	Zone X		Status of Off-Sites:	Fully improved	

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is located on the northwest corner of Riverside Drive and East White Avenue in southeast San Antonio.

Adjacent Land Uses:

- ∅ **North:** residential streets;
- ∅ **South:** White Road and vacant land;
- ∅ **East:** Riverside Drive and residential/commercial buildings; and
- ∅ **West:** San Antonio River.

Site Access: The site may be accessed from the north and south along East White Road and from the east and west along River Side Road.

Public Transportation: Public transportation is available as a bus stop is located at the corner of South Presa and East Hermitage, two blocks east of the subject.

Shopping & Services: Supportive uses such as employment centers, medical facilities and shopping facilities are within 3 miles of the subject.

Special Adverse Site Characteristics: The following issues have been identified as potentially bearing on the viability of the site for the proposed development:

Floodplain: The proposed site is located adjacent to the San Antonio River. Upon request, a full-size floodplain map with a clear outline of the subject property was provided. It indicates the site is located in shaded zone x: areas of 500-year flood; areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than 1-square mile; areas protected by levees from 100-year flood. The Applicant also provided a letter signed by Arturo Camacho of Carter Burgess stating, "...the site for Mission Del Rio Apartments in San Antonio, Texas has been designed with finished floor elevations of at least 18 inches above the proposed flood line elevations. The parking lot elevations have been designed to be not more than 6" below the flood line elevations."

Site Inspection Findings: TDHCA staff performed a site inspection on December 15, 2004 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 September 10, 2004 was prepared by MAS-D Environmental & Associates and contained the following: "In the professional opinion of MAS-D, an appropriate level of inquiry has been made into the previous ownership and uses of the property consistent with good commercial and customary practice in an effort to minimize liability. No issues were identified...On the whole, no further investigation is required or recommended at this time" (p. 15).

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 2 private activity bond lottery project 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$21,660	\$24,720	\$27,840	\$30,900	\$33,360	\$35,820

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

MARKET HIGHLIGHTS

A market feasibility study dated November 15, 2004 and updated December 2004 was prepared by Butler Burgher ("Market Analyst") The Analyst submitted a revised demand estimate on December 28, 2004, and this updated information is discussed here where it supersedes the original information provided. The Analyst did not change the primary market area (PMA) and thus the revised report is considered a clarification rather than a new report for the purposes of the 60-day submission rule. Highlights from the reports are as follows:

Definition of Primary Market Area (PMA): "The subject's primary market area (PMA) is the area bounded by US 90/US 87 (north border), US Loop 410 (east and south borders), and SR 15/Somerset Road/Zarzamora Street/Nogalitos (west border)" (p. 2). This area encompasses approximately 44 square miles and is equivalent to a circle with a radius of 3.75 miles.

Population: The estimated 2004 population of the PMA was 151,835 and is expected to increase to approximately 152,947 by 2009. Within the primary market area there were estimated to be 48,774 households in 2004.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand based on renter households estimated at 35.61% of the population, income-qualified households estimated at 20.45%, and an annual renter turnover rate of 70.5% (p. 59). The Market Analyst used an income band of \$19,851 to \$32,130.

ANNUAL INCOME-ELIGIBLE PMA DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	12 (2 yrs.)	0.50%	6	0.24%
Resident Turnover	2,504	99.50%	2,504	99.76%
TOTAL ANNUAL DEMAND	2,517	100%	2,510	100%

Ref: p. 59 (REVISED)

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 16.37% for a total of 412 affordable units consisting of the 240 subject units and the recently allocated tax credit development Villas of Costa Cadiz (172 units) (p. 59). It should be noted that two recently approved developments, 04456 Providence at Marshall Meadows (150 HTC units) and 04466 Rosemont at Pleasanton (240 HTC units), are just south of the PMA boundary and may affect the lease-up rate and occupancy of the subject development but are not included in the capture rate.

Market Rent Comparables: The Market Analyst surveyed eight comparable apartment projects totaling 1,354 units in the market area (p. 63).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (60%)	\$533	\$533	\$0	\$620	-\$87
2-Bedroom (60%)	\$644	\$644	\$0	\$750	-\$106
3-Bedroom (60%)	\$744	\$744	\$0	\$850	-\$106

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

Primary Market Occupancy Rates: "Apartment MarketData Research is reporting an occupancy rate of 96.6% for the s2 submarket with no units having been built since 1990; and 83% for the S3 submarket with 248 units having been built since 1990" (p. 5).

Absorption Projections: "The data [on 11 market and tax credit properties] indicate average absorption from a low of 9 units per month to a high of 48 units per month, averaging 25 units. However, the subject will be located in an inferior location relative to many of these properties. Villas of Costa Dorado and Rancho Sierra provide the best absorption indications...As such, an average absorption rate of 24 units/month (after completion of the initial units) is reasonable for the subject; resulting in a 13-month

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

absorption period from the time of initial unit delivery to obtain 93.0%” (p. 61).

Known Planned Development: “Within the PMA there is a total of seven HTC developments. Only three of those...[including] Villas of Costa Cadiz...are new developments.” (p. 5).

Market Study Analysis/Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

The original documentation provided in the application proposed a 200-unit development however updates to the application in December 2004 propose 240 units, the information presented and used in this analysis is based on the current, incomplete information.

Income: The Applicant’s tenant-paid rent estimate is comparable to the Underwriter’s calculation based on current gross rent limits and the proposed utility payment structure. The Applicant stated that the property will provide hot water from a central boiler system, and rents and expenses were calculated accordingly. The Applicant projects \$20 per unit per month in secondary income from various sources including carport rental income, cable revenue and telephone revenue (a sample contract was submitted upon request) as well as standard income from operation of the property. The Department’s current maximum guideline is \$15 per unit per month; however, the Underwriter was able to support secondary income of \$18.72 per unit per month based on the average collection rate at currently operating affordable housing developments in the City of San Antonio. The Applicant has also included only 7.0% in vacancy and collection losses rather than the Department guideline of 7.5%. Despite these differences, the Applicant’s effective gross income figure is within 5% of the Underwriter’s estimate.

Expenses: The Applicant’s total annual operating expense projection is 7.5% less than the Underwriter’s estimate. Line-item expenses that varied significantly when compared to the Underwriter’s estimates include: general and administrative (\$23K lower) and property tax (\$17K lower). Based on a draft management agreement, the underwriting analysis includes a management fee of only 4% of effective gross income rather than the current guideline of 5%. Although the Applicant is eligible, their expenses do not include a CHDO property tax exemption and they indicated no intention to apply for one. Receipt of an exemption would increase NOI by \$75K and improve the feasibility of the development.

Conclusion: Although the Applicant’s effective gross income figure is within 5% of the Underwriter’s estimate, both their annual operating expense and net operating income differ by more than 5%. Therefore, the Underwriter’s proforma is used to determine the development’s debt service capacity. The analysis indicates the development cannot support the proposed debt structure with an initial year minimum debt coverage ratio of 1.10. The maximum debt service for this project will likely be limited to approximately \$769K by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. The Underwriter has therefore completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of \$10,950,000. In addition, the issuer fees and asset management fees may need to be deferred or paid out of cash flow for the first two years of operations. If a property tax exemption were achieved, the full amount of the debt and all servicing fees would be fully serviced at above a 1.10 DCR

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 6.75 & 6.26 acres	\$100,100 & \$95,800	Assessment for the Year of:	2004
Building:	N/A	Valuation by:	Bexar County Appraisal District
Total Assessed Value:	\$195,900	Tax Rate:	2.999074

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Real Estate Contract of Sale (Tract I: 6.7573 acres & Tract II: 6.272 acres)		
Contract Expiration Date:	01/ 17/ 2005	Anticipated Closing Date:	12/ 31/ 2004
Acquisition Cost:	\$1,009,250	Other Terms/Conditions:	
Seller:	Robert F Schultz	Related to Development Team Member:	No

CONSTRUCTION COST ESTIMATE EVALUATION

The originally submitted application proposed development on approximately 7 acres, however the updated information appears to utilize all approximately 13 acres.

Acquisition Value: The Applicant has indicated an acquisition cost of \$1,100,000 for the two tracts, while the site control documents support only \$1,009,250. As an arm's length transaction, the price indicated in the site control documents is accepted and included in the underwriting analysis. Closing costs of \$100K are also included in the total development costs.

Sitework Cost: The Applicant's claimed sitework costs of \$7,500 per unit are at the current maximum Department guideline. Therefore, further third party substantiation is not required. However, the drainage work indicated on the site plan and the location of the development near the San Antonio River may call for sitework costs that exceed \$7,500 per unit. Moreover drainage work that improves the value of the land beyond the need to build the proposed improvements would not be included in eligible basis. The Applicant has been asked to comment, but as of the date of this report, no response has been received. Receipt, review, and acceptance of clarification of the sitework cost estimate and documentation if necessary of the costs of site work if it is to be in excess of the \$7,500 per unit guideline as required under the QAP.

Direct Construction Cost: The Applicant's direct construction cost estimate is within 5% of the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's contractor general requirements, contractor general and administrative fees, and contractor profit exceed the 6%, 2% and 6% maximums allowed by HTC guidelines based on their own construction costs. Also, claimed eligible contingency exceeds the maximum guideline of 5% of sitework and direct construction costs for new construction developments. Finally, the Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis by \$1.4K. Consequently the Applicant's eligible costs in these areas have been reduced by the same amount with the overage of \$11K effectively moved to ineligible costs.

Conclusion: The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule, adjusted by the Underwriter for overstated fees, will be used to calculate eligible basis and determine the development's need for permanent funds. An eligible basis of \$17,117,463 results in annual tax credits of \$787,746, which will be compared to the Applicant's request and tax credits resulting from the development's gap in need to determine the recommended allocation.

FINANCING STRUCTURE

INTERIM TO PERMANENT BOND FINANCING			
Source:	Charter Mac	Contact:	Marnie Miller
Tax-Exempt Amount:	\$11,490,000	Interest Rate:	6.5% fixed
Additional Information:	5.0% fixed interest rate during 24 month interim period		
Amortization:	40 yrs	Term:	40 yrs
Commitment:	<input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional		
Annual Payment:	\$807,228	Lien Priority:	1 st
Date:	12/ 13/ 2004		

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS**

TAX CREDIT SYNDICATION			
Source:	Related Capital Company	Contact:	Justin Ginsberg
Net Proceeds:	\$6,737,000	Net Syndication Rate (per \$1.00 of 10-yr HTC)	85¢
Commitment	<input checked="" type="checkbox"/> LOI <input type="checkbox"/> Firm <input type="checkbox"/> Conditional	Date:	09/ 24/ 2004
Additional Information:	Revised December 13, 2004		

APPLICANT EQUITY			
Amount:	\$114,619	Source:	GIC Income
Amount:	\$1,104,444	Source:	Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by TDHCA and purchased by Charter Mac. The Letter of Interest submitted at application indicated \$10,380,000 based on 200 units; an update now indicates \$11,140,000 based on construction of 240 units. The terms remained consistent. The Applicant anticipated \$11,149,000 in the revised sources and uses of funds but \$10.5M of tax exempt and \$.5M of HOME funds that are not otherwise discussed in the remainder of the application.

HTC Syndication: The tax credit syndication rate used in the underwriting analysis is consistent with the terms reflected in the Letter of Interest.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,104,444 amount to 49% of the total proposed fees. The underwriting analysis includes the Applicant's projected GIC income as part of anticipated deferred fees.

Financing Conclusions: As stated above, the Applicant's cost schedule, adjusted by the Underwriter for overstated fees, is used to calculate eligible basis and determine the development's need for permanent funds. The resulting tax credits of \$787,746 is the recommended allocation as it is less than both the tax credits requested and tax credits calculated based on the development's gap in need for permanent funds. The Applicant's requested credit was slightly higher due to the use of a higher applicable percentage of 3.56% rather than the 3.54% based on the date the full application was provided.

In order to meet a minimum debt coverage ratio of 1.10 in the initial year of stabilized operation, the permanent mortgage amount will likely be reduced to \$10,950,000 based on current proposed terms. The reduction in the permanent loan amount coupled with anticipated syndication proceeds that are less than indicated in the Applicant's sources and uses of funds statement result in the need to increase deferred fees to \$1,801,188. This amount may not be repayable from development cashflow within ten years of stabilized operation, but appears to be repayable within 15 years.

**DEVELOPMENT TEAM
IDENTITIES of INTEREST**

The Applicant, Developer, and Supportive Services firm are related entities. These are common relationships for HTC-funded developments. It should be noted the application indicates a general contractor and property manager have yet to be determined.

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.
- € ALT Affordable Housing Services, Inc., the nonprofit owner of the General Partner, submitted an audited financial statement as of May 31, 2004 reporting total assets of \$7.7M consisting of \$610K in current assets, \$329K in noncurrent assets, \$6.4M in net property and equipment, and \$431K in other assets. Liabilities totaled \$8.6M, resulting in negative net assets of \$886K.

Background & Experience: Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the

MULTIFAMILY COMPARATIVE ANALYSIS

Mission del Rio, San Antonio, 4%HTC #04488/MRB #2004-038

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 60%	60	1	1	750	\$579	\$533	\$32,000	\$0.71	\$51.80	\$25.28
TC 60%	10	2	2	989	696	644	6,441	0.65	61.12	29.28
TC 60%	45	2	2	973	696	644	28,984	0.66	61.12	29.28
TC 60%	45	2	2	836	696	644	28,984	0.77	61.12	29.28
TC 60%	80	3	2	1,125	803	744	59,544	0.66	74.06	37.68
TOTAL:	240		AVERAGE:	943	\$702	\$650	\$155,953	\$0.69	\$63.10	\$31.08

INCOME

Total Net Rentable Sq Ft: **226,295**

POTENTIAL GROSS RENT

Secondary Income	Per Unit Per Month:	\$10.00
Other Income: phone, cable, carports	Per Unit Per Month:	\$8.72

POTENTIAL GROSS INCOME

Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%
Employee or Other Non-Rental Units or Concessions		0

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	4.91%	\$365	0.39	\$87,485	\$64,500	\$0.29	\$269	3.60%	
Management	4.00%	297	0.31	71,238	71,736	0.32	299	4.00%	
Payroll & Payroll Tax	12.56%	932	0.99	223,719	192,956	0.85	804	10.76%	
Repairs & Maintenance	5.51%	409	0.43	98,189	108,670	0.48	453	6.06%	
Utilities	3.82%	284	0.30	68,098	64,920	0.29	271	3.62%	
Water, Sewer, & Trash	4.33%	322	0.34	77,164	66,480	0.29	277	3.71%	
Property Insurance	3.18%	236	0.25	56,574	56,234	0.25	234	3.14%	
Property Tax	2.999074	8.61%	639	0.68	153,292	136,800	0.60	570	7.63%
Reserve for Replacements	2.70%	200	0.21	48,000	48,000	0.21	200	2.68%	
SuppServ/Comp/Sec/Cable	2.86%	213	0.23	51,000	54,600	0.24	228	3.04%	
TOTAL EXPENSES	52.49%	\$3,895	\$4.13	\$934,760	\$864,896	\$3.82	\$3,604	48.23%	
NET OPERATING INC	47.51%	\$3,526	\$3.74	\$846,183	\$928,516	\$4.10	\$3,869	51.77%	

DEBT SERVICE

First Lien Mortgage	45.33%	\$3,363	\$3.57	\$807,228	\$807,228	\$3.57	\$3,363	45.01%
Issuer and Asset Management Fee	0.98%	\$73	\$0.08	17,490	0	\$0.00	\$0	0.00%
Trustee Servicing Fee	0.25%	\$19	\$0.02	4,500	0	\$0.00	\$0	0.00%
NET CASH FLOW	0.95%	\$71	\$0.07	\$16,966	\$121,288	\$0.54	\$505	6.76%

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

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)		5.55%	\$4,622	\$4.90	\$1,109,250	\$1,200,000	\$5.30	\$5,000	6.17%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.00%	7,500	7.95	1,800,000	1,800,000	7.95	7,500	9.26%
Direct Construction		47.49%	39,575	41.97	9,497,898	9,251,800	40.88	38,549	47.58%
Contingency	4.91%	2.78%	2,313	2.45	555,090	555,090	2.45	2,313	2.85%
General Req'ts	5.90%	3.33%	2,775	2.94	666,108	666,108	2.94	2,775	3.43%
Contractor's G & A	1.97%	1.11%	925	0.98	222,036	222,036	0.98	925	1.14%
Contractor's Profit	5.90%	3.33%	2,775	2.94	666,108	666,108	2.94	2,775	3.43%
Indirect Construction		4.57%	3,810	4.04	914,500	914,500	4.04	3,810	4.70%
Ineligible Costs		5.59%	4,658	4.94	1,117,968	1,117,968	4.94	4,658	5.75%
Developer's G & A	2.95%	2.23%	1,862	1.97	446,828	446,828	1.97	1,862	2.30%
Developer's Profit	11.80%	8.94%	7,447	7.90	1,787,310	1,787,310	7.90	7,447	9.19%
Interim Financing		4.09%	3,411	3.62	818,608	818,608	3.62	3,411	4.21%
Reserves		1.99%	1,660	1.76	398,435	0	0.00	0	0.00%
TOTAL COST		100.00%	\$83,334	\$88.38	\$20,000,139	\$19,446,356	\$85.93	\$81,026	100.00%
Recap-Hard Construction Costs		67.04%	\$55,864	\$59.25	\$13,407,240	\$13,161,142	\$58.16	\$54,838	67.68%

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	57.45%	\$47,875	\$50.77	\$11,490,000	\$11,490,000	\$10,950,000	Developer Fee Available
Additional Financing	0.00%	\$0	\$0.00	0	0	0	\$2,232,713
HTC Syndication Proceeds	33.69%	\$28,072	\$29.77	6,737,291	6,737,291	6,695,168	% of Dev. Fee Deferred
Deferred Developer Fees	6.10%	\$5,079	\$5.39	1,219,063	1,219,063	1,801,188	81%
Additional (excess) Funds Required	2.77%	\$2,307	\$2.45	553,785	2	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				\$20,000,139	\$19,446,356	\$19,446,356	\$2,551,404

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Mission del Rio, San Antonio, 4%HTC #04488/MRB #2004-038

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$43.79	\$9,910,203
Adjustments				
Exterior Wall Finish	0.80%		\$0.35	\$79,282
9-Ft. Ceilings	3.10%		1.36	307,216
Roofing			0.00	0
Subfloor			(0.68)	(153,126)
Floor Cover			2.00	452,590
Porches/Balconies	\$18.01	13807	1.10	248,633
Plumbing	\$605	540	1.44	326,700
Built-In Appliances	\$1,650	240	1.75	396,000
Exterior Stairs	\$1,450	80	0.51	116,000
Floor Insulation			0.00	0
Heating/Cooling			1.53	346,231
Carports			0.00	0
Comm &/or Aux Bldgs	\$60.46	4,615	1.23	279,028
Other:			0.00	0
SUBTOTAL			54.39	12,308,757
Current Cost Multiplier	1.10		5.44	1,230,876
Local Multiplier	0.85		(8.16)	(1,846,313)
TOTAL DIRECT CONSTRUCTION COSTS			\$51.67	\$11,693,319
Plans, specs, survy, bld prm	3.90%		(\$2.02)	(\$456,039)
Interim Construction Interes	3.38%		(1.74)	(394,650)
Contractor's OH & Profit	11.50%		(5.94)	(1,344,732)
NET DIRECT CONSTRUCTION COSTS			\$41.97	\$9,497,898

PAYMENT COMPUTATION

Primary	\$11,490,000	Term	480
Int Rate	6.50%	DCR	1.05

Secondary	\$0	Term	
Int Rate	0.00%	Subtotal DCR	1.03

Additional	\$6,737,291	Term	
Int Rate		Aggregate DCR	1.02

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$769,290
Issuer and Asset Management Fee	17,490
Trustee Servicing Fee	4,500
NET CASH FLOW	\$54,903

Primary	\$10,950,000	Term	480
Int Rate	6.50%	DCR	1.10

Secondary	\$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.08

Additional	\$6,737,291	Term	0
Int Rate	0.00%	Aggregate DCR	1.07

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,871,441	\$1,927,584	\$1,985,412	\$2,044,974	\$2,106,323	\$2,441,806	\$2,830,722	\$3,281,583	\$4,410,173
Secondary Income	28,800	29,664	30,554	31,471	32,415	37,577	43,563	50,501	67,869
Other Income: phone, cable, c	25,103	25,856	26,632	27,431	28,254	32,754	37,971	44,019	59,158
POTENTIAL GROSS INCOME	1,925,344	1,983,104	2,042,598	2,103,876	2,166,992	2,512,137	2,912,256	3,376,103	4,537,200
Vacancy & Collection Loss	(144,401)	(148,733)	(153,195)	(157,791)	(162,524)	(188,410)	(218,419)	(253,208)	(340,290)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,780,943	\$1,834,372	\$1,889,403	\$1,946,085	\$2,004,467	\$2,323,727	\$2,693,837	\$3,122,895	\$4,196,910
EXPENSES at 4.00%									
General & Administrative	\$87,485	\$90,984	\$94,624	\$98,409	\$102,345	\$124,519	\$151,496	\$184,318	\$272,835
Management	71,238	73,375	75,576	77,843	80,179	92,949	107,753	124,916	167,876
Payroll & Payroll Tax	223,719	232,668	241,975	251,654	261,720	318,422	387,409	471,343	697,703
Repairs & Maintenance	98,189	102,117	106,201	110,449	114,867	139,754	170,032	206,870	306,218
Utilities	68,098	70,822	73,655	76,601	79,665	96,925	117,924	143,473	212,375
Water, Sewer & Trash	77,164	80,251	83,461	86,799	90,271	109,829	133,624	162,573	240,648
Insurance	56,574	58,837	61,190	63,638	66,183	80,522	97,967	119,192	176,434
Property Tax	153,292	159,424	165,801	172,433	179,331	218,183	265,453	322,964	478,066
Reserve for Replacements	48,000	49,920	51,917	53,993	56,153	68,319	83,120	101,129	149,695
Other	51,000	53,040	55,162	57,368	59,663	72,589	88,315	107,449	159,051
TOTAL EXPENSES	\$934,760	\$971,438	\$1,009,562	\$1,049,188	\$1,090,378	\$1,322,010	\$1,603,095	\$1,944,227	\$2,860,901
NET OPERATING INCOME	\$846,183	\$862,934	\$879,841	\$896,896	\$914,090	\$1,001,717	\$1,090,742	\$1,178,668	\$1,336,008
DEBT SERVICE									
First Lien Financing	\$769,290	\$769,290	\$769,290	\$769,290	\$769,290	\$769,290	\$769,290	\$769,290	\$769,290
Second Lien	17,490	17,490	17,490	17,490	17,490	17,490	17,490	17,490	17,490
Other Financing	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
NET CASH FLOW	\$54,903	\$71,653	\$88,561	\$105,616	\$122,810	\$210,436	\$299,462	\$387,388	\$544,728
DEBT COVERAGE RATIO	1.07	1.09	1.11	1.13	1.16	1.27	1.38	1.49	1.69

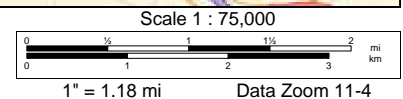
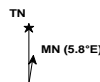
LIHTC Allocation Calculation - Mission del Rio, San Antonio, 4%HTC #04488/MRB #2004-038

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	\$1,200,000	\$1,109,250		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$9,251,800	\$9,497,898	\$9,251,800	\$9,497,898
(4) Contractor Fees & General Requirements				
Contractor overhead	\$222,036	\$222,036	\$221,036	\$222,036
Contractor profit	\$666,108	\$666,108	\$663,108	\$666,108
General requirements	\$666,108	\$666,108	\$663,108	\$666,108
(5) Contingencies	\$555,090	\$555,090	\$552,590	\$555,090
(6) Eligible Indirect Fees	\$914,500	\$914,500	\$914,500	\$914,500
(7) Eligible Financing Fees	\$818,608	\$818,608	\$818,608	\$818,608
(8) All Ineligible Costs	\$1,117,968	\$1,117,968		
(9) Developer Fees			\$2,232,713	
Developer overhead	\$446,828	\$446,828		\$446,828
Developer fee	\$1,787,310	\$1,787,310		\$1,787,310
(10) Development Reserves		\$398,435		
TOTAL DEVELOPMENT COSTS	\$19,446,356	\$20,000,139	\$17,117,463	\$17,374,486

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		\$17,117,463	\$17,374,486
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$22,252,701	\$22,586,832
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$22,252,701	\$22,586,832
Applicable Percentage		3.54%	3.54%
TOTAL AMOUNT OF TAX CREDITS		\$787,746	\$799,574

Syndication Proceeds	0.8499	\$6,695,168	\$6,795,698
Total Credits (Eligible Basis Method)		\$787,746	\$799,574
Syndication Proceeds		\$6,695,168	\$6,795,698
Requested Credits		\$792,702	
Syndication Proceeds		\$6,737,293	
Gap of Syndication Proceeds Needed		\$8,496,356	
Credit Amount		\$999,671	

Mission del Rio



RENT CAP EXPLANATION San Antonio MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2004

MSA/County: San Antonio **Area Median Family Income (Annual):** \$51,500

ANNUALLY				MONTHLY								
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)				Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)			
# of Persons	At or Below			Unit Type	At or Below				At or Below			
	50%	60%	80%		50%	60%	80%		50%	60%	80%	
1	\$ 18,050	\$ 21,660	\$ 28,850	Efficiency	\$ 451	\$ 541	\$ 721	37.00	\$ 451	\$ 541	\$ 721	
2	20,600	24,720	32,950	1-Bedroom	483	579	772		446	542	735	
3	23,200	27,840	\$ 37,100	2-Bedroom	580	696	927		44.00	536	652	883
4	25,750	30,900	41,200	3-Bedroom	669	803	1,071		51.00	618	752	1,020
5	27,800	33,360	44,500	4-Bedroom	746	895	1,195			746	895	1,195
6	29,850	35,820	47,800	5-Bedroom	824	989	1,318			824	989	1,318
7	31,950	38,340	51,100									
8	34,000	40,800	54,400									
FIGURE 1				FIGURE 2				FIGURE 3	FIGURE 4			

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$33,000 per year would fall in the 60% set-aside group. A family of three earning \$28,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 50% income bracket earning \$23,200 could not pay more than \$580 for rent and utilities under the affordable definition.

- 1) \$23,200 divided by 12 = **\$1,933** monthly income; then,
- 2) **\$1,933** monthly income times 30% = **\$580** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in **Figure 3** from the maximum total housing expense for each unit type found in **Figure 2**.

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

Mission Del Rio Homes

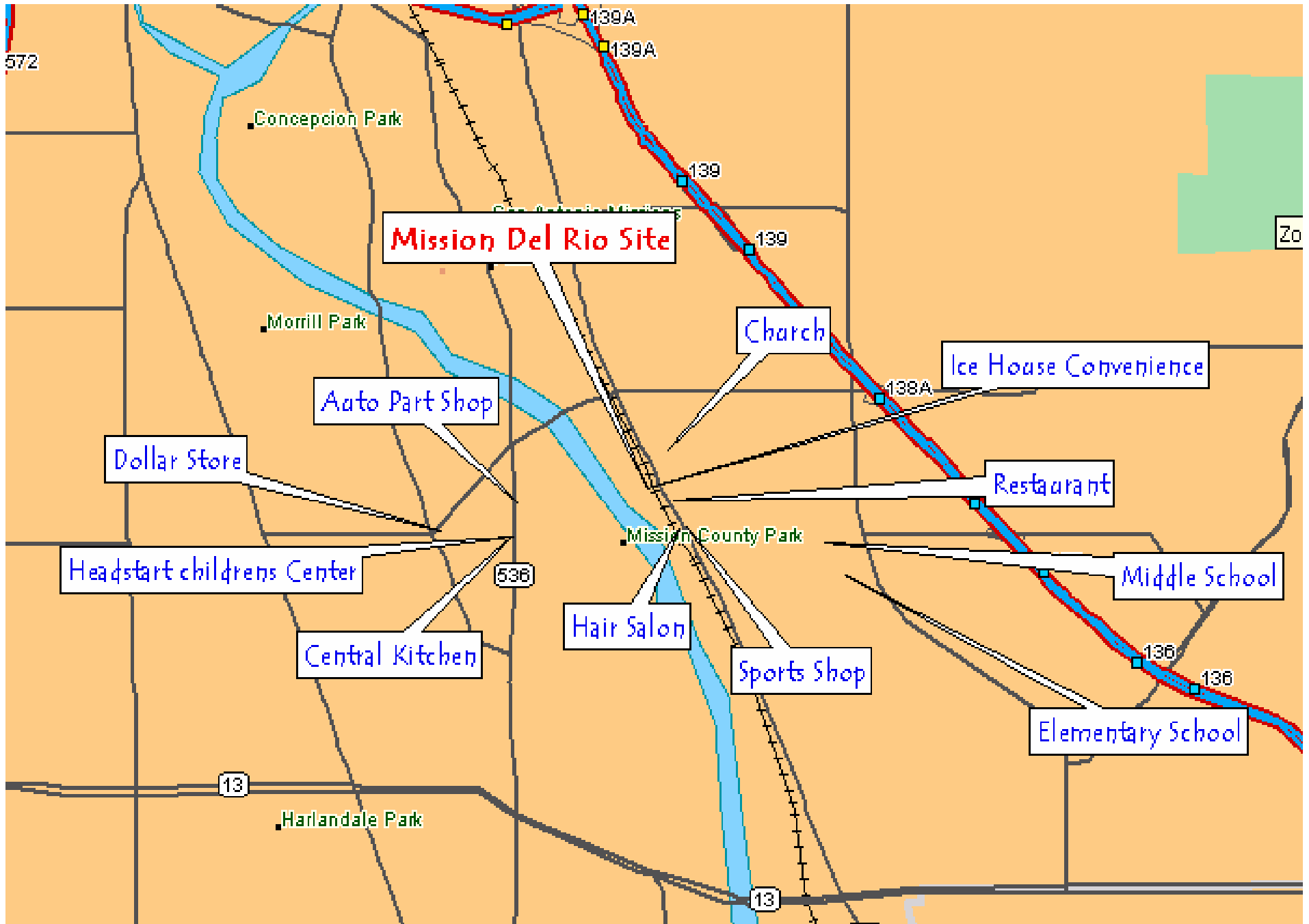
RESULTS & ANALYSIS: for 60% AMFI units

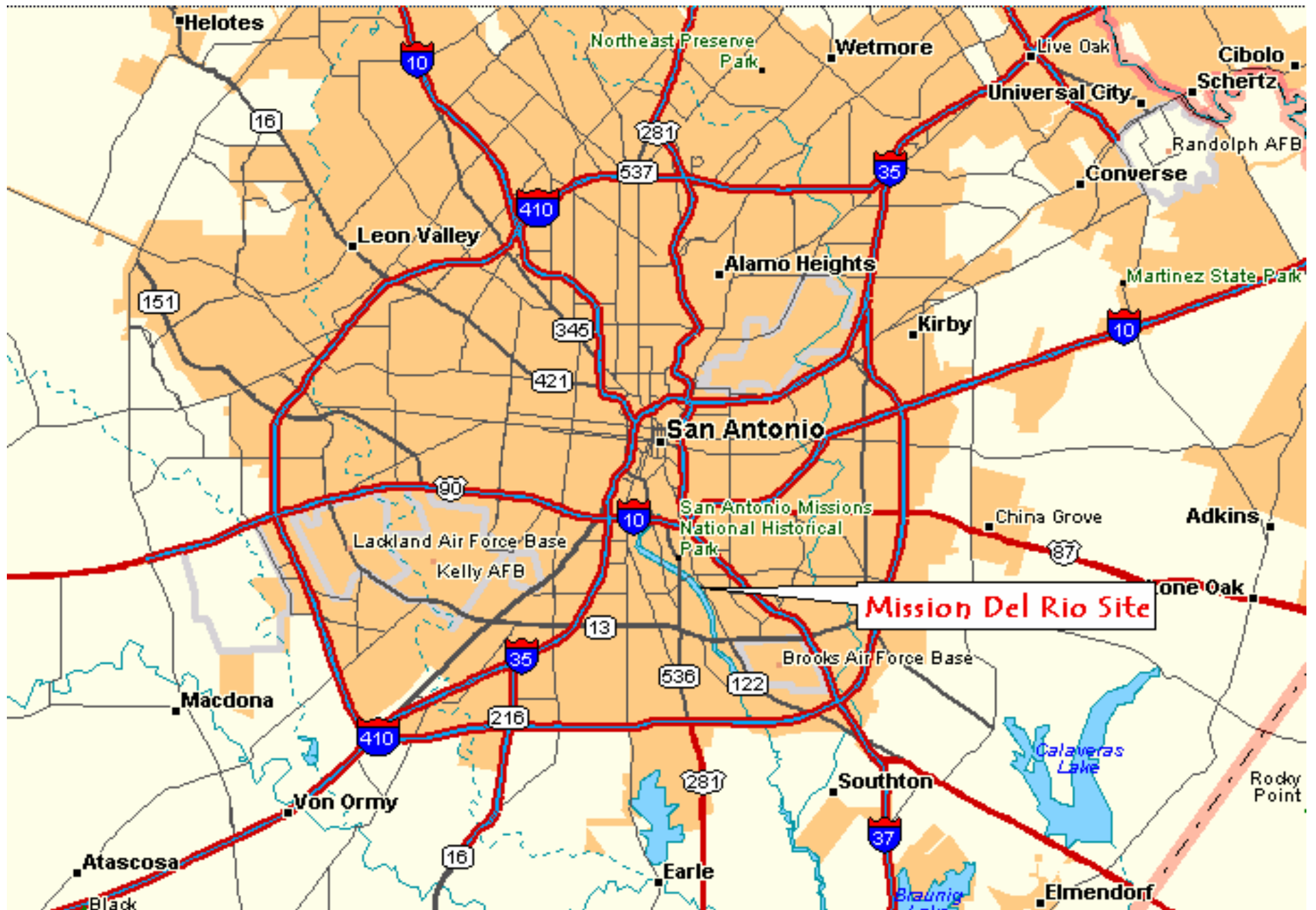
Tenants in the 60% AMFI bracket will **save \$78 to \$98** per month (leaving **3.7% to 4.2%** more of their monthly income for food, child care and other living expenses).
 This is a monthly savings off the market rents of **11.5% to 13.1%**.

PROJECT INFORMATION			
	Unit Mix		
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom
Square Footage	750	960	1,120
Rents if Offered at Market Rates	\$620	\$750	\$850
Rent per Square Foot	\$0.83	\$0.78	\$0.76

SAVINGS ANALYSIS FOR 60% AMFI GROUPING			
Rent Cap for 60% AMFI Set-Aside	\$542	\$652	\$752
Monthly Savings for Tenant	\$78	\$98	\$98
Rent per square foot	\$0.72	\$0.68	\$0.67
Maximum Monthly Income - 60% AMFI	\$2,060	\$2,320	\$2,678
Monthly Savings as % of Monthly Income	3.8%	4.2%	3.7%
% DISCOUNT OFF MONTHLY RENT	12.6%	13.1%	11.5%

Information provided by: Butler Burgher, Inc. 8150 N. Central Expressway, Suite 801, Dallas, Texas 75206. Report dated December 13, 2004.





Applicant Evaluation

Project ID # **04488**

Name: **Mission Del Rio Homes**

City: **San Antonio**

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

Members of the application did not receive the required Previous Participation Acknowledgement

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 3

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 3
grouped ten to nineteen: 0
by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 3

Projects not reported Yes
in application No

not yet monitored or pending review: 4

of projects not reported 0

Portfolio Monitoring

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Single Audit

Not applicable
Review pending
No unresolved issues
Issues found regarding late cert
Issues found regarding late audit
Unresolved issues found that warrant disqualification
(Comments attached)

Contract Administration

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewed by Patricia Murphy

Date 12/29/2004

Multifamily Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer R Meyer

Date 12/28/2004

Single Family Finance Production

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer _____

Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer _____

Date _____

Community Affairs

No relationship
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer EEF

Date 12/28/2004

Office of Colonia Initiatives

Not applicable
Review pending
No unresolved issues
Unresolved issues found
Unresolved issues found that warrant disqualification
(Comments attached)

Reviewer _____

Date _____

Financial Administration

No delinquencies found
Delinquencies found

Reviewer Stephanie A. D'Couto

Date 12/28/2004

Executive Director: Edwina Carrington

Executed: day, December 29, 2004

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Production Division

Public Comment Summary

Mission Del Rio Homes

Public Hearing

<i>Total Number Attended</i>	4
<i>Total Number Opposed</i>	0
<i>Total Number Supported</i>	4
<i>Total Number Neutral</i>	0
<i>Total Number that Spoke</i>	1

Public Officials Letters Received

<i>Opposition</i>	0
<i>Support</i>	0

General Public Letters and Emails Received

<i>Opposition</i>	0
<i>Support</i>	0

Summary of Public Comment

- 1 South San Antonio Chamber of Commerce is in support of Mission Del Rio Homes to help in revitalizing the area.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS
MISSION DEL RIO HOMES

PUBLIC HEARING

Cafeteria
Ball Elementary School
343 Koehler Court
San Antonio, Texas 78223

December 15, 2004
6:12 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Bond Administrator

I N D E X

SPEAKER

PAGE

Craig Blume

4

P R O C E E D I N G S

1
2 MS. MEYER: Good evening. My name is Robbye
3 Meyer, and I would like to proceed with the public
4 hearing. And let the record show that it is 6:12 p.m. on
5 December 15, 2004, and we are at the Ball Elementary
6 School located at 343 Koehler Court, San Antonio, Texas.

7 I'm here to conduct the public hearing on
8 behalf of the Texas Department of Housing and Community
9 Affairs with respect to an issuance of tax exempt
10 multifamily revenue bonds for a residential rental
11 community.

12 This hearing is required by the Internal
13 Revenue Code. The sole purpose of this hearing is to
14 provide a reasonable opportunity for interested
15 individuals to express their views regarding the
16 development and the proposed bond issuance. No decisions
17 regarding the development will be made at this hearing.

18 The Department's board is scheduled to meet to
19 consider this transaction on January 13, 2005. In
20 addition to providing your comments at this hearing, the
21 public is also invited to provide comment direct to the
22 board at any of its meetings, and the Department staff
23 will also accept written comments from the public up until
24 5:00 p.m. on December 30, 2004.

1 The bonds will be issued as tax exempt
2 multifamily revenue bonds in the aggregate principal
3 amount not to exceed 13,300,000, and taxable bond, if
4 necessary, in an amount to be determined and issued in one
5 or more series by the Texas Department of Housing and
6 Community Affairs.

7 The proceeds of the bonds will be loaned to
8 Chicory Court II, L.P., or a related person or affiliate
9 entity thereof to finance a portion of the cost of
10 acquiring, constructing and equipping a multifamily rental
11 housing community described as follows: a 240 unit
12 multifamily residential rental development to be
13 constructed on approximately 13 acres of land located at
14 approximately the 600 and 700 blocks of Riverside Drive in
15 Bexar County, Texas.

16 The proposed multifamily rental housing
17 community will be initially owned and operated by the
18 borrower, or a related person or affiliate entity thereof.

19 Let the record show that we have one attendee
20 that would like to speak, and his name is Craig Blume.

21 MR. BLUME: My name is Craig Blume. I reside
22 at -- business resides at 228 Losoya Street, San Antonio,
23 Texas.

24 I'm here to speak in favor of the project. I

1 work with the Avenidas Group, which is the economic
2 development arm of the South San Antonio Chamber of
3 Commerce as part of their footprint area that they perform
4 their economic development services in. This project
5 falls right -- literally right in the middle of that area.

6 And they are -- their board of directors has
7 instructed me to come and express their support and wishes
8 the development the best possible success it can have.

9 Thank you.

10 MS. MEYER: Thank you.

11 Is there anyone else that would like to speak?

12 (No response.)

13 MS. MEYER: Seeing there are no hands, I will
14 adjourn the meeting. And it is now 6:15.

15 (Whereupon, at 6:15 p.m., the hearing was
16 concluded.)

17

C E R T I F I C A T E

1
2
3 IN RE:Mission Del Rio Homes

4 LOCATION:San Antonio, Texas

5 DATE:December 15, 2004

6 I do hereby certify that the foregoing pages,
7 numbers 1 through 6, inclusive, are the true, accurate,
8 and complete transcript prepared from the verbal recording
9 made by electronic recording by Penny Bynum before the
10 Texas Department of Housing and Community Affairs.

(Transcriber) 12/20/2004
(Date)

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

SINGLE FAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 7, 2005

Action Items

Request approval of two (2) 2004 Disaster Relief Program Award Recommendations for Owner Occupied Assistance (OCC) utilizing deobligated HOME funds, for total awards in the amount of \$1,040,000.00.

Required Action

Approve the Disaster Relief Program Award Recommendations.

Background and Recommendations

Summary

Two (2) Disaster Relief Program applications were submitted to the Department requesting funding under the State Declared disaster for severe storms and flooding which occurred on April 4-5, 2004. Zavala County and the City of Crystal City are each requesting \$500,000.00 in project funds and \$20,000.00 in administrative funds. The applicants and recommended funding are summarized below:

Application Number	Applicant	Region	Activity	Project Funds Requested	Admin. Funds Requested	Units Requested
DR2004-0279	Zavala County	11	OCC	\$500,000.00	\$20,000.00	10
DR2004-0282	City of Crystal City	11	OCC	\$500,000.00	\$20,000.00	10
				\$1,000,000.00	\$40,000.00	20

Project Funds Recommended: \$1,000,000.00

Administrative Funds Recommended: \$ 40,000.00

Total Funds Recommended: \$1,040,000.00

Recommendation

Staff recommends approval of two (2) Disaster Relief Program applications for Owner Occupied Housing Assistance utilizing HOME deobligated funds. Sufficient deobligated funds are available to make these awards and are recommended in accordance with the TDHCA Deobligation Policy, adopted by the Board on January 17, 2002. Staff also recommends and requests approval of 4% administrative funds to both applicants, based on the amount of project dollars recommended.

EXECUTIVE SESSION

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

Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning the 2005 Housing Tax Credit Program Qualified Allocation Plan And Rules

Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning Pending or Contemplated Litigation

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS

Executive Directors Report

1. Department Outreach Activities – Meetings, Trainings, Conferences, Workshops for December, 2004
2. Quarterly Report of Housing Tax Credit Transfers
3. Texas House Committee on Urban Affairs Interim Report 2004

ADJOURN

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

Individuals who require auxiliary aids, services or sign language interpreters 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.

Non-English speaking individuals who require interpreters for this meeting should contact Delores Groneck, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.